The Restaurant Group plc

Annual Report 2015

Introduction

The Restaurant Group operates over 500 restaurants and pub restaurants. Its principal trading brands are Frankie & Benny's, Chiquito and Coast to Coast. The Group also operates Pub restaurants and a Concessions business which trades principally at UK airports.

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PROUD TO BE trg

Frankie & Benny's NEW YORK ITALIAN RESTAURANT & BAR

CHIQUITO RESTAURANT BAR & MEXICAN GRILL

COAST TO COAST AMERICAN RESTAURANT & BAR

JOE'S KITCHEN FEEL GOOD FOOD, DAY & NIGHT

Brunning & Price LIMITED

trg concessions

GARFUNKEL'S RESTAURANT

Financial highlights

A strong performance

The Group delivered another record set of results in 2015 with significant growth in revenues, profits and cash flow:

- Revenue increased to £685.4m (like-for-like sales +1.5%)
- EBITDA increased to £128.0m
- Profit before tax increased to £86.8m
- EPS increased to 33.8p per share
- Proposed full year dividend increased to 17.4p per share

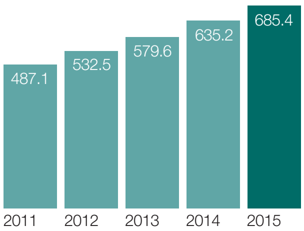
Operations strongly cash generative. Free cash flow £97.2m, up 13.7%

Roll out continues:
- 44 new sites opened in the period

www.trgplc.com

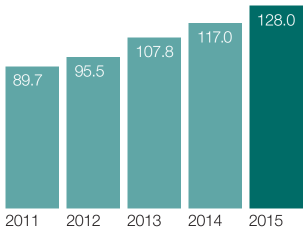
Total revenue (£m)

+7.9%



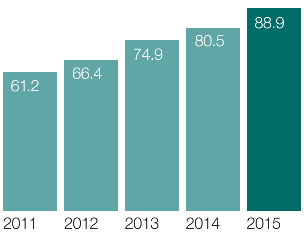
Adjusted EBITDA (£m)

+9.4%



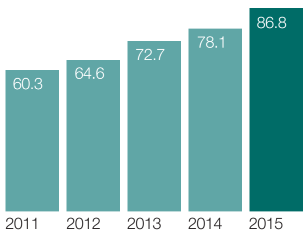
Operating profit (£m)

+10.5%



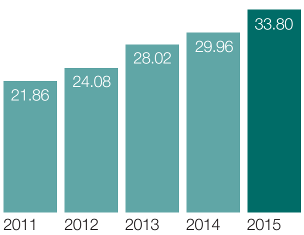
Profit before tax (£m)

+11.2%



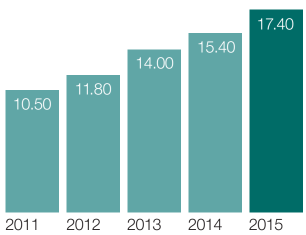
EPS (p)

+12.8%



Dividend per share (p)

+13.0%



"Our objective over the coming years is to build on the firm foundations that are in place."

1995
1st Frankie & Benny's opens

2001
Concessions Division launched

Alan Jackson appointed Chairman

2004
Name changed from City Centre Restaurants plc to The Restaurant Group plc

£250m
Annual turnover reaches £250m

2007
50th Chiquito opens

Brunning & Price acquired

2008
350th restaurant opens

2011
200th Frankie and Benny's opens

First Coast to Coast opens

2012
£500m
Annual turnover reaches £500m

2013
70th Chiquito opens

2014
50th Pub opens

Danny Breithaupt appointed Chief Executive Officer

£600m
Annual turnover exceeds £600m

2015
500th Restaurant opens

£650m
Annual turnover exceeds £650m

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 UK, and trades successfully in leisure and retail locations, standalone sites and at six airports. The estate spreads across the country from Aberdeen to St Austell.

www.frankieandbennys.com

261 Restaurants

14 New openings in 2015

CHIQUITO
RESTAURANT BAR & MEXICAN GRILL

Mexican for fun, fantastic food, amazing atmosphere – for a good time, guaranteed. The Chiquito menu offers a great range of authentic Mexican and '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 breakfast, 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 25 years, Chiquito continues to attract a broad mix of young adults, couples, teenagers, families and large parties. Leisure, retail and stand-alone restaurants cover the UK with more openings planned.

www.chiquito.co.uk

86 Restaurants

9 New openings in 2015

COAST TO COAST
AMERICAN RESTAURANT & BAR

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 – mind blowing double burgers, stone-baked calzones, distinctive steaks, amazing seafood dishes 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 see significant opportunities to grow Coast to Coast further.

www.c2crestaurants.com

21 Restaurants

8 New openings in 2015

Brunning & Price
LIMITED

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 change 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.brunningandprice.co.uk

54	Pub restaurants
3	New openings in 2015

trg concessions

The Group'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 outlets in the UK's busiest airports, other transport locations and shopping centres, we have more than 21 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.

www.trgconcessions.co.uk

61 Sites

7 New sites opened in 2015

New openings in 2015

3

JOE'S KITCHEN
FEEL GOOD FOOD, DAY & NIGHT

Joe's is all about sharing wholesome and wonderfully tasty food. The menu is eclectic and inspired by comfort dishes from around the world, from our superfood salad to beef and ale pie, with a spectrum of tasty dishes in between.

We rustle up creative yet relaxed food and serve well-chosen wine from independent wineries around the globe. The atmosphere is relaxed and chilled and the rustic interior furnished with random finds from local markets, is comfortable and unpretentious but interesting and individual.

www.joeskitchen.co.uk

13
Restaurants

GARFUNKEL'S
RESTAURANT

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 and great coffee, made just the way you like it. For lunchtime our salad bar really hits the spot, it is fast, it is fresh and you can make it any way you want to. And of course there are 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.

www.garfunkels.co.uk

Over 500 restaurants across the UK

Number of restaurants and locations

Scotland – 56
30 Frankie & Benny's
10 Chiquito
08 TRG Concessions
08 Coast to Coast

Northern Ireland – 08
07 Frankie & Benny's
01 Chiquito

Wales – 25
15 Frankie & Benny's
05 Chiquito
05 Pub restaurants

South West – 33
22 Frankie & Benny's
08 Chiquito
01 Garfunkel's
02 TRG Concessions

South East – 112
42 Frankie & Benny's
16 Chiquito
22 Pub restaurants
26 TRG Concessions
06 Coast to Coast

London (inside the M25) – 48
19 Frankie & Benny's
06 Chiquito
12 Garfunkel's
04 Pub restaurants
05 TRG Concessions
02 Coast to Coast

East Anglia – 34
18 Frankie & Benny's
06 Chiquito
02 Pub restaurants
07 TRG Concessions
01 Coast to Coast

Midlands – 71
42 Frankie & Benny's
15 Chiquito
01 Pub restaurants
04 TRG Concessions
09 Coast to Coast

North West – 75
32 Frankie & Benny's
11 Chiquito
09 TRG Concessions
20 Pub restaurants
03 Coast to Coast

North East – 44
34 Frankie & Benny's
08 Chiquito
02 Coast to Coast

Chairman's statement

Alan Jackson
Chairman

"...another record set of financial results in 2015."

I am pleased to report that the Group has delivered another record set of financial results in 2015, with double digit growth in profits and earnings per share and strong growth in cash flow generation. This has been achieved despite a more challenging trading backdrop.

We made good progress on our opening programme with a total of 44 new restaurants opened during the year, taking us past the 500 mark for the first time. The Group has a consistent and successful track record established over a number of years of opening new restaurants. We expect to open a similar number of restaurants during 2016.

During the year the Group created over 1,500 new jobs and at the end of the year, we employed over 16,000 people. Good people are the life blood of our business and the continued growth and success of the Group is the product of the hard work, experience and dedication of all our staff. On behalf of the Board, I would like to record our thanks and appreciation to all our colleagues across the country.

As a result of this record financial performance, the Board is recommending a final dividend of 10.6 pence per share to give a total for the year of 17.4 pence per share, an increase of 13% on the prior year. The dividend is covered 2x by earnings per share in line with our stated dividend policy. Subject to shareholder approval at the Annual General Meeting to be held on 12 May 2016, the final dividend will be paid on 6 July 2016 and the shares will be marked ex-dividend on 16 June 2016.

This is my last Chairman's statement. As announced earlier this year I will be retiring at the end of the AGM on 12 May 2016. This will be the end of a 15 year journey for me during which time we have transformed the Company from being loss making in 2001 to the successful business of today.

It has been a terrific journey but now is the time to hand over to my successor Debbie Hewitt. As I said earlier this year when Debbie's appointment was announced, I am delighted that she has agreed to succeed me. Debbie has strong business credentials and I know she will add insight and guidance to the Board as she leads the Company through the next stages of growth.

TRG has a great team of people led by Danny Breithaupt and a strong roster of market-leading brands and offerings, backed by the financial resources to maximise the opportunities over the coming years. I am therefore confident that TRG will continue to make strong and profitable progress.

Alan Jackson
Chairman

9 March 2016

Revenue (£m)
685.4

Dividend per share (p)
17.4

New restaurants
44

EBITDA (£m)
128.0

Business review

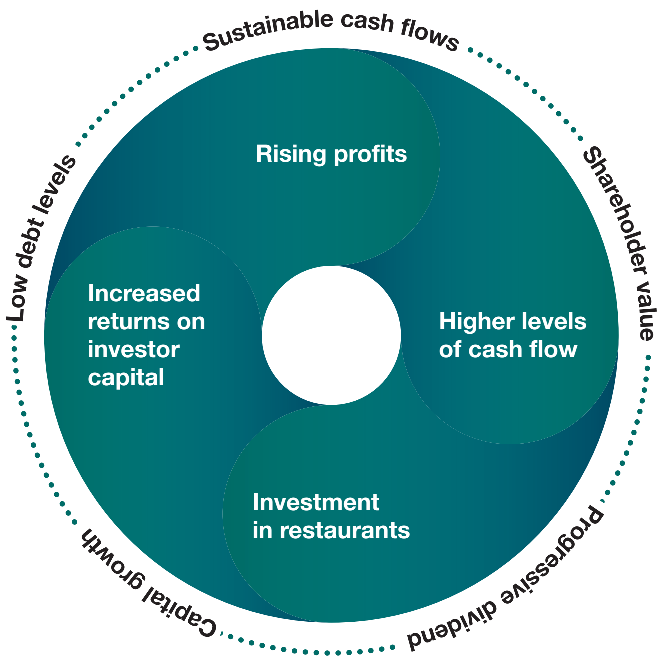
Danny Breithaupt
Chief Executive Officer

"Strong results in a challenging market."

Overview of the year

2015 has been another year of good progress with growth in turnover, profits and cash flow. Turnover was up 8% and profit before tax was up 11%, a strong result against the backdrop of a challenging market. Free cash flow increased by £11.7m to £97.2m. We have started to change the balance of the portfolio with the mix of the restaurants we opened during the year. These are performing well and are set to deliver returns on investment in line with our usual parameters.

Trading patterns during the year were at times volatile, with weekends generally being strong, but midweek trading continuing to be softer. We had some strong trading periods, particularly in the first half of the year. There were also some more challenging periods, particularly towards the end of the year, when we saw weaker consumer demand exacerbated by floods in the North of the country and lower retail footfall. Against this backdrop the full year like-for-like sales performance of 1.5%, which was in line with the wider market, represents a creditable performance.



Brands

Frankie & Benny's (261 units)

Frankie & Benny's delivered growth in turnover, margins and profits. The new menu launched during the year included some rationalisation to reduce the total number of items, while at the same time introducing a greater element of freshness. Breakfast continues to be a growing and successful part of the business and further improvements to this are being introduced during 2016. A new App for the brand was launched towards the end of the year which is proving popular with our guests and enables us to collect much more granular information about our customers, their spending patterns and preferences. Of all our brands, Frankie & Benny's is the most exposed to some of the underlying challenges around retail footfall and the increased number of competitor openings and we have certainly seen the impact of this, particularly in the more retail focused locations. During the year we opened 14 new restaurants in this brand and we expect to open a similar number in 2016. The breadth of appeal of Frankie & Benny's, particularly to families, combined with high levels of customer recognition both contribute to its enduring success. This is evidenced by strong performances from our new openings and continuing high levels of individual site profitability.

Chiquito (86 units)

Chiquito had another good year with strong growth in turnover, margins and profits. The major changes introduced into this brand some years ago continue to generate significant improvements in trading performance. During the year we opened nine Chiquito restaurants, which are trading extremely well. We expect to open a similar number during 2016 and we see this as a key growth engine for the Group over the next few years. The core target market for this brand is young adults, a distinct market segment to both Frankie & Benny's and Coast to Coast.

Coast to Coast (21 units)

Coast to Coast also had a good year with growth in turnover and profits. Having opened our first Coast to Coast in Brighton at the end of 2011, this brand has carved out a distinctive market position for itself as a brand very much focused on the adult market looking for a more premium offering in a more sophisticated environment. During the year we opened eight Coast to Coast restaurants and we are very pleased with how these are performing. Stand out new openings for this brand during the year were at the Trafford Centre and the Aberdeen Union Square development. We expect to open between five and seven sites in 2016. As with Chiquito, this brand will become an increasingly important driver of growth for the Group going forward.

Pub restaurants (54 units)

Our Pub restaurant business performed extremely well in 2015. There is a growing market for this traditional, quality, food-led pub offering. Our pubs have broad appeal and in particular attract the affluent grey market. During the year we opened three new Pub restaurants. We are broadening the geography of this business, which has historically been focused on the North West and South East. In particular we are now opening sites in the Midlands. The pipeline for 2016 is well developed and we expect to open between five and seven new pubs during the year.

Concessions (61 units)

Concessions had a year of strong growth in turnover and profit. During the year we opened seven new units, notable among which were three prominent units at the redeveloped Stansted Airport, including the first Coast to Coast in an airport environment. During 2016 we expect to open two to four new concession outlets. We have a market-leading position in this sector, which continues to have strong underlying fundamentals in terms of passenger growth and dwell times.

Business review continued

Business model, strategy and market developments

Operating in the growing UK eating out market, our core objective is to grow shareholder value by building a business which delivers long-term, sustainable and growing cash flows. Within this market our strategy is to focus on areas where there are meaningful barriers to entry, good growth prospects and strong returns. Our growth model is primarily based on organic roll out of new sites across our portfolio of brands.

Our various different brands and offerings, most of which have been internally developed, address differing occasions and segments of the market. This means that, depending on market size, we can often open multiple brands alongside each other in the same location and each will deliver strong financial returns. Whilst most of our new sites are leasehold, we also acquire freehold premises where these give a satisfactory level of return. Although not a core part of our development plans, we will consider acquisitions of existing businesses where there is a clear strategic rationale and where this would enhance shareholder returns.

Our market continues to develop to meet changing tastes and trends in consumer behaviour. The growth of online shopping, resulting in lower footfall at some of the retail schemes where we operate has clearly had an impact. In addition, a greater range and number of branded restaurant offerings and food-led pubs run by a number of operators are providing a higher level of competition. We are very much alive to these changes, which we monitor closely. We will continue to adapt and evolve our business as necessary in order to navigate our way through this changing environment and to ensure that we continue to deliver strong returns for shareholders.

Business strengths

TRG is well placed to continue performing strongly in the current market environment and will continue to benefit from the core strengths and competencies of the Group.

1. Range of brands and offerings

TRG has a well segmented range of brands and offerings appealing to different audiences and occasions. We believe this is a unique attribute of our business. In our Leisure portfolio, Frankie & Benny's main focus is the family market where it continues to enjoy huge loyalty and success. Our Chiquito business is focused on the young adult market, people looking for a higher tempo occasion. Coast to Coast is designed to appeal to a more affluent adult market with a more sophisticated menu and environment. The fact that these three brands all have their own specific market segments means that they can be co-located and operate successfully in the same geographical location.

Our Pub business appeals to another type of occasion and has broad appeal across a range of age groups, also attracting the affluent grey market. Finally, in our Concessions business we have a market-leading position providing food and beverage offerings in UK airports, where we continue to benefit from growing passenger numbers and dwell times.

2. Roll out capability

All of the brands described above have substantial roll out scalability in the UK. We are confident that we can expand the Group to 850+ restaurants, all financed out of internally generated cash flow. As we have clearly demonstrated in the past the Company has the financial and operational capability to deliver this scale of roll out successfully while maintaining consistently high levels of return.

3. Infrastructure and people

The Company has strong infrastructure in terms of people, processes and systems to successfully manage a growing business of this size and scale. We have strengthened our teams and other elements of infrastructure in recent years to support the continued growth of the Group.

4. Financial strength

The Group's financial strength and disciplined focus on return on investment and cash flow means that we have the financial capacity to deliver on our long-term growth objectives. This financial strength also means that we can continue to invest in maintaining our existing sites and infrastructure to a high standard and at the same time pay a growing level of dividend.

Business priorities

During 2016 our priorities will be:

- Continued focus on improving levels of customer service and food quality to ensure that our guests always have a great experience when they visit one of our restaurants or pubs. We are implementing new guest experience measurement processes during 2016 to ensure we are able to properly monitor and respond to the feedback appropriately.
- Ongoing evolution and development of our brands and offerings to ensure they remain relevant to the changing tastes of UK consumers. During 2016, building on the work undertaken in Frankie & Benny's during 2015, we will continue to evolve our menus to ensure that they stay relevant. These developments include a new breakfast menu in Frankie & Benny's, introduction of a street food section on the Chiquito menu and a new menu in Coast to Coast including some fresher and lighter options.
- Continuing to exploit new technology to improve our business, whether this be improved back of house systems or leveraging the new Frankie & Benny's App referred to earlier, to improve guest communication and experience.

- Managing our cost base to ensure we continue to run the business efficiently. In 2016 this will include initiatives to mitigate the impact of the National Living Wage, such as better rostering and improved labour productivity. We will also be maintaining our relentless focus on driving efficiencies in our supply chain, whilst at the same time closely managing all other areas of our cost base.
- Open new restaurants which continue to provide good returns on investment. At the same time we will continue to develop our pipeline of future openings to secure the continued successful roll out of our brands in future years.

Current trading and outlook

After 10 weeks trading in 2016 total sales are up by 6% and like-for-like sales are down by 1.5%. The more challenging trading conditions we saw at the end of last year have continued into the early part of 2016, reflecting a softening in consumer demand and weaker overall consumer confidence. Whilst still early in the year, our assessment is that this more challenging environment and recent trading patterns are likely to persist. Although total sales will continue to increase as our new restaurants open and deliver good returns, in the current environment consistent like-for-like sales increases are likely to be difficult to generate.

However, notwithstanding this backdrop, we are confident that the underlying strengths of our business and brands, combined with the mitigating actions we are taking, will ensure that TRG continues to making profitable progress in 2016 and the years ahead.

Financial review

Stephen Critoph
Chief Financial Officer

Results

TRG performed strongly again in 2015 with good growth in turnover and profits, summarised in the table below:

	2015 £m	2014 £m	% change
Revenue	685.4	635.2	+7.9%
Site EBITDA	170.5	154.4	+10.4%
Branch profit	132.3	118.6	+11.5%
%	19.3%	18.7%	
Administration	(38.0)	(33.4)	
Underlying operating profit	94.3	85.2	+10.7%
%	13.8%	13.4%	
Pre-opening costs	(5.4)	(4.7)	
EBITDA	128.0	117.0	+9.4%
%	18.7%	18.4%	
Operating profit	88.9	80.5	+10.5%
%	13.0%	12.7%	
Interest	(2.1)	(2.4)	
PBT	86.8	78.1	+11.2%

Total revenue increased by 7.9%, a product of 1.5% like-for-like sales growth and the impact of new openings. Total EBITDA for the year was £128m, an increase of 9.4% on the prior year and operating profits increased by 10.5% to £88.9m. Group operating margin for the year was 13.0%, an increase of 30 basis points on the prior year. Within this, our administration cost base increased as a percentage of turnover by 30 basis points, reflecting the increase in resource in many of our central support functions during the latter part of 2014. This was more than offset by efficiencies elsewhere and the benefit of minimal food cost inflation, resulting in the overall 30 basis point improvement in margin.

Interest costs were a little lower this year, partly due to a lower level of average net debt during the year and partly due to improved terms under the new financing arrangements which were completed in June. This resulted in total profit before tax of £86.85m, an 11.2% increase on the prior year. The average tax rate in the year was 22.4%, a little lower than the prior year, resulting in earnings per share of 33.8p, an increase of 13% on the prior year.

Cash flow

Cash generation was again strong. Free cash flow increased by over 13% to £97.2m. After development capital expenditure of £55.1m, £32.1m of dividend payments and other non-trading items, net debt reduced by £10.2m in the year to £28.4m at year end. Set out below is a summary cash flow for the year:

	2015 £m	2014 £m
Operating profit	88.9	80.5
Working capital and non-cash adjustments	7.5	8.0
Depreciation	39.1	36.5
Operating cash flow	135.5	125.0
Net interest paid	(1.0)	(1.3)
Tax paid	(17.6)	(18.2)
Maintenance capital expenditure	(19.7)	(20.0)
Free cash flow	97.2	85.5
Development capital expenditure	(55.1)	(50.1)
Dividends (ordinary)	(32.1)	(29.5)
Purchase of shares for EBT	(1.7)	(5.3)
Other items	1.9	2.7
Net cash flow	10.2	3.3
Net bank debt brought forward	(38.6)	(41.9)
Net bank debt carried forward	(28.4)	(38.6)

Cost inflation
Food cost inflation continued to be negligible during 2015. This was due to a number of factors including the relative strength of sterling against the Euro, generally good harvests in recent years and a slowdown in demand from China and other emerging markets. In addition, we have continued to focus on the rationalisation of our supply chain as part of our continuous drive to improve efficiency in this area. We expect the outlook for food and beverage inflation in 2016 to continue to be benign.

During 2015 we saw a significant increase in underlying wage cost inflation above and beyond the minimum wage increases. We expect this to be a continuing trend for the time being, particularly given the introduction of the National Living Wage in April, which will add some £2m of incremental direct cost in 2016. The most recent data suggests that the pace of wage inflation may be abating, however any benefit from this is likely to be offset by the National Living Wage impact.

Our other two largest costs items are rent and utility costs. Rental inflation continues to increase modestly, driven by better underlying economic fundamentals. Utility cost inflation on the other hand continues to be negligible, with reductions in the wholesale cost of energy being offset by increases in regulatory and infrastructure levies.

Capital expenditure
During the year the Group invested a total of £74.8m in capital expenditure compared to £70.1m in the prior year. We invested £19.7m in maintenance and refurbishment expenditure and £55.1m in development expenditure. During the year we opened a total of 44 new sites. 10 sites closed in the year including a number of marginal end of life leases which we declined to renew. In addition we closed a number of airport concessions which had reached the end of their contractual life, although in a number of cases these have been replaced with new sites (e.g. Stansted Airport). The table below summarises openings and closures during the year:

	Year end 2014	Opened	Closed	Transfers	**Year end 2015**
Frankie & Benny's	247	14	(1)	1	**261**
Coast to Coast/ Filling Station	20	8	–	–	**28**
Chiquito	80	9	(3)	–	**86**
Garfunkel's	15	–	–	(2)	**13**
Joe's Kitchen	–	3	–	–	**3**
Pub restaurants	52	3	(1)	–	**54**
Concessions	58	7	(5)	1	**61**
Total	**472**	**44**	**(10)**	**–**	**506**

Financing and key financial ratios
During the year the Group renewed its £140m credit facility, which now runs until June 2020. The new facility is on generally more favourable terms than the previous facility and this has contributed to a modest reduction in our interest costs. The key covenant tests are the same as under the previous arrangement. These are summarised in the table below with other key financial ratios:

	Banking covenant	**2015**	2014
Banking covenant ratios:			
EBITDA/interest cover	>4x	**63x**	49x
Net debt/EBITDA	<3x	**0.24x**	0.34x
Other ratios:			
Fixed charge cover	n/a	**2.7x**	2.7x
Balance sheet gearing	n/a	**10%**	16%

Tax
The total trading tax charge for the year was £19.4m, summarised as follows:

	2015 £m	2014 £m
Corporation tax	**19.1**	18.1
Deferred tax	**0.3**	(0.1)
Total	**19.4**	18.0
Effective tax rate	**22.4%**	23.0%

The effective trading tax rate for the year was 22.4% compared to 23.0% in the prior year. The lower tax rate reflects the ongoing reduction in the mainstream corporation tax rate and we would expect to see a further small reduction in 2016. As noted in previous reports 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 capital expenditure therein.

Financial review continued

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, where we can be confident of delivering good growth in profits and cash flows and where there is 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 in airports. Our offerings continue to provide good value for money in comfortable surroundings with excellent service from our dedicated teams.

The Group's strategy is to deliver further 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 complex market where our management teams have market-leading expertise and a track record of innovation and improving sales performance. The Group continues to look for opportunities to expand this business.

Principal risk factors

The Board of Directors regularly identify, monitor and manage potential risks and uncertainties to the Group and during the year the Board carried out a robust assessment of the principal risks. Set out below is a list of what the Directors consider to be the current principal risks and uncertainties of the Group together with the mitigation process. This list is not presumed to be exhaustive and is, by its very nature, subject to change.

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
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
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; 3rd party security reviews
Cyber security failure leading to revenue or reputational loss	Security reviews and scans and follow up remediation; improvements to corporate, supplier and employee incident response plans and communications; continued investment in new and improved systems; 3rd party reviews and continual improvement of existing protection and processes

Long-term viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, 2014 revisions, the Directors have assessed the viability of the Group over a three year period to December 2018, taking account of the Group's current position and the potential impact of the principal risks noted above. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018.

In making this statement, the Board have considered the resilience of the Group by subjecting the annual and rolling three year business plan, approved by the Board in June 2015, to severe but reasonable scenario analysis, modelling the impact of principal risks, where appropriate, as set out in this report on pages 18 to 21. The Directors have considered the impact of the principal risks on free cash flow, headroom in available bank facilities and bank covenant hurdles as well as the security of available long-term funding.

The Directors believe that three years is the appropriate horizon over which to evaluate longer term viability as this is consistent with Group and brand development plans and broadly consistent with visibility of new site development opportunities.

Key performance indicators

The Board 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. Group like-for-like is calculated by comparing the performance of all mature sites in the current period vs. the comparable period in the prior year.

New sites opened

The expansion of our brands is a key driver of the Group's profitability. 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.

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.

Operating profit margin

The Board and management closely monitor profit margins as an indicator of operating efficiency within restaurants and across the Group.

Return on invested capital

The Group closely scrutinises the returns on invested capital from new site openings and the performance of new sites is subject to periodic post completion reviews which are reported to and considered by the Board.

People

As at 27 December 2015, 49% of the Group's total workforce of over 16,000 were women. Two (29%) members of the Board are female. Three (23%) of the senior executive team (excluding Directors) are female. The Board's approach to gender diversity is covered in more detail in the report of the Directors.

The Group's operations are located wholly within the UK and the Company respects all relevant human rights legislation. Further information on the Group's social and community engagement can be found in the corporate responsibility report on page 35.

Greenhouse gas emissions

The disclosure concerning greenhouse gas emissions required by law are included in the corporate responsibility report on page 38.

Approved by the Board of Directors and signed on its behalf by:

Stephen Critoph
Chief Financial Officer

9 March 2016

Board of Directors as at 27 February 2016

Alan Jackson ★
Non-executive Chairman[1]

Alan joined the Company as executive Chairman in March 2001 and became non-executive Chairman in January 2006. He has a wealth of experience in the leisure sector. For 18 years, from 1973 to 1991, Alan 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. Alan was formerly deputy Chairman of Redrow Plc and is currently non-executive Chairman of Playtech plc.

Stephen Critoph
Chief Financial Officer

Stephen was appointed as Finance Director of the Company in September 2004. In September 2014 he was promoted to the role of Chief Financial Officer. Previously Stephen 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.

Danny Breithaupt ★
Chief Executive Officer

Danny joined the Company in 2001. He held a number of senior positions within Frankie & Benny's, becoming Operations Director in 2003 and Managing Director in 2009. During his time leading Frankie's the brand grew from 75 to over 200 units. In 2011 Danny led the successful launch of the new Coast to Coast brand and was appointed Managing Director of the Group's Leisure business in 2012 and Chief Executive Officer on 1 September 2014. His earlier career included 10 years with Bella Pasta, then part of Whitbread.

◆ Member of the Remuneration Committee
✤ Member of the Audit Committee
★ Member of the Nomination Committee
○ Committee Chair

1 With effect from the end of the AGM, to be held on 12 May 2016, Alan Jackson will retire from the Board and Debbie Hewitt will, subject to her re-election as a Director, succeed Alan Jackson as Chairman of the Company.
2 On 4 April Mike Tye joined the Board as independent non-executive Director. With effect from the end of the AGM, to be held on 12 May 2016, Tony Hughes will retire from the Board and Mike Tye will replace him as Chairman of the Remuneration Committee. Simon Cloke will succeed Tony Hughes to become senior independent non-executive Director.

Tony Hughes◈✤✪
Senior independent non-executive Director[2]

Tony was appointed as a non-executive Director of the Company in January 2008. Tony 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◆❂★
Independent non-executive Director[2]

Simon 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 as well as a number of HSBC's largest UK corporate relationships.

Sally Cowdry◆✤★
Independent non-executive Director

Sally was appointed as a non-executive Director of the Company in March 2014. Sally is Consumer and Retail Director at Camelot Lotteries UK Ltd, accountable for the strategic development and commercial performance of The National Lottery and its portfolio of games. Prior to joining Camelot in 2013, Sally was Marketing and Consumer Director at O2.

Debbie Hewitt MBE◆✤★
Independent non-executive Director[1]

Debbie was appointed as a non-executive Director on 1 May 2015. She is currently non-executive Chairman of Moss Bros Group Plc and senior non-executive Director of Redrow Plc and NCC Group Plc. She also holds non-executive roles in the following private companies: White Stuff Ltd, Domestic and General Ltd, BGL Group Ltd and Visa UK Ltd, a subsidiary of Visa Inc.

Her executive career was spent at RAC Plc where she was Group Managing Director and prior to that she was in retail management with Marks and Spencer. She is a Fellow of the Chartered Institute of Personnel Development and was awarded the MBE for services to Business and the Public Sector in 2011.

Report of the Directors

The report of the Directors comprises these pages 28 to 34 and the other sections and pages of the Annual Report and Accounts cross referred below which are incorporated by reference. As permitted by legislation, certain disclosures normally included in the report of the Directors have instead been integrated into the strategic report (pages 16 to 25). These disclosures include information relating to future business developments (references throughout the strategic report) and the Group's principal risks and uncertainties (page 24).

UK Corporate Governance Code

The Company is committed to high standards of corporate governance and observing the principles of corporate governance contained in the UK Corporate Governance Code issued in 2014 (Code) by the Financial Reporting Council (FRC) for which the Board is accountable to shareholders. The Code is available to view in full on the FRC website (www.frc.org.uk).

Throughout the year ended 27 December 2015, the Company has complied with the principles set out in the Code except for the independence of the Chairman (who was previously executive Chairman before being appointed to the role of non-executive Chairman in January 2006). As announced on 26 January 2016, Debbie Hewitt will, subject to re-election by shareholders, succeed Alan Jackson as Chairman of the Board with effect from the end of the Annual General Meeting (AGM) 2016, to be held on 12 May 2016. Further explanation of how the Main Principles of the Code have been applied are set out below and also in the Directors' remuneration report and the Audit Committee report.

Articles

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

Subsidiaries, joint ventures and associated undertakings

The Group has over 30 subsidiaries. A list of these can be found on page 91 (note i) to the Company's financial statements.

Results and dividends

The results for the year are set out in the consolidated income statement on page 64. This shows a Group profit after tax of £68.9m (2014: £67.0m). The closing mid-market price of the ordinary shares on 27 December 2015 was 680.0p and the range during the financial year was 638.5p to 738.5p.

Dividend		Increase
Interim dividend		
Paid on 8 October 2015	6.8p per share	+11.5%
Final dividend		
Subject to shareholder approval, payable on 6 July 2016 to shareholders on the Register of Members at the close of business on 17 June 2016	10.6p per share	+14%
Total dividend payable in respect of 2015	17.4p per share	+13%

For more information on the Company's dividends, see note 9 on page 73.

Directors

The Directors who held office during 2015 were as follows: Danny Breithaupt, Stephen Critoph, Alan Jackson, Tony Hughes, Simon Cloke, Sally Cowdry and Debbie Hewitt.

Each of the non-executive Directors (excluding the Chairman) are considered by the Board to be independent. Each Director demonstrates a range of experience and sufficient calibre to bring independent judgement on issues of strategy, risk management, performance, resources and standards of conduct which are vital for the success of the Group.

Biographies of the Directors are available on pages 26 and 27.

In accordance with the Code, the 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.

Directors' shareholdings

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

	At 10 February 2016	At 27 December 2015	At 28 December 2014
Executive Directors			
Danny Breithaupt	61,898	61,898	52,703
Stephen Critoph	189,220	189,220	275,220
Non-executive Directors			
Alan Jackson	250,191	250,191	250,191
Tony Hughes	200,000	200,000	400,000
Simon Cloke	7,000	7,000	7,000
Sally Cowdry	1,000	1,000	1,000
Debbie Hewitt	11,305	11,305	n/a

For further details of Directors' remuneration and interests in the Company's shares and options, together with information on service contracts see pages 39 to 52 of the Directors' remuneration report.

Role of 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. 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.

There is a formal schedule of matters specifically reserved for the Board's consideration. This includes items such as the approval of the annual budget and the three year business plan, approval of the interim report and year-end annual 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 regularly report that performance to the Board. The Board is responsible for reviewing, challenging and approving the strategic direction of the Group.

Role of the non-executive Chairman and Chief Executive Officer

The roles of non-executive Chairman and Chief Executive Officer are clearly defined. The Chairman, Alan Jackson, is responsible for the leadership and effectiveness of the Board and the Chief Executive Officer, Danny Breithaupt, is responsible for the strategic direction and operational management of the Group.

Role of the senior independent Director

As senior independent non-executive Director, Tony Hughes is available to liaise with shareholders who have concerns that they feel have not been addressed through the normal channels of the Chairman, Chief Executive Officer and Chief Financial Officer. He also leads the annual performance review of the Chairman with the other non-executive Directors and provides advice and judgement for the Chairman as necessary.

Role of the non-executive Director

Non-executive Directors make a significant contribution to the work of the Board and have an ongoing dialogue with the executive Directors which includes 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.

Board meetings and attendance

During 2015 there were eight Board meetings with full attendance by all Board members at all but one meeting, which Simon Cloke was unable to attend due to a prior commitment known to the Board in advance.

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 present. Matters examined on these occasions include consideration of targets set and performance achieved by management.

Role of the Company Secretary

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 1 September 2015, in the interests of good governance, the roles of Chief Financial Officer and Company Secretary were split. At this time Stephen Critoph resigned as Company Secretary and Alex Small was appointed.

Report of the Directors continued

Director induction, training and development

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 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.

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 to acquire additional skills and experience which may enhance their contribution to the ongoing progress of the Group.

Board effectiveness review

The performance of the Board and its 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 2015 an internal review was undertaken which examined the key functions of the Board, the effective discharge of its responsibilities and progress since the prior year's review. The results were analysed by the Board and it was agreed that they would focus on streamlining board papers for consistency and ensuring board meetings were more evenly spaced in the year. There were no significant changes or improvements required. The Board continues to evolve in accordance with best practice and feedback received from the Directors.

Board engagement with shareholders

Communications with shareholders are given high priority. The strategic report includes a detailed review of the business and operations, including a review of planned future developments. There is a regular dialogue with institutional investors including presentations after the Company's year-end and half year results announcements. 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.

Annual General Meeting

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

The 2016 AGM will be held at 10am on Thursday 12 May 2016 at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ. The notice convening this meeting has been sent to shareholders at the same time as publication of this Annual Report and Accounts and is available at www.trg.com/investors/reports-and-presentations.

Re-engaging with 'gone away' shareholders

We are supported by ProSearch to locate shareholders who haven't kept their details up to date. To date, the programme has been successful at reunifying both lost shares and unclaimed dividends.

Audit Committee

In 2015, the Audit Committee consisted of at least three independent non-executive Directors. Current members include Simon Cloke (Chairman), Tony Hughes, Sally Cowdry and Debbie Hewitt. The Committee met on three occasions during 2015 with full attendance at each but for the absence of Debbie Hewitt at one meeting, due to a prior commitment known to the Committee in advance. A more detailed description of the work undertaken by the Committee is included in the Audit Committee report on pages 53 and 55.

Nomination Committee

During the year the Nomination Committee consisted of at least three independent non-executive Directors together with the non-executive Chairman and the Chief Executive Officer. Current members include Tony Hughes (Chairman), Simon Cloke, Alan Jackson, Sally Cowdry, Danny Breithaupt and Debbie Hewitt. It met twice during 2015 with full attendance at the meetings.

The Nomination Committee is responsible for regularly reviewing the composition of the Board to ensure it remains effective and comprises a suitable range of skills, backgrounds and experience. As appropriate the Committee makes recommendations to the Board for the appointment or replacement of Directors and ensure there is an appropriate balance and diversity of skills, experience, knowledge and independence for both now and in the future. The Committee is also responsible for the Group's succession planning and its work is a significant factor in the smooth transition to the new non-executive Chairman.

Following an extensive search by a leading, independent executive search consultancy (who are a signatory of the Voluntary Code of Conduct), Debbie Hewitt was selected to succeed Alan Jackson as Chairman of the Board with her appointment effective from the end of the AGM 2016, to be held on 12 May 2016.

Both the Nomination Committee and the Board acknowledge the importance of diversity and promoting equal opportunities throughout the Group and continue to have regard to the recommendations of Lord Davies' 'Women on Boards' report published in February 2011 and the five year summary published in October 2015 in its deliberations on future appointments and to the benefits of diversity more broadly.

Remuneration Committee

In 2015 the Remuneration Committee consisted of at least three independent non-executive Directors. Current members include Tony Hughes (Chairman), Simon Cloke, Sally Cowdry and Debbie Hewitt.

The Remuneration Committee met on four occasions in 2015. There was full attendance at each meeting but for the absence of Simon Cloke at one meeting, due to a prior commitment known to the Committee in advance. The role of the Committee and details of how the Company complies with the principles of the Code are set out in the Directors' remuneration report on pages 39 to 52.

Share capital structure

The Company's issued share capital at 27 December 2015 consisted of 200,950,672 ordinary shares of 28⅛ pence each. There are no special control rights or restrictions on share transfer or special rights pertaining to any of the shares in issue and the Company does not have preference share.

As far as is known to management, the Company is not directly or indirectly owned or controlled by another Company or by any government.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 77 (note 19).

The Company has an all employee Save As You Earn scheme, a Long-Term Incentive scheme and a historic Executive Share Option Plan. Details of share-based payments during the year can be found on pages 78 to 82 (note 20).

The Group considers that the disclosure requirements under Listing Rule 9.8.4R are not applicable.

Substantial shareholdings

As at 10 February 2016, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

	Number of shares	% of issue share capital
Standard Life Investments Ltd	26,627,945	13.25
FMR LLC	16,764,442	8.34
Royal London Asset Management	13,003,160	6.47
M&G Investment Management Ltd	10,065,216	5.01
Legal & General Investment Management Ltd	8,195,749	4.08
BlackRock Investment Management Ltd	7,894,943	3.93
Threadneedle Asset Management Ltd	6,426,898	3.20
Franklin Resources Inc	6,111,000	3.04

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while looking to maximise returns to shareholders. The capital structure of the Group consists of equity (comprising issued share capital, other reserves and retained earnings), 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.

Financial risk management

The Board 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 23.

The average rate of interest charged during the year on the Group's debt was 2.71% (2014: 2.90%), and the average year-end rate was 2.18% (2014: 3.00%). On 2015 results, net interest was covered 43.4 times (2014: 33.7 times) by profit before tax, interest and non-trading items. Based on year-end debt and profits for 2015, a 1% rise in interest rates would reduce profits before tax and non-trading items by 0.4% (2014: 0.5%) and interest cover would reduce to 37.1 times (2014: 28.9 times).

Report of the Directors continued

At 27 December 2015 the Group had gross borrowings attracting interest (including overdraft) of £35.1m (2014: £40.0m) and cash balances of £3.0m (2014: £0.9m).

Significant agreements and change of control provisions

The Group has a £140m revolving credit facility in place until June 2020 and a £10m overdraft facility. Under the terms of the £140m revolving credit 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 2015.

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 Company.

Greenhouse gas emissions

The disclosure concerning greenhouse gas emissions are included in the corporate responsibility report on page 38.

Going concern

The strategic report contains a summary of the cash flows and borrowing position of the Group. The Group is highly cash generative, as a retail business with trading receipts settled by cash or credit or debit cards, and enjoys negative working capital.

Information on the Group's policies for capital risk management and financial risk management are set out above. The principal risk factors and uncertainties that could affect the business are detailed in the strategic report.

Based on the Group's plans for 2016 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.

Financial statements and accounting records

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

Disclosure and Transparency Rules

The Board confirms that to the best of its knowledge:

- the financial statements, prepared in accordance with the 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.

UK Corporate Governance Code

The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

Internal control over financial reporting

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In accordance with the Code 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 reviewed throughout the year, 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 Code. 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 head of functional departments review Group performance and issues affecting the Group. Additionally, the Board seeks to continually strengthen its internal control procedures to ensure there is a consistent and appropriate balance between risk and reward.

Report of the Directors continued

Other key features and the processes for reviewing effectiveness of the internal control and risk management system in relation to financial reporting are described below:

- the 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 under a budgetary process and appropriate authorisation levels, including 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 with access to all areas of the Company and Group's business.

By order of the Board

Alex Small
Company Secretary

9 March 2016

Corporate responsibility report

Overview
The Company acknowledges that it has a significant role to play in the communities and the wider environment in which it operates.

This report sets out the principal areas of focus and activity undertaken during 2015:

- Nutrition – the Group's approach to healthy eating;
- Our people – the Group's policies and actions towards our employees;
- Our communities – how the Group interacts with those communities from which our customers and employees are drawn; and
- Our environment – the impact of the Group on the wider environment, and how we are seeking to reduce this.

Nutrition
Since 2011 the Company has been a partner of the Public Health Responsibility Deal (the Responsibility Deal), launched by the Department of Health. We have made many positive changes from alcohol and salt reduction to supporting physical activity amongst children. 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. Being a Responsibility Deal partner means that the Company 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 each pledge.

The Company has eight pledges within the Responsibility Deal:

Alcohol
- we commit to tackling underage alcohol sales by operating Challenge 21 in all our establishments and Challenge 25 in Scotland; and
- we commit to foster a culture of responsible drinking. We offer very low alcohol beer and a wide range of alcohol free mocktails, soft drinks and milkshakes. Many of our Concessions restaurants also offer a low alcohol wine option.

Food
- we have achieved the 2012 salt targets for the products we procure;
- we are now working towards the 2017 salt targets, reducing the salt levels at ingredient level further still;
- we have achieved our pledge to procure over 50% of the volume of products within the guidelines by 2017. By December 2015 91% of our products were within the guidelines;
- we removed all artificial trans fats from our products in 2008 and continue to monitor all new products to ensure ongoing compliance; and
- we commit to offering a healthy choice for our customers and offer a free side of vegetables with all kids meals in most of our restaurants.

Physical activity
- Frankie & Benny's have a long history of sponsoring local junior sports teams providing kits for the teams and support at matches.

Healthy eating is a personal responsibility but the Group acknowledges that as a provider of food and drink we have a role to play in providing appropriate options from which our guests may choose when they eat out. The Company 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 normal restrictions which may be applied to healthy eating on a day-to-day basis may be waived in favour of their enjoyment and experience. In Frankie & Benny's we offer a range of lighter options for our customers which are under 350 calories for starters and under 600 calories for mains.

Allergens
Frankie & Benny's offer a Coeliac UK accredited Gluten Free menu to cater for those with a gluten allergy or intolerance. Chiquito also offer a Gluten Intolerance Choices menu, a wide range of dishes made using non-gluten containing ingredients.

To comply with European Union legislation our allergen information is available online on our brand websites which allows us to provide accurate information to our guests and enable them to filter the menu based on their particular preferences or needs. This goes above and beyond the minimum requirement for legislation and we hope makes the experience much easier for our guests.

Corporate responsibility report continued

Other initiatives

The Restaurant Group plc is a member of the Supplier Ethical Data Exchange (SEDEX), which facilitates measurement and improvement in ethical business practices across the supply chain; we currently have 216 suppliers registered with SEDEX, covering all food, drink, consumables and equipment. In 2016 we will work with our suppliers and SEDEX to assess the supply base and implement actions to increase performance.

As in previous years, there continues 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 our food.

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Our people

We believe that our most important assets are our people and our team is one of which we are especially proud. With over 16,000 employees (at the end of December 2015) it is essential that we nurture talent, and support our managers to build great teams. Development and progression is encouraged for all employees through the support of their managers as well as through training and development tools.

During 2015 the Group successfully opened a further 44 restaurants and in the process created over 1,500 new jobs within local communities; a trend which we expect to continue as we expand our business. As part of our commitment to equal opportunities, our policies 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.

The Group 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 and, unlike some of our competitors, no card processing administration fee is taken by the Company. From April 2016 all eligible employees will be paid at least the National Living Wage.

2015 saw our first all employee engagement survey, providing us with valuable insight, informing our people strategy for the year ahead. Employee engagement remains a key priority in 2016. We are currently exploring new and innovative ways of communicating with all of our employees, not only so we can provide them with company updates, but also so they can provide us with their feedback and ideas.

Training and development

We believe training and development is a key element of our business; both to help each and every employee be the best they can be and to ensure consistently excellent service across our portfolio of restaurants. Our knowledgeable and passionate training and development team work hard to meet the needs of the Group.

Every employee is provided with a wide range of development tools and opportunities designed to support them as they progress. We have a great track record of promoting from within and of building great careers for our people.

Online learning and workshops

Every employee has access to 'Flow', a state of the art online learning tool which is used to support people from their induction and as they develop throughout their career. Additionally, the online system works as a great communication tool that helps us all stay connected. We also provide over 4,000 training sessions during the year. Courses cover subjects such as people skills, health and safety and other key areas.

Manager in Training (MIT) programme

All of our managers, no matter the experience or the level, undertake our award winning MIT programme when they join us or when promoted in to management from within the team. The MIT programme places trainee managers into Centres of Excellence where they learn the skills and processes to become successful managers. The MIT programme is at the heart of developing our trainees in to branch managers.

On the job learning

We also believe that learning 'on the job' is a key part of everyone's development. At the year end we employed over 16,000 people and for every job, there is support and guidance to help employees gain the skills to do their job the right way. This may be through workbooks, training documents, by working with one of the in-house trainers, or a colleague in the restaurant.

Apprenticeships

We are expanding our commitment to apprentices. We offer an apprenticeship programme designed to give all eligible candidates a recognised national qualification, NVQ, on completion of our scheme.

Recruitment

Our training and development programme is supported by a best in class recruitment processes which supports our objective of being an employer of choice in the hospitality sector with market leading online presence.

Health and safety

The health and safety of our customers and employees is of paramount importance to us. The Group has extensive procedures to ensure we mitigate risks to our 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.

As at 27 December 2015 over 98% of our restaurants scored 4 stars or above (including pass in Scotland) under the Food Hygiene Rating Scheme, a sign of excellence in both food safety and hygiene, with 84% at 5 stars or a pass in Scotland. We have invested significant time and resources in health and safety matters across the Group to further enhance the clean, safe environment for our customers and staff. In 2015, we reported 78 accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, with no deaths or dangerous occurrences; a reduction on our 2014 figures.

Our communities

We are passionate about engaging with our communities and actively support our teams in their fundraising efforts and community engagements. Throughout 2015 we supported a number of local and national charitable events, some of which are detailed below:

Rays of Sunshine Children's Charity

In 2015, Frankie & Benny's raised over £344,000 for Rays of Sunshine Children's Charity, their national charity partner. Rays of Sunshine grants wishes for children across the UK living with a serious or life-limiting illness. Money was raised through fundraising weekends in the restaurants, donations from dishes as well as challenges taken on by the teams including sky dives and the three peaks challenge.

Millie's Trust

This year Chiquito raised over £26,000 for Millie's Trust. The Trust was established by the parents of Millie Thompson who tragically passed away in a choking incident in October 2012. The charity believe that everyone should have access to First Aid Training and uses charity funds to run these courses. Chiquito raised this money through in-house raffles, donations for sombreros and charity lunches.

Global's Make Some Noise

In 2015, Coast to Coast and Filling Station raised over £20,000 for Global's Make Some Noise. The charity helps to change young lives by supporting specially selected projects across the country, which deliver life-changing work to youngsters and their families in their communities. Restaurants held charity breakfasts, sold special edition cocktails and donated 50p from each classic burger sold on Global's Make Some Noise Day.

School Club Zambia

The charity was founded in 2011 to help support community schools become financially self-sufficient, up-scale vocational education and improve employment potential in the community. Donations largely come from the sale of selected dishes in Bridge Bar and Beardmore, two of our Concessions brands, where we donate a proportion of the sale to the charity. Since our partnership began in December 2013 we have raised nearly £20,000.

School and sports partnerships

Manchester Enterprise Academy

Our Concessions team at Manchester Airport have been working with the school since 2013 to create curriculum visits which give students the opportunity to go to our restaurants to practise life skills, broaden their appreciation of culinary styles and try their hand at designing their own smoothies and pizzas – to name but a few of the activities. We also hold CV workshops for the Year 10 students and attend their career fairs as well as a number of events linked with food related calendar dates.

Corporate responsibility report continued

The Prince's Trust
The Prince's Trust is a youth charity that supports 13 to 30 years old who are unemployed and those struggling at school and at risk of exclusion. Our Concessions team at Luton Airport support The Prince's Trust programme by enabling 18 to 30 year olds to work within Est Bar at Luton Airport and give them an insight into working life for two weeks. We have recently employed one of the participants as a permanent team member at Est Bar.

Our environment
The Group recognises its responsibility to minimise its impact on the natural environment and continues in its commitment to reduce its energy consumption and carbon emissions, water usage and waste.

We continue to promote our energy saving campaign to all restaurants and through the timely supply of accurate reporting. Operational managers have the information they need to allow them to monitor and reduce energy consumption levels and this year we have introduced day plus one usage reporting direct to the restaurants through an online portal. The Group complied fully with the requirements set out in the Energy Saving Opportunity Scheme Regulations 2014 and in doing so, identified several new opportunities for savings.

Waste management
The Group has introduced food recycling across the estate resulting in 87% of our waste being redirected from landfill; up from 85% in 2014. A significant number of sites divert 100% of their waste from landfill.

Energy consumption and carbon emissions
In 2015 the Group re-certified as Carbon Saver Gold Standard; certifying seven years commitment to reducing carbon emissions. New restaurant fit-out specifications now include heat recovery systems, energy saving lighting, low energy hand dryers and increased insulation.

Further retrospective investment in voltage optimisation equipment and behavioural training resulted in a like-for-like energy reduction for the 6th consecutive year. The reduction of over 1,000,000 kWh is equivalent to nearly 600 tonnes of carbon.

Greenhouse gas emissions
We report Scope 1 and 2 emissions defined by the Greenhouse Gas protocol as follows:

- Scope 1 (Direct emissions): combustion of fuel and operation of facilities; and
- Scope 2 (Indirect emissions): consumption of purchased electricity, heat or steam.

Emissions data in respect of the 2015 reporting period, on the financial control reporting basis, is as follows:

	CO_2e tonnes (location-based method)	
Emission Type	2015	2014
Scope 1: Operation of Facilities	287	851
Scope 1: Combustion	19,587	16,909
TOTAL Scope 1 Emissions	19,874	17,760
Scope 2: Purchased Energy (UK)	59,290	61,700
TOTAL Scope 2 Emissions	59,290	61,700
Total Emissions	**79,164**	**79,460**

Greenhouse gas emissions intensity ratio:

	2015	2014	Year-on-Year Variance
Total Footprint (Scope 1 and Scope 2) – CO_2e	**79,164**	**79,460**	
Turnover (£)	685.4m	635.2m	7.3%
Intensity Ratio – Scope 2 location based method (tCO_2e/£100,000)	0.116	0.125	-7.8%

Notes:
- Our methodology has been based on the principals of the Greenhouse Gas Protocol 2004, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. This means that UK electricity is now reported using two methods.
- We have reported using the location-based method and also reviewed our market-based emissions.
- We have reported on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, except where stated.
- The period of our report is 01 Jan 2015 – 31 Dec 2015 inclusive.
- This includes emissions under Scope 1 and 2, except where stated, but excludes any emissions from Scope 3 (other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the group, electricity-related activities not covered in Scope 2, outsourced activities and waste disposal).
- Conversion factors for UK electricity (location-based methodology), gas and fugitive emissions are those published by the Department for Environment, Food and Rural Affairs for 2015-16.
- Conversion factors for UK electricity (market-based methodology) are published by electricityinfo.org

Directors' remuneration report

Tony Hughes

Annual statement

Dear Shareholder,

I am pleased to provide the Directors' remuneration report for the year ended 27 December 2015. As we are not making changes to the Directors' remuneration policy there will not be a vote on this at the forthcoming Annual General Meeting (AGM). The annual statement and annual report on remuneration, which provide details of the remuneration earned by Directors in the year to 27 December 2015 and how the policy will be implemented for the 2016 financial year will, however, be subject to an advisory shareholder vote at the AGM.

Remuneration outcomes in 2015

For the year under review, and reflecting the strong financial performance of the Group in challenging market conditions, the annual bonus paid out at 69% of the maximum for each of the executive Directors. The long-term incentive awards granted in 2013 which are due to vest in March 2016 are based on earnings per share (EPS) and total shareholder return (TSR) performance targets over the three years to 27 December 2015, these will vest at 100% in respect of the EPS element and 85% in respect of the TSR element.

Remuneration policy for 2016

The Remuneration Committee (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. It is equally important that the policy reflects shareholder's views and the changing landscape in which the Group operates.

In light of the changes made to the remuneration policy last year (made largely as a result of the 2005 Long-Term Incentive Plan (LTIP) reaching the end of its 10 year life) which were approved by shareholders at the 2015 AGM, the remuneration policy will remain unchanged for 2016.

I hope that you will be supportive of the resolution to approve the annual statement and the annual report on remuneration at this year's AGM.

Yours faithfully,

Tony Hughes
Chairman of the Remuneration Committee

Directors' remuneration report continued

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 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 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 Committee engages pro-actively with shareholders and ensures that they 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 for the rest of the workforce are taken.

Key elements of the remuneration policy for Directors

Set out below 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.

	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.	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.	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).	Up to 20% of basic salary for the executive Directors.	None.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
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 primarily related to 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 clawback mechanism operates.	Maximum of 150% of basic salary.	Normally based on a one year performance period. Majority of the bonus opportunity will be based on Group profit before tax.
Long-Term Incentive Plan (LTIP)	Promotes achievement of long-term strategic objectives of increasing shareholder value and delivering sustainable and expanding cash flows.	Annual grant of Conditional Awards in the form of nil cost options. Conditional Awards vest three years after grant subject to performance conditions and continued employment. Two year post-vesting holding period applies to the net of tax shares for awards under the 2015 LTIP (with the first grant expected to be made in 2016). Dividend equivalents may be payable. A clawback mechanism operates.	Maximum of 200% of base salary.	Normally based on a three year performance period. TSR vs comparator group. Financial metrics (e.g. EPS). 25% of an award vests at threshold performance increasing to full vesting at maximum performance.

Directors' remuneration report continued

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Save As You Earn scheme (SAYE)	Encourages employee share ownership and therefore increases alignment with shareholders.	HMRC approved plan under which eligible employees are able to purchase shares under a three year savings contract at a discount of up to 20% of market value at grant. 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.	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.

Financial performance measures (profit before tax, earnings per share (EPS) and total shareholder return (TSR)) are used as the key performance indicators (KPIs). The combination of EPS and TSR performance conditions 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 on recent share price performance. Performance against EPS and TSR targets are 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 these plans.

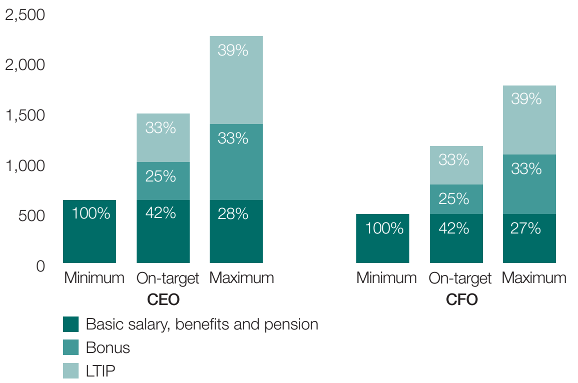
There are no material differences in the structure of remuneration arrangements for the executive Directors and senior management population, aside from quantum, performance metrics and participation rates in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related 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 was given to the Company to honour any prior commitments entered into with current or former Directors.

Illustration of application of remuneration policy

The chart below shows the value of the executive Directors' packages under three performance scenarios, minimum, on-target and maximum.

Value of remuneration packages at different levels of performance (£'000)



Notes:
- Salary levels are based on those applying from 1 January 2016.
- The value of benefits receivable in 2016 is estimated and pension is based on 20% of salary.
- The on-target level of bonus is taken to be 50% of the maximum bonus opportunity (150% of salary for both executive Directors).
- The on-target level of vesting under the LTIP is taken to be 55% of the face value of the 2016 LTIP awards at grant and the maximum value is taken to be 100% of the face value of the 2016 awards at grant (175% of salary for both executive Directors).
- 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 150% of salary and grants under the LTIP would be limited to 200% of salary (but normally limited to a maximum of 175%). 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 Director, to a notice period in excess of 12 months but to 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 the Chief Executive Officer, in the event of early termination by the Company, the Company shall make a payment in lieu of notice equivalent to twelve months of base salary only. Under the Chief Financial Officer's contract (originally dated 7 July 2004), the Company shall make a payment in lieu of notice equivalent to twelve months of base salary, benefits, pension and annual bonus. There are no provisions in respect of change of control within either contract.

Outstanding incentive awards

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

Any share-based entitlements granted to an executive Director under the Company's share plans will be determined based on the relevant plan rules. Any outstanding LTIP awards will normally lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. Awards held by executive Directors will normally vest on their scheduled vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at cessation and/or to dis-apply time pro-rating.

Directors' remuneration report continued

Non-executive Directors

Letters of appointment for the non-executive Directors were each set for an initial three year period (renewable thereafter for periods of three years). Non-executive Directors are required to submit themselves for re-election every year. The notice period for the new Chair, Debbie Hewitt, will be set at six months by either party. The notice period for the non-executive Directors is set at three months under arrangements that may generally be terminated at will by either party without compensation.

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 2016 financial year

Executive Directors salaries for 2015 and applying with effect from 1 January 2016 are:

Basic salary	2015 (from 1 January 2015)	**2016 (from 1 January 2016)**	Increase
Danny Breithaupt	£480,000	**£500,000**	4.2%
Stephen Critoph	£380,000	**£393,300**	3.5%

As set out in last year's annual report on remuneration, Danny Breithaupt's annual base salary at appointment on 1 September 2014 reflected a below market base salary (and was c.27% lower than previous Chief Executive Officer's base salary) and will be moved to market level over time. Following a further assessment of his progress to date and consistent with the Committee's policy to increase his salary to the market level over time as his experience in the role grows, his salary with effect from 1 January 2016 was increased by c.4% from £480,000 to £500,000. The next such review will take place at the start of 2017. The increase awarded to Stephen Critoph is reflective of the increase awarded to the wider workforce.

The average increase for employees across the Group was 4% for the 2016 pay review.

Pension and benefits

Pension and benefits will continue to be provided in line with the stated policy.

Performance targets for the annual bonus in 2016

For 2016, the annual bonus will continue to be based on Group financial measures and capped at 150% of salary for executive Directors. 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. However, retrospective disclosure in respect of the 2016 targets will be provided in the 2018 Directors' remuneration report.

Performance targets for LTIP awards to be granted in 2016

The 2005 LTIP reached the end of its 10 year life in 2015 and, following shareholder approval at the 2015 AGM, was replaced by a broadly similar, yet simplified long-term arrangement under which only conditional awards may be granted (rather than conditional awards and matching awards as per the 2005 LTIP). The LTIP awards intended to be granted to executive Directors in 2016 will be over shares equal to 175% of salary, with performance targets based on:

- TSR element (50%) – the Company's TSR vs the constituents of the FTSE 250 (excluding investment trusts). 25% 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. 25% 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:

	2015	**2016**	Increase
Chairman	£337,600	**£347,728**	3%
Other non-executive Directors	£56,200	**£57,900**	3%

Remuneration received by Directors (audited)

The table below sets out the remuneration received by the Directors in relation to performance for the year ended 27 December 2015 (or for performance periods ending in 2015 in respect of long-term incentives) and the year ended 28 December 2014.

£'000	Salary & fees	Taxable benefits[1]	Pension[2]	Annual bonus[3]	SAYE vesting	Long-Term Incentive Plan[4,5] Value of vesting award at grant	Increase in value due to rise in share price	Dividend equivalent	**Value of award**	**Total**
Executive Directors										
Danny Breithaupt[6]										
2015	480	27	111	495	8	290	181	32	**503**	**1,624**
2014	150	5	15	169	–	236	303	35	**574**	**913**
Stephen Critoph										
2015	380	12	76	392	–	398	248	45	**691**	**1,551**
2014	310	12	62	300	–	397	509	59	**965**	**1,649**
Non-executive Directors										
Alan Jackson										
2015	338	65	–	–	–	–	–	–	**–**	**403**
2014	322	49	–	–	–	–	–	–	**–**	**371**
Tony Hughes										
2015	56	–	–	–	–	–	–	–	**–**	**56**
2014	53	–	–	–	–	–	–	–	**–**	**53**
Simon Cloke										
2015	56	–	–	–	–	–	–	–	**–**	**56**
2014	53	–	–	–	–	–	–	–	**–**	**53**
Sally Cowdry										
2015	56	3	–	–	–	–	–	–	**–**	**59**
2014	45	–	–	–	–	–	–	–	**–**	**45**
Debbie Hewitt[7]										
2015	37	1	–	–	–	–	–	–	**–**	**38**
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**	**n/a**
Former Directors[8]										
2014	410	18	82	509	–	1,808	1,567	165	**3,540**	**4,559**

1 Taxable benefits comprise car (or car allowance), health care and life assurance.
2 This comprises contributions to the Directors' personal pension plans and/or salary supplements.
3 This relates to the payment of the annual bonus for the year ended 27 December 2015. Further details of this payment are set out on page 46.
4 This relates to the vesting of the 2013 LTIP Conditional and Matching Awards (where the performance period ended on 27 December 2015). Further details are set out on page 46.
5 Prior year LTIP awards were valued with reference to the three month average share price to 28 December 2014 of 646.8p. The actual share price on the date of exercise by the executive Directors was 695.0p.
6 Remuneration for Danny Breithaupt relates to the period after 1 September 2014 and, in the case of the LTIP, for the performance periods ending after this date.
7 Debbie Hewitt was appointed as a non-executive Director on 1 May 2015.
8 Andrew Page's remuneration covers the period until his retirement from office on 31 August 2014.

Directors' remuneration report continued

Annual bonus payments (audited)

The annual bonus for the year under review for the Chief Executive Officer and Chief Financial Officer was primarily based on profit before tax (PBT) 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 PBT, increasing to 100% for achieving 106% of target PBT. The actual result was 102% of target PBT.

The full details of the targets have not been disclosed on the grounds of commercial sensitivity. Although the Committee had committed to disclose bonus targets only when the numbers ceased to form a comparative PBT result (i.e. the 2013 targets would be disclosed in the 2015 Remuneration Report), the Committee has decided to accelerate this disclosure so that targets for the prior year are also presented. As such, for this year only, targets for the last two years (i.e. 2013 and 2014) are set out below and going forward, targets for the prior year only will be disclosed.

Annual bonus payments for the year ended 28 December 2014

The annual bonus targets and outturn (based on Group PBT, excluding exceptional or non-trading items) for the year ended 28 December 2014 were as follows:

	Group PBT targets	% of maximum*
< Threshold	< £75.5m	0%
Threshold	£75.5m	23%
	£77.5m	68%
	£78.5m	82%
Maximum	> or = £80.5m	100%

* pro-rata payout between the targets.

The actual trading PBT of £78.1m amounted to 75% of maximum bonus payable.

Annual bonus payments for the year ended 29 December 2013

As per the approach to disclosing annual bonus targets retrospectively detailed above the annual bonus targets and outturn (based on Group PBT, excluding exceptional or non-trading items) for the year ended 29 December 2013 were as follows:

	Group PBT targets	% of maximum*
< Threshold	< £64.3m	0%
Threshold	£64.3m	23%
	£66.3m	68%
	£67.3m	82%
Maximum	> or = £69.3m	100%

* pro-rata payout between the targets.

As the actual PBT (£72.7m) exceeded the maximum target, the maximum annual bonus was payable.

Vesting of LTIP awards in year under review (audited)

The LTIP Award granted on 28 February 2013 was based on a three year performance period ended 27 December 2015. As disclosed in previous annual reports and accounts, the performance conditions for this award were as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual	% vesting
EPS (50% for Conditional Award; 50% for Matching Award)	EPS growth of RPI + 4% p.a. (15% vesting) to RPI + 10% p.a. (50% vesting) over three financial years.	28.43p EPS	33.40p EPS	33.80p EPS	50% (max 50% for Conditional Awards) 50% (max 50% for Matching Awards)
TSR (50% for Conditional Award; 50% for Matching 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.	57.2% (Median)	103.2% (Upper Quartile)	93.5%	43% (max 50% for Conditional Awards) 43% (max 50% for Matching Awards)
				Total vesting for Conditional Award	93%
				Total vesting for Matching Award	93%

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

Executive	Type of award	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Cash value of dividends on shares to vest[1]	Estimated value[2]
Danny Breithaupt	Conditional Award	49,867	46,126	3,741	21,656	335,359
	Matching Award	24,933	23,062	1,871	10,828	167,672
Stephen Critoph	Conditional Award	68,544	63,403	5,141	29,768	460,972
	Matching Award	34,272	31,700	2,572	14,883	230,475

1 The table above and following wording assumes the 2013 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 are spread over the relevant vesting period as part of the IFRS 2 'Share-based payments' charge (see note 20). As disclosed above, and consistent with past practice, dividend equivalents on the 2013 awards, to the extent they vested, will be settled by way of cash payments.

2 The estimated value of the vested shares is based on the average share price during the 3 months to 27 December 2015 (680.1p).

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 28 December 2014	Granted	Exercised	Lapsed	**At 27 December 2015**	Exercise price	Date from which exercisable	Expiry date
Danny Breithaupt	2012 LTIP (1)	60,788	–	(57,231)	(3,557)	**–**	–	01.03.2015	01.09.2015
	2012 LTIP (2)	27,692	–	(26,072)	(1,620)	**–**	–	01.03.2015	01.09.2015
	2012 SAYE	2,226	–	(2,226)	–	**–**	283p	01.12.2015	01.06.2016
	2013 LTIP (3)	49,867	–	–	–	**49,867**	–	Publication of 2015 results	6 months after vesting
	2013 LTIP (4)	24,933	–	–	–	**24,933**	–	Publication of 2015 results	6 months after vesting
	2014 LTIP (5)	43,947	–	–	–	**43,947**	–	Publication of 2016 results	6 months after vesting
	2014 LTIP (6)	16,480	–	–	–	**16,480**	–	Publication of 2016 results	6 months after vesting
	2014 SAYE	2,228	–	–	–	**2,228**	525p	01.12.2017	01.06.2018
	2015 LTIP (7)	–	98,630	–	–	**98,630**	–	Publication of 2017 results	6 months after vesting
	2015 LTIP (8)	–	32,876	–	–	**32,876**	–	Publication of 2017 results	6 months after vesting
	2015 SAYE	–	1,153	–	–	**1,153**	546p	01.12.2018	01.06.2019
Stephen Critoph	2012 LTIP (1)	100,144	–	(94,285)	(5,859)	**–**	–	01.03.2015	01.09.2015
	2012 LTIP (2)	48,631	–	(45,785)	(2,846)	**–**	–	01.03.2015	01.09.2015
	2013 LTIP (3)	68,544	–	–	–	**68,544**	–	Publication of 2015 results	6 months after vesting
	2013 LTIP (4)	34,272	–	–	–	**34,272**	–	Publication of 2015 results	6 months after vesting
	2014 LTIP (5)	44,718	–	–	–	**44,718**	–	Publication of 2016 results	6 months after vesting
	2014 LTIP (6)	22,359	–	–	–	**22,359**	–	Publication of 2016 results	6 months after vesting
	2014 SAYE	3,428	–	–	–	**3,428**	525p	01.12.2017	01.06.2018
	2015 LTIP (7)	–	78,082	–	–	**78,082**	–	Publication of 2017 results	6 months after vesting
	2015 LTIP (8)	–	26,027	–	–	**26,027**	–	Publication of 2017 results	6 months after vesting

LTIP (1) and (2) – 2012 Conditional Award and Matching Award: Vesting of 50% of the award was based on relative TSR performance and 50% was based on EPS growth to 28 December 2014. Details of the Company's performance against the performance conditions are set out in last year's Directors' remuneration report. 94% of both the Conditional Award and Matching Award vested based on the performance to 28 December 2014.
LTIP (3) and (4) – 2013 Conditional Award and Matching Award: Details of performance conditions are set out on page 47.
LTIP (5) and (6) – 2014 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 to 2016, 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 2016 results compared with the 2013 results, with a requirement for average annual growth of between RPI+4% and RPI+10% p.a.
LTIP (7) and (8) – 2015 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 to 2017, 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 2017 results compared with the 2014 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 3 March 2015, the following LTIP awards (including the final grant of matching awards under the previous remuneration policy) 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
Danny Breithaupt	Conditional Awards – nil cost option	150% of salary of £480,000	732p	98,630	£719,999	30%	Three financial years to 31 December 2017
	Matching Awards – nil cost option	Compulsory and voluntary deferral	732p	32,876	£239,995	30%	
Stephen Critoph	Conditional Awards – nil cost option	150% of salary of £380,000	732p	78,082	£569,999	30%	
	Matching Awards – nil cost option	Compulsory and voluntary deferral	732p	26,027	£189,997	30%	

* Based on an average share price of 730p immediately prior to grant.
** Details of the performance targets are set out on page 47.

Payments on cessation of office (audited)

As announced on 26 January 2016, Alan Jackson gave six months notice of his resignation from the Company with effect from 28 February 2016. Alan Jackson will step down from the Board at the close of the Company's AGM on the 12 May 2016. He will be paid his salary and benefits for the balance of his six month notice period, in line with his contractual terms, amounting to a total of £117,000. There will be no payment for loss of office.

Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 28 December 2014	Beneficially owned at 27 December 2015	Outstanding LTIP awards at 27 December 2015	Shareholding % of salary at 27 December 2015	Guideline met?
Danny Breithaupt	52,703	61,898	266,733	88%	No
Stephen Critoph	275,220	189,220	274,002	339%	Yes
Alan Jackson	250,191	250,191	n/a	n/a	n/a
Tony Hughes	400,000	200,000	n/a	n/a	n/a
Simon Cloke	7,000	7,000	n/a	n/a	n/a
Sally Cowdry	1,000	1,000	n/a	n/a	n/a
Debbie Hewitt	n/a	11,305	n/a	n/a	n/a

The Chief Executive Officer and Chief Financial Officer are required to hold shares in the Company worth 200% of salary 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 27 December 2015, Stephen Critoph had met the shareholding requirement while Danny Breithaupt continues to build his shareholding following his promotion to the Board.

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

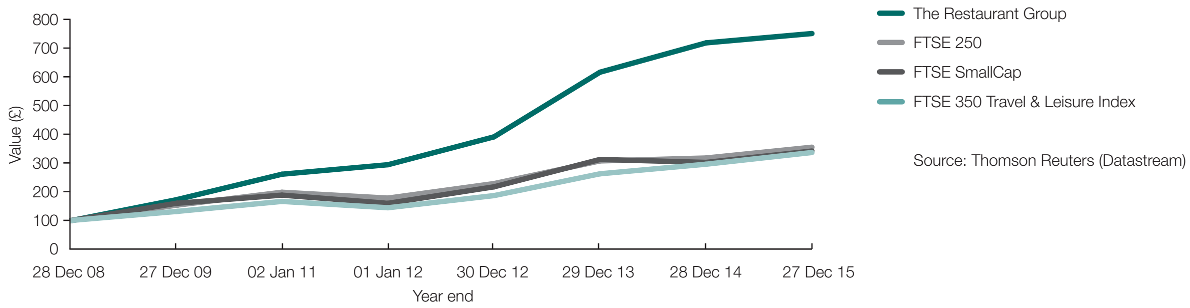
Directors' remuneration report continued

Performance graph and Chief Executive Officer pay

The graph below compares the Company's TSR performance and that of the FTSE 250 index, the FTSE Small Cap Index and the FTSE 350 Travel and Leisure Index over the past seven 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 27 December 2015, of £100 invested in The Restaurant Group plc on 28 December 2008 compared with the value of £100 invested in the FTSE 250 Index, the FTSE Small Cap Index and the FTSE 350 Travel and Leisure Index. On this basis the value, as at 27 December 2015, of £100 invested is as follows:

The Restaurant Group plc (dividends re-invested)	£751
FTSE 250 Index	£355
FTSE Small Cap Index	£341
FTSE 350 Travel & Leisure	£336

Total shareholder return



This graph shows the value, by 27 December 2015, of £100 invested in The Restaurant Group plc on 28 December 2008 compared with the value of £100 invested in the FTSE SmallCap*, FTSE 250* and FTSE 350 Travel and Leisure Indices. The other points plotted are the values at intervening financial year ends.

* excluding investment trusts

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

	Andrew Page						Danny Breithaupt	
	2009	2010	2011	2012	2013	2014 to 30.08.2014	2014 from 01.09.2014	2015
Salary	535	543	558	590	602	410	150	480
Benefits	27	29	27	27	27	18	5	27
Pension	108	109	112	118	120	82	15	111
Total fixed remuneration	**670**	**681**	**697**	**735**	**749**	**510**	**170**	**618**
Annual bonus	**642**	**543**	**720**	**974**	**993**	**509**	**169**	**495**
Save As You Earn	**–**	**–**	**13**	**–**	**–**	**–**	**–**	**8**
LTIP face value of vested shares at grant	509	916	1,097	623	1,042	1,808	236	290
LTIP increase in value between grant and vest	(186)	1,114	1,471	647	933	1,567	303	181
Dividend equivalent	34	154	243	91	123	165	35	32
Total LTIP	**357**	**2,184**	**2,811**	**1,361**	**2,098**	**3,540**	**574**	**503**
Total performance related remuneration	**999**	**2,727**	**3,544**	**2,335**	**3,091**	**4,049**	**743**	**1,006**
Total remuneration	**1,669**	**3,408**	**4,241**	**3,070**	**3,840**	**4,559**	**913**	**1,624**
Annual bonus	100%	100%	86%	100%	100%	75%	75%	69%
Annual LTIP Vesting	85%	90%	100%	82%	93%	100%	94%	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 27 December 2015 and 28 December 2014, compared to all employees of the Group.

	Salary change	Benefits change	Bonus change
Chief Executive Officer	n/a	n/a	n/a
All employees	4%	4%	4%
Average number of employees		14,274	

Relative importance of spend on pay

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

£m	2014	**2015**	% change
Staff costs	205.2	**225.6**	10%
Dividends[1]	29.5	**32.1**	9%
Retained profits[1]	60.1	**67.4**	12%

1 Dividends and retained profits are as reported for the trading business and exclude the non-trading income and dividend relating to the disposal of the Group's equity interest in BH Restaurants Limited in 2014 and the non-trading tax credit in 2015.

Directors' remuneration report continued

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. Currently, none of the executive Directors hold any external appointments.

Consideration by the Directors of matters relating to Directors' remuneration
The Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee during the year were Tony Hughes (Chairman), Simon Cloke, Sally Cowdry and Debbie Hewitt, 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 or her own remuneration. In determining the executive Directors' remuneration for the year, the Committee consult the non-executive Chairman about its proposals.

New Bridge Street (NBS), part of Aon plc, were appointed by the Committee and act as its independent advisers, providing services 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 were £46,130.

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 policy and the Directors' remuneration report for the financial year ending 28 December 2014 were put to shareholders at the AGM held on 14 May 2015 on an advisory basis. The voting outcomes were as follows:

Directors' remuneration policy		
Votes cast in favour	139,800,144	98.45%
Votes cast against	2,202,116	1.55%
Total votes cast	142,002,260	
Votes withheld	151,592	

Directors' remuneration report		
Votes cast in favour	128,378,517	99.37%
Votes cast against	817,873	0.63%
Total votes cast	129,196,390	
Votes withheld	12,957,462	

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

Tony Hughes
Chairman of the Remuneration Committee

9 March 2016

Audit Committee report

Simon Cloke

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

Governance of the Committee

The Committee is appointed by the Board and comprises independent non-executive Directors. The Committee is chaired by Simon Cloke, who has significant financial experience gained as a Managing Director within HSBC Bank's Corporate Sector Group. In May 2015, Debbie Hewitt joined the Board and became a member of the Committee. Tony Hughes and Sally Cowdry are also members of the Committee. The composition of the Committee meets the requirements of the Code to have at least three independent non-executive directors.

The Board continues to review the composition of the 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 Chief Financial Officer to its meetings. Discussions are held in private when appropriate.

Responsibilities of the Committee

These are set out in its terms of reference and the principal requirements 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 and approve the remuneration of the external auditor; and
- consider any other matter that is brought to its attention by the Board or the external auditor.

The Committee also reviews the whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters to ensure there are proportionate and independent procedures in place.

During the year, the Board as a whole performed a robust assessment of principal risk factors of the business. Further details are provided on page 24 of the strategic report. The Board as a whole is also responsible for reviewing the work carried out by the Group Internal Audit function.

Audit Committee report continued

Committee meeting frequency

The Committee meets at least twice a year. Three formal meetings of the Committee were held during 2015, the first to review and discuss the 2014 year end audit and the second to review and discuss the findings from the external auditor on the 2015 interim review. A third formal meeting was held to discuss, among other things, the Group's risk appetite (consistent with achieving its strategic objectives), matters related to the preparation of the new, long-term viability statement and the process of planning for the 2015 year end audit. On one occasion, a conflicting appointment prevented full attendance of the Committee. The Chairman and other members of the Committee also meet with the Chief Financial Officer and the external auditor, as required, to discuss matters pertinent to the Committee's responsibilities. This included a meeting to discuss the ongoing monitoring of risk management and controls, developments in corporate governance and audit fees. The Chairman of the Committee also meets, as required, with the Group Internal Audit function to review their findings.

Committee process

The Committee discharges its responsibilities, as defined in its terms of reference, through Committee meetings during the year, at which detailed reports are presented for review. From time to time, the Committee commissions 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. The Group's financial statements are reviewed by the Committee in advance of their consideration by the Board.

2015 Committee considerations

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 Report;
- the external auditor's interim and full year reports;
- the scope and cost of the external audit;
- 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;
- changes to the Code, strengthening the need for non-executive Directors to satisfy themselves that financial information, financial controls and systems of risk management are robust and defensible; and
- 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 recognition and timing of commercial discounts received and the impairment of tangible fixed assets, among other matters.
  - Commercial discounts received – this continues to be an area of focus for the Board and Committee. The Committee considered a detailed report from the external auditor on this topic and assessed the strength of management controls in this area.
  - Impairment of tangible fixed assets – these continue to be the most quantitatively significant item on the balance sheet. The Committee reviewed a paper prepared by management setting out their approach and challenged the key judgements made relating to impairment as well as reviewing this topic in discussion with the external auditor.
  - Other matters – lease classification, as either finance or operating leases, is critical to the financial statements and the Committee continuously assesses management's approach to appropriate classification of leases. In addition, consideration of the risk of management override of controls was a key area of focus.

The Committee also considered, with reference to a detailed management paper on this subject, the statement made by the Directors that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years, known as the long-term viability statement. The assessment of the Group's prospects, together with the Group's going concern statement are set out on page 32, and the long-term viability statement is set out on page 25.

For further information on the judgements and estimates reviewed in relation to the impairment of tangible fixed assets, see section a) of the critical accounting judgements and key sources of estimation and uncertainty in the accounting policies for the consolidated accounts on page 63.

Independence of the external auditors

Non-audit work and pre-approval policy

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, advice on applying revisions to the Code, subsidiary audits and local statutory accounts; and
- certain specified tax services, including tax compliance, tax planning and tax advice.

It is noted that for periods beginning on or after 17 June 2016, new European Union regulations come into force which restrict or prohibit the nature and amount of non-audit services, including tax services, that can be provided by the auditor and require that the permissible non-audit service fees cannot exceed 70% of the average audit fees for the previous three years. Our current understanding is that the cap will be applied prospectively with the three year average comparative period beginning in financial year 2017. Therefore, for the Group, the regulations will first apply for our 2020 year end. The Group intends to comply with these regulations.

Auditor independence

Other work to be carried out by the external auditor is subject to review by the Committee. To fulfil its responsibility regarding the independence of the external auditor, the 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.

During the year, the Group engaged Deloitte LLP (Deloitte) to assist with the refinancing of the Group's debt. Deloitte was chosen for this advice due to their extensive experience and expertise in this area. The team that performed the work have no involvement with the external audit. The Committee considered, and was content that, the engagement did not compromise the independence of the external auditor.

Auditor effectiveness

To assess the effectiveness of the external audit process, the 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.

The external audit and audit tendering

Under the Competition & Markets Authority final order and provision C3.7 of the Code, the Group must tender the audit every 10 years. Deloitte was first appointed as external auditor, following a tender process, for the year ended 30 December 2007.

The Committee expects to tender the external audit no later than the end of the current external audit partner's rotation following the 2016 financial year end.

The Committee undertakes a review of the objectivity and effectiveness of the audit process each year. When considering the suitability of the external auditor, the Committee takes account of the findings set out in the Public Report on the most recent inspections of Deloitte carried out by the FRC's Audit Quality Review team and their reports on all other auditors in its sample. When considering suitable external auditors the Committee also takes account of the ability of the auditor to add value through observations from the audit process and interactions of the auditor with the Company's management.

Overview

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference. The Committee has reviewed the independence and objectivity of Deloitte as external auditor and recommends their re-appointment by shareholders at the AGM to be held on 12 May 2016.

On behalf of the Audit Committee

Simon Cloke
Chairman of the Audit Committee

9 March 2016

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 27 December 2015 and of the Group's profit for the year 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 Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 27. 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 and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group	As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the accounting policies to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report. We have nothing material to add or draw attention to in relation to: • the directors' confirmation on page 24 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures on page 24 that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the Report of the Directors about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; • the directors' explanation on page 25 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
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 with a net book value at 27 December 2015 of £403.6 million (2014: £368.6 million). See note 11 to the financial statements. The fixed asset balance is primarily comprised of freehold and leasehold buildings and the plant and equipment therein that support the Group's restaurant operations. There are 506 (2014: 472) separate restaurant sites. The assessment of the carrying value of tangible fixed assets requires evaluating whether any indicators of impairment exist in the asset base by reference to expected future profitability of cash generating units (CGUs) within the restaurant estate. This is recognised as a critical judgement in the accounting policies on page 63 of the financial statements.	To audit the risk of potential fixed asset impairment our audit procedures included the following: We challenged management's identification of CGUs and whether it is appropriate given the requirements in IAS 36, 'Impairment of assets'. Specifically we considered whether it is appropriate to treat certain sites together in clusters, given their location and impact of customers. We also considered the indicators of impairment identified by management, if any, and performed an analysis to challenge their assumptions. Our work included: • assessing mechanical accuracy of managements plans; • obatining evidence to support the growth and discount rates • analysing historical and budgeted branch performance; • benchmarking plans for improved profitability with comparator sites, for example those sites of similar size or in similar locations such as town centres or retail parks • considering other factors such as co-location of sites with other Group brands. In addition, we held discussions with business heads to corroborate the assumptions of improved profitability supporting the asset value.
Recognition of commercial discounts The restaurant business uses a wide range of suppliers. It is typical for suppliers to be on term contracts (mostly annual) and as part of the process to agree the contract, it is common for price discounts to be agreed. These principally take the form of rebates for meeting quantitative volume targets. See accounting policies on page 63. The recognition of commercial discounts in the Income Statement within cost of sales is a risk given their scale and, in certain cases, the judgement that is required in calculating the discount. Commercial discounts should be recognised in accordance with negotiated supplier contracts and over the correct period to which they relate.	We held meetings with those negotiating commercial discount arrangements to identify the types of deal in place. Our substantive testing focused on completeness of discount arrangements, cut-off and the appropriate recognition in the financial year by: • agreeing and recalculating amounts recorded to a sample of supplier contracts and the actual cash receipt (or accrued income); • comparing amounts recorded for suppliers with discount arrangements to amounts recognised in prior periods and obtaining evidence and/or explantions for changes. With reference to ageing of amounts outstanding, we have also assessed the reasonableness of any provisions held against commercial discounts receivable.

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

	Last year our report included one other risk relating to lease accounting which is not included in our report this year. The significant majority of leases are on standard terms and we have determined there is limited judgement in determining whether the lease qualifies as an operating lease or a finance lease. The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 54. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 £4.3m (2014: £4.0m), which is below 5% (2014: 5%) of statutory pre-tax profit in line with market practice, and below 2% (2014: 2%) of equity. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £86,000 (2014: £80,000), 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, and as in the prior year, 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. 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 part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

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). 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 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

9 March 2016

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 27 December 2015 comprise the Company and its subsidiaries (together referred to as the Group).

(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 the 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 the financial statements.

IFRS 11 (Amended)	Accounting for Acquisitions of Interests in Joint Operations
IAS 19 (Amended)	Defined Benefit Plans: Employee Contributions
IAS 16 (Amended)	Clarification of Acceptable Methods of Depreciation and Amortisation
IFRS 2010 – 2012 Cycle	
IFRS 2011 – 2013 Cycle	

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:

IFRS 9 (Revised)	Financial Instruments
IFRS 15 (Revised)	Revenue from Contracts with Customers
IFRS 14 (Issued)	Regulatory Deferral Accounts
IFRS 16 (Issued)	Leases
IAS 12 (Issued)	Recognition of Deferred Tax Assets for Unrealised Losses
IAS 1 (Issued)	Disclosure Initiative
IFRS 2012 – 2014 Cycle	

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 noted below:

- IFRS 9 will impact both the measurement and disclosure of financial instruments
- IFRS 16 will have a material impact on the reported assets, liabilities and income statement of the Group. However, there will be no impact on the underlying cash flow of the business

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.

(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

Accounting policies for the consolidated accounts continued

(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 for impairment annually (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 at each balance sheet date.

(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.

(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 borrowings 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.

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

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 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.

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 27 December 2015 for all CGUs was based on the Group's weighted average cost of capital of 8.1% (year ended 28 December 2014: 9.7%) as the Directors believe there are broadly equal risks associated with each CGU.

No impairment is required in the year ended 27 December 2015.

b) Impairment of loan note due
The Group has an outstanding long-term receivable of £3.7m from BH Restaurants Limited. As a result of a detailed trading review of the business, the Board has made full provision against the loan note due (further details are provided in note 12).

c) Lease classification
The Group has over 400 leases and therefore their classification as either finance or operating leases is critical to the financial statements. The accounting for leases involves the exercise of judgement, particularly whether the leases meet the definition of an operating or a finance lease.

Consolidated income statement

	Note	52 weeks ended 27 December 2015 Trading business £'000	Non-trading £'000	Total £'000	52 weeks ended 28 December 2014 Trading business £'000	Non-trading £'000	Total £'000
Revenue	2	**685,381**	**–**	**685,381**	635,225	–	635,225
Cost of sales:							
Excluding pre-opening costs	3	**(553,106)**	**–**	**(553,106)**	(516,623)	–	(516,623)
Pre-opening costs	3	**(5,385)**	**–**	**(5,385)**	(4,702)	–	(4,702)
		(558,491)	**–**	**(558,491)**	(521,325)	–	(521,325)
Gross profit		**126,890**	**–**	**126,890**	113,900	–	113,900
Administration costs		**(37,999)**	**–**	**(37,999)**	(33,450)	(138)	(33,588)
Trading profit		**88,891**	**–**	**88,891**	80,450	(138)	80,312
Disposal of investment in associate	5	**–**	**–**	**–**	–	7,000	7,000
Earnings before interest, tax, depreciation and amortisation		**127,991**	**–**	**127,991**	116,972	6,862	123,834
Depreciation		**(39,100)**	**–**	**(39,100)**	(36,522)	–	(36,522)
Operating profit		**88,891**	**–**	**88,891**	80,450	6,862	87,312
Interest payable	6	**(2,128)**	**–**	**(2,128)**	(2,488)	–	(2,488)
Interest receivable	6	**82**	**–**	**82**	103	–	103
Profit on ordinary activities before tax		**86,845**	**–**	**86,845**	78,065	6,862	84,927
Tax on profit from ordinary activities	7	**(19,447)**	**1,488**	**(17,959)**	(17,958)	30	(17,928)
Profit for the year		**67,398**	**1,488**	**68,886**	60,107	6,892	66,999
Earnings per share (pence)							
Basic	8	**33.80**		**34.55**	29.96		33.39
Diluted	8	**33.50**		**34.24**	29.92		33.35

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
Balance at 29 December 2014	**56,433**	**24,495**	**(11,971)**	**175,567**	**244,524**
Profit for the year	–	–	–	68,886	**68,886**
Issue of new shares	85	760	–	–	**845**
Dividends	–	–	–	(32,115)	**(32,115)**
Share-based payments – credit to equity	–	–	2,900	–	**2,900**
Employee benefit trust – purchase of shares	–	–	(1,746)	–	**(1,746)**
Other reserve movements	–	–	(263)	–	**(263)**
Current tax on share-based payments taken directly to equity	–	–	–	818	**818**
Deferred tax on share-based payments taken directly to equity	–	–	–	(289)	**(289)**
Balance at 27 December 2015	**56,518**	**25,255**	**(11,080)**	**212,867**	**283,560**
Balance at 30 December 2013	**56,432**	**24,491**	**(8,940)**	**143,982**	**215,965**
Profit for the year	–	–	–	66,999	**66,999**
Issue of new shares	1	4	–	–	**5**
Dividends	–	–	–	(36,367)	**(36,367)**
Share-based payments – credit to equity	–	–	2,795	–	**2,795**
Employee benefit trust – purchase of shares	–	–	(5,272)	–	**(5,272)**
Other reserve movements	–	–	(554)	–	**(554)**
Current tax on share-based payments taken directly to equity	–	–	–	1,474	**1,474**
Deferred tax on share-based payments taken directly to equity	–	–	–	(521)	**(521)**
Balance at 28 December 2014	**56,433**	**24,495**	**(11,971)**	**175,567**	**244,524**

There is no comprehensive income other than the profit for the year in the year ended 27 December 2015 or the year ended 28 December 2014.

Consolidated balance sheet

	Note	At 27 December 2015 £'000	At 28 December 2014 £'000
Non-current assets			
Intangible assets	10	**26,433**	26,433
Property, plant and equipment	11	**403,640**	368,576
		430,073	395,009
Current assets			
Stock	13	**6,389**	5,530
Trade and other receivables	14	**13,366**	8,991
Prepayments		**15,267**	14,009
Cash and cash equivalents	22	**2,983**	880
		38,005	29,410
Total assets		**468,078**	424,419
Current liabilities			
Overdraft	22	**(838)**	–
Corporation tax liabilities		**(8,692)**	(8,055)
Trade and other payables	15	**(125,388)**	(112,254)
Other payables – finance lease obligations	24	**(355)**	(332)
Provisions	16	**(1,130)**	(993)
		(136,403)	(121,634)
Net current liabilities		**(98,398)**	(92,224)
Non-current liabilities			
Long-term borrowings	22	**(30,527)**	(39,458)
Other payables – finance lease obligations	24	**(2,956)**	(2,930)
Deferred tax liabilities	17	**(12,096)**	(12,947)
Provisions	16	**(2,536)**	(2,926)
		(48,115)	(58,261)
Total liabilities		**(184,518)**	(179,895)
Net assets		**283,560**	244,524
Equity			
Share capital	18	**56,518**	56,433
Share premium		**25,255**	24,495
Other reserves	19,20	**(11,080)**	(11,971)
Retained earnings		**212,867**	175,567
Total equity		**283,560**	244,524

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 60 to 88 were approved by the Board of Directors and authorised for issue on 9 March 2016 and were signed on its behalf by:

Alan Jackson
Stephen Critoph ACA

Consolidated cash flow statement

	Note	52 weeks ended 27 December 2015 £'000	52 weeks ended 28 December 2014 £'000
Operating activities			
Cash generated from operations	21	**135,535**	124,992
Interest received		**82**	103
Interest paid		**(1,125)**	(1,424)
Tax paid		**(17,644)**	(18,222)
Net cash flows from operating activities		**116,848**	105,449
Investing activities			
Purchase of property, plant and equipment		**(74,817)**	(70,070)
Disposal of fixed assets		**250**	2,828
Net proceeds from repayment of loan note	5	**–**	7,000
Net cash flows used in investing activities		**(74,567)**	(60,242)
Financing activities			
Net proceeds from issue of ordinary share capital		**845**	5
Employee benefit trust – purchase of shares	19	**(1,746)**	(5,272)
Net repayments of loan draw downs		**(8,000)**	(10,000)
Dividends paid to shareholders	9	**(32,115)**	(36,367)
Net cash flows used in financing activities		**(41,016)**	(51,634)
Net increase/(decrease) in cash and cash equivalents		**1,265**	(6,427)
Cash and cash equivalents at the beginning of the year	22	**880**	7,307
Cash and cash equivalents at the end of the year	22	**2,145**	880

Notes to the accounts
For the year ended 27 December 2015

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 report the business as one reportable segment.

2 Revenue

	2015 £'000	2014 £'000
Income for the year consists of the following:		
Revenue from continuing operations	**685,381**	635,225
Other income not included within revenue in the income statement:		
Rental income	**2,688**	2,950
Interest income	**82**	103
Total income for the year	**688,151**	638,278

3 Profit for the year

	2015 £'000	2014 £'000
Cost of sales consists of the following:		
Continuing business excluding pre-opening costs	**553,106**	516,623
Pre-opening costs	**5,385**	4,702
Total cost of sales for the year	**558,491**	521,325

	2015 £'000	2014 £'000
Profit for the year has been arrived at after charging/(crediting):		
Depreciation	**39,100**	36,522
Purchases	**142,325**	139,141
Staff costs (see note 4)	**225,642**	205,197
Minimum lease payments	**67,009**	62,028
Contingent rents	**9,607**	8,278
Total operating lease rentals of land and buildings	**76,616**	70,306
Rental income	**(2,688)**	(2,950)
Net rental costs	**73,928**	67,356

3 Profit for the year continued

	2015 £'000	2014 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	146	137
Fees payable to the Company's auditor and their associates for other services to the Group		
The audit of the Company's subsidiaries	10	10
Total audit fees	156	147
Audit-related assurance services	20	20
Other assurance services	37	31
Tax compliance services	53	47
Other tax advisory services	15	–
Other services	150	–
Total non-audit fees	275	98
Total auditor's remuneration	431	245

Audit fees included in the above total relating to the Company are borne by a subsidiary undertaking. All of the auditor's remuneration in 2015 and 2014 was expensed as administration costs, excluding £0.15m incurred in 2015 relating to the refinancing of the Group's debt which will be amortised over the life of the facility.

4 Staff costs and numbers

	2015	2014
a) Average staff numbers during the year (including executive Directors)		
Restaurant staff	13,944	13,313
Administration staff	330	288
	14,274	13,601

	2015 £'000	2014 £'000
b) Staff costs (including Directors) comprise:		
Wages and salaries	206,960	187,494
Social security costs	14,304	13,614
Share-based payments	2,900	2,795
Pension costs	1,478	1,294
	225,642	205,197

Notes to the accounts continued

4 Staff costs and numbers continued

	2015 £'000	2014 £'000
c) Directors' remuneration		
Emoluments	**2,398**	2,405
Money purchase (and other) pension contributions	**187**	159
	2,585	2,564
Charge in respect of share-based payments	**748**	1,233
	3,333	3,797

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

5 Non-trading items

During the 52 weeks ended 27 December 2015, the Group has recognised a non-trading tax credit of £1.5m (further details are provided in note 7).

On 17 April 2014 the Group disposed of part of its interest in the Living Ventures group following the sale of the Gusto business.

The Group received £7m of cash proceeds in respect of this disposal and the resulting profit on disposal of £6.9m, net of costs, was reported as a non-trading item in the 52 weeks ended 28 December 2014. The net proceeds of the disposal were distributed by way of a special dividend of 3.45 pence per share on 9 July 2014. Following the disposal, the Group's only remaining interest in the residual business is a £3.7m loan note which has been fully provided against as a result of a detailed review of the trading performance of the business. In the 52 weeks ended 27 December 2015, the Group received £0.1m of loan note interest, all of which was recognised in the income statement (2014: £0.1m of which the Group recognised £0.1m).

6 Net finance charges

	2015 £'000	2014 £'000
Bank interest payable	**1,075**	1,378
Other interest payable	**334**	420
Facility fees	**338**	314
Interest on obligations under finance leases	**381**	376
Total borrowing costs	**2,128**	2,488
Bank interest receivable	**(9)**	(11)
Other interest receivable	**(13)**	(1)
Loan note interest receivable (see note 12)	**(60)**	(91)
Total interest receivable	**(82)**	(103)
Net finance charges	**2,046**	2,385

7 Tax

	2015 £'000	2014 £'000
a) The tax charge comprises:		
Current tax		
UK corporation tax at 20.25% (2014: 21.5%)	**19,624**	18,668
Adjustments in respect of previous years	**(525)**	(642)
	19,099	18,026
Deferred tax		
Origination and reversal of temporary differences	**24**	(161)
Adjustments in respect of previous years	**324**	63
Credit in respect of rate change	**(1,488)**	–
	(1,140)	(98)
Total tax charge for the year	**17,959**	17,928

b) Factors affecting the tax charge for the year
The tax charged for the year varies from the standard UK corporation tax rate of 20.25% (2014: 21.5%) due to the following factors:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	**86,845**	84,927
Profit on ordinary activities before tax multiplied by the standard UK corporation tax rate of 20.25% (2014: 21.5%)	**17,586**	18,259
Effects of:		
Depreciation on non-qualifying assets	**1,960**	1,933
Expenses/(income) not deductible for tax purposes	**103**	(180)
Exempt non-trading income	**–**	(1,505)
Credit in respect of rate change on deferred tax liability	**(1,488)**	–
Adjustment in respect of previous years	**(202)**	(579)
Total tax charge for the year	**17,959**	17,928

The Finance Act 2012 introduced a reduction in the main rate of corporation tax from April 2015 from 21% to 20% resulting in a blended rate of 20.25% being used to calculate the tax liability for the 52 weeks ended 27 December 2015.

The Finance (No.2) Act 2015 introduced a reduction in the main rate of the corporation tax from 20% to 19% from April 2017 and from 19% to 18% from April 2020. These reductions were substantively enacted on 24 October 2015 therefore the deferred tax provision at the balance sheet date has been calculated using a blended rate, resulting in a £1.5m tax credit.

Notes to the accounts continued

8 Earnings per share

	2015	2014
a) Basic earnings per share:		
Weighted average ordinary shares for the purposes of basic earnings per share	199,408,183	200,647,834
Total profit for the year (£'000)	68,886	66,999
Basic earnings per share for the year (pence)	34.55	33.39
Total profit for the year (£'000)	68,886	66,999
Effect of non-trading items on earnings for the year (£'000)	(1,488)	(6,892)
Earnings excluding non-trading items (£'000)	67,398	60,107
Adjusted earnings per share (pence)	33.80	29.96
b) Diluted earnings per share:		
Weighted average ordinary shares for the purposes of basic earnings per share	199,408,183	200,647,834
Effect of dilutive potential ordinary shares:		
Dilutive shares to be issued in respect of options granted under the share option schemes	488,349	275,381
Shares held by employee benefit trust	1,262,608	–
	201,159,140	200,923,215
Diluted earnings per share (pence)	34.24	33.35
Adjusted diluted earnings per share (pence)	33.50	29.92

The additional non-statutory earnings per share information (where non-trading items, described in note 5, have been added back) has been provided as the Directors believe it provides a useful indication as to the underlying performance of the Group.

Diluted earnings per share information is based on adjusting the weighted average number of shares for the purposes of basic earnings per share in respect of notional share awards made to employees in regards of share option schemes and the shares held by the employee benefit trust.

9 Dividend

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the 52 weeks ended 28 December 2014 of 9.30p (2013: 8.75p) per share	**18,550**	17,373
Interim dividend for the 52 weeks ended 27 December 2015 of 6.80p (2014: 6.10p) per share	**13,565**	12,145
	32,115	29,518
Special dividend of 3.45p per share paid on 9 July 2014	**–**	6,849
Total dividends paid in the year	**32,115**	36,367
Proposed final dividend for the 52 weeks ended 27 December 2015 of 10.60p (2014 actual proposed and paid: 9.30p) per share	**21,176**	18,550

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 12 May 2016 and is not recognised as a liability in these financial statements. The proposed final dividend payable reflects the number of shares in issue on 27 December 2015, adjusted for the 1.2m shares owned by the employee benefit trust for which dividends have been waived. Further details are provided in note 19.

10 Intangible assets

	£'000
Cost and carrying amount	
At 30 December 2013, 28 and 29 December 2014 and 27 December 2015	**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 8.1% (2014: 9.7%) 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 cash flows

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

Notes to the accounts continued

11 Property, plant and equipment

	Land and buildings £'000	Fixtures, equipment and vehicles £'000	Total £'000
Cost			
At 30 December 2013	409,114	148,383	557,497
Additions	48,838	21,232	70,070
Disposals	(10,549)	(6,675)	(17,224)
At 28 December 2014	**447,403**	**162,940**	**610,343**
Accumulated depreciation and impairment			
At 30 December 2013	130,454	89,524	219,978
Provided during the year	19,406	17,116	36,522
Disposals	(8,313)	(6,420)	(14,733)
At 28 December 2014	**141,547**	**100,220**	**241,767**
Cost			
At 29 December 2014	447,403	162,940	610,343
Additions	50,842	23,975	74,817
Disposals	(8,360)	(5,079)	(13,439)
At 27 December 2015	**489,885**	**181,836**	**671,721**
Accumulated depreciation and impairment			
At 29 December 2014	141,547	100,220	241,767
Provided during the year	20,848	18,252	39,100
Disposals	(7,869)	(4,917)	(12,786)
At 27 December 2015	**154,526**	**113,555**	**268,081**
Net book value as at 28 December 2014	305,856	62,720	368,576
Net book value as at 27 December 2015	**335,359**	**68,281**	**403,640**

	2015 £'000	2014 £'000
Net book value of land and buildings:		
Freehold	**108,613**	97,482
Long leasehold	**5,112**	5,291
Short leasehold	**221,634**	203,083
	335,359	305,856

	2015 £'000	2014 £'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	**1,224**	1,199
Provided during the year	**25**	25
At the end of the year	**1,249**	1,224
Net book value at the end of the year	**712**	737

12 Investment in associate

Until 17 April 2014, the Group held a 37.4% investment in BH Restaurants Limited (formerly Living Ventures Restaurants Group Limited) and this investment was accounted for using the equity method. On 17 April 2014 the Group disposed of part of its interest in BH Restaurants Limited following the sale of the Gusto business (further details are provided in note 5). Following the disposal, the Group's only remaining interest in the residual business is a £3.7m loan note which has been fully provided against as a result of a detailed review of the trading performance of BH Restaurants Limited.

Interest was receivable from BHR Finance Limited on a loan note of £3.7m at a rate of LIBOR + 1%. In the 52 weeks ended 27 December 2015 £0.1m of interest accrued of which the Group recognised £0.1m (2014: £0.1m of which the Group recognised £0.1m).

13 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 27 December 2015 is not considered by the Directors to be materially different from the balance sheet value. The Group recognised £142.3m of purchases as an expense in 2015 (2014: £139.1m).

14 Trade and other receivables

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	**1,955**	1,504
Other debtors	**11,411**	7,487
	13,366	8,991

15 Trade and other payables

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade creditors	**55,669**	50,977
Other tax and social security	**18,747**	18,035
Other creditors	**6,981**	6,447
Accruals	**43,991**	36,795
	125,388	112,254

Notes to the accounts continued

16 Provisions

	2015 £'000	2014 £'000
Provision for onerous lease contracts and property exit costs:	**3,919**	4,366
Balance at the beginning of the year		
Additional provisions made	**615**	238
Amounts utilised	**(973)**	(1,173)
Provisions released	**(282)**	(183)
Adjustment for change in discount rate	**67**	257
Unwinding of discount	**320**	414
Balance at the end of the year	**3,666**	3,919
Analysed as:		
Amount due for settlement within one year	**1,130**	993
Amount due for settlement after one year	**2,536**	2,926
	3,666	3,919

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 31 years. The provision for property exit costs is anticipated to be short-term and settled within one year.

17 Deferred taxation

	2015 £'000	2014 £'000
Balance at the beginning of the year	**12,947**	12,524
Movement in accelerated capital allowances	**602**	(290)
Other temporary differences	**(254)**	192
Credit in respect of rate change	**(1,488)**	–
Deferred tax taken directly to the income statement (see note 7)	**(1,140)**	(98)
Tax on share-based payments	**290**	521
Credit in respect of rate change	**(1)**	–
Deferred tax taken through equity	**289**	521
Balance at the end of the year	**12,096**	12,947

	2015 £'000	2014 £'000
Deferred tax consists of:		
Capital allowances in advance of depreciation	**13,664**	14,579
Capital gains rolled over	**349**	388
Other temporary differences	**(1,917)**	(2,020)
	12,096	12,947

18 Share capital

	Number	£'000
Authorised, issued and fully paid		
At 30 December 2013	**200,647,143**	**56,432**
Exercise of share options	1,678	1
At 28 and 29 December 2014	**200,648,821**	**56,433**
Exercise of share options	301,851	85
At 27 December 2015	**200,950,672**	**56,518**

19 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 27 December 2015, the Trustees, Appleby Trust (Jersey) Limited, held 1.2m shares in the Company (28 December 2014: 1.6m shares).

Net cash outflow in the 52 weeks ended 27 December 2015 was £1.7m, inclusive of costs (52 weeks ended 28 December 2014: £5.3m, inclusive of costs).

	Number	£'000
At 30 December 2013	**2,481,133**	
Purchase of shares on 17 March 2014 at an average price of 698 pence per share	750,000	5,272
Transfer of shares to satisfy the exercise of share awards	(1,676,205)	
At 28 and 29 December 2014	**1,554,928**	
Purchase of shares on 17 March 2015 at an average price of 693 pence per share	250,000	1,746
Transfer of shares to satisfy the exercise of share awards	(627,699)	
At 27 December 2015	**1,177,229**	

Details of options granted under the Group's share schemes are given in note 20.

Notes to the accounts continued

20 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 (2014: £2.8m).

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 19).

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 exercisable. 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
28 February 2013	30 June 2013
27 February 2014	30 June 2014
3 March 2015	30 June 2015

Vesting of share options under the LTIP is dependent on continuing employment or in accordance with 'good leaver' status as set out in the scheme rules. In exceptional circumstances, employees may be permitted to exercise options before the normal vesting date.

The Conditional and Matching Awards granted on 1 March 2012 became exercisable on 1 March 2015. 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 ranked in the upper quartile against its comparator group 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% p.a. and RPI +10% p.a. and 88% of this part of the award vested.

For those awards granted on 28 February 2013 that vest in 2016, the performance criteria were based on TSR and EPS. For the TSR element of the award, The Restaurant Group plc was ranked between median and upper quartile against its comparator group and consequently 85% of the TSR element of the award will vest. In respect of the EPS element of the award the growth in EPS was above RPI +10% p.a. and 100% of this part of the award will vest.

The options from the LTIP scheme will be satisfied through shares purchased via a trust. Further details are provided in note 19.

20 Share-based payment schemes continued

Year ended 27 December 2015

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
2015	Conditional – TSR element	124.5p	256,654	–	(254,966)	(1,688)	–	–
2015	Conditional – EPS element	283.5p	256,656	–	(225,310)	(31,346)	–	–
2015	Matching – TSR element	124.5p	97,457	–	(75,346)	(22,111)	–	–
2015	Matching – EPS element	283.5p	97,460	–	(66,527)	(30,933)	–	–
2016	Conditional – TSR element	214.9p	205,120	–	(1,951)	(5,092)	198,077	–
2016	Conditional – EPS element	418.9p	205,120	–	(1,901)	(5,143)	198,076	–
2016	Matching – TSR element	214.9p	79,015	–	(609)	(256)	78,150	–
2016	Matching – EPS element	418.9p	79,018	–	(593)	(272)	78,153	–
2017	Conditional – TSR element	431.8p	182,992	–	(243)	(5,085)	177,664	–
2017	Conditional – EPS element	658.5p	182,993	–	(152)	(5,176)	177,665	–
2017	Matching – TSR element	431.8p	63,574	–	(62)	(342)	63,170	–
2017	Matching – EPS element	658.5p	63,575	–	(39)	(366)	63,170	–
2018	Conditional – TSR element	417.5p	–	247,827	–	(7,786)	240,041	–
2018	Conditional – EPS element	731.5p	–	247,826	–	(7,786)	240,040	–
2018	Matching – TSR element	417.5p	–	91,085	–	(10,107)	80,978	–
2018	Matching – EPS element	731.5p	–	91,085	–	(10,107)	80,978	–
Total number			**1,769,634**	**677,823**	**(627,699)**	**(143,596)**	**1,676,162**	**–**

Notes to the accounts continued

20 Share-based payment schemes continued

Year ended 28 December 2014

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
2014	Conditional – TSR element	209.8p	417,873	–	(416,492)	(1,381)	–	–
2014	Conditional – EPS element	295.5p	417,873	–	(367,736)	(50,137)	–	–
2014	Matching	295.5p	322,184	–	(260,391)	(61,793)	–	–
2015	Conditional – TSR element	124.5p	456,186	–	(166,783)	(32,749)	256,654	–
2015	Conditional – EPS element	283.5p	456,187	–	(166,810)	(32,721)	256,656	–
2015	Matching – TSR element	124.5p	164,791	–	(58,591)	(8,743)	97,457	–
2015	Matching – EPS element	283.5p	164,793	–	(58,618)	(8,715)	97,460	–
2016	Conditional – TSR element	214.9p	330,197	–	(56,226)	(68,851)	205,120	–
2016	Conditional – EPS element	418.9p	330,197	–	(56,226)	(68,851)	205,120	–
2016	Matching – TSR element	214.9p	116,312	–	(18,361)	(18,936)	79,015	–
2016	Matching – EPS element	418.9p	116,311	–	(18,361)	(18,932)	79,018	–
2017	Conditional – TSR element	431.8p	–	264,578	(11,854)	(69,732)	182,992	–
2017	Conditional – EPS element	658.5p	–	264,578	(11,854)	(69,731)	182,993	–
2017	Matching – TSR element	431.8p	–	104,096	(3,951)	(36,571)	63,574	–
2017	Matching – EPS element	658.5p	–	104,095	(3,951)	(36,569)	63,575	–
Total number			**3,292,904**	**737,347**	**(1,676,205)**	**(584,412)**	**1,769,634**	**–**

Save As You Earn

Under the Save As You Earn (SAYE) scheme, the Board may grant options over shares in The Restaurant Group plc to UK-based employees of the Group. Options are granted with a fixed exercise price equal to 80% of the average market price of the shares for the five days prior to invitation. Employees pay a fixed amount from their salary into a savings account each month for the three year savings period. At the end of the savings period, employees have six months in which to exercise their options using the funds saved. If employees decide not to exercise their options, they may withdraw their funds saved and the options expire. Exercise of options is subject to continued employment within the Group. In exceptional circumstances, employees may be permitted to exercise these options before the end of the three year savings period. Options were valued using the Stochastic share pricing model.

20 Share-based payment schemes continued

Year ended 27 December 2015

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
2015 – 2016	283.0p	439,511	–	(294,280)	(25,416)	119,815	119,815
2017 – 2018	525.0p	1,285,466	–	(571)	(259,421)	1,025,474	–
2018 – 2019	546.0p	–	796,426	–	(10,542)	785,884	–
Total number		**1,724,977**	**796,426**	**(294,851)**	**(295,379)**	**1,931,173**	**119,815**
Weighted average exercise price		**463.3p**	**546.0p**	**283.5p**	**504.9p**	**518.5p**	**283.0p**

Year ended 28 December 2014

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
2015 – 2016	283.0p	484,404	–	(1,678)	(43,215)	439,511	–
2017 – 2018	525.0p	–	1,296,434	–	(10,968)	1,285,466	–
Total number		**484,404**	**1,296,434**	**(1,678)**	**(54,183)**	**1,724,977**	**–**
Weighted average exercise price		**283.0p**	**525.0p**	**283.0p**	**332.0p**	**463.3p**	**–**

During 2015, the weighted average market price at date of exercise was 666.2p per share (2014: 608.0p).

Executive Share Option Plans (ESOP)

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 the ESOP become exercisable on the third anniversary of the date of grant, subject to growth in EPS exceeding RPI growth by more than 2.5%. The 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.

Notes to the accounts continued

20 Share-based payment schemes continued

Year ended 27 December 2015

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
2008 – 2015	134.4p	17,000	–	(7,000)	(10,000)	–	–
Total number		**17,000**	**–**	**(7,000)**	**(10,000)**	**–**	**–**
Weighted average exercise price		**134.4p**	**–**	**134.4p**	**134.4p**	**–**	**–**

Year ended 28 December 2014

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
2007 – 2014	97.7p	21,000	–	–	(21,000)	–	–
2008 – 2015	134.4p	39,000	–	–	(22,000)	17,000	17,000
Total number		**60,000**	**–**	**–**	**(43,000)**	**17,000**	**17,000**
Weighted average exercise price		**121.6p**	**–**	**–**	**116.5p**	**134.4p**	**134.4p**

During 2015, the weighted average market price at date of exercise was 729.0p. There were no exercises during 2014.

Assumptions used in valuation of share-based payments granted in the year ended 27 December 2015:

Scheme	2015 LTIP Conditional Award		2015 LTIP Matching Award		2015 SAYE
Grant date	TSR element 03/03/2015	EPS element 03/03/2015	TSR element 03/03/2015	EPS element 03/03/2015	23/10/2015
Share price at grant date	731.5p	731.5p	731.5p	731.5p	708.5p
Exercise price	n/a	n/a	n/a	n/a	546.0p
No. of options originally granted	247,827	247,826	91,085	91,085	796,426
Minimum vesting period	3 years	3 years	3 years	3 years	3 years
Expected volatility[1]	22.9%	–	22.9%	–	22.5%
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years	3.5 years
Risk free rate	0.79%	–	0.79%	–	0.82%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	2.27%
Expected forfeitures	10%	10%	30%	30%	40%
Fair value per option	417.5p	731.5p	417.5p	731.5p	171.9p

[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 has been calculated (share price plus dividends reinvested) over a period prior to the grant date equal in length to the remaining period over which the performance condition applies. 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 2.8 years prior to the grant has been used. For the discount for the SAYE scheme, the calculated volatility based on the movement in the return index over a period of 3.25 years prior to the grant has been used.

21 Reconciliation of profit before tax to cash generated from operations

	2015 £'000	2014 £'000
Profit before tax	**86,845**	84,927
Net finance charges	**2,046**	2,385
Disposal of investment in associate	**–**	(6,862)
Share-based payments	**2,900**	2,795
Depreciation	**39,100**	36,522
Increase in stocks	**(859)**	(445)
Increase in debtors	**(5,633)**	(605)
Increase in creditors	**11,136**	6,275
Cash generated from operations	**135,535**	124,992

Major non-cash transactions

There were no major non-cash transactions in the 52 weeks ended 27 December 2015 or 52 weeks ended 28 December 2014.

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

	2015 £'000	2014 £'000
Net debt:		
At the beginning of the year	**(38,578)**	(41,857)
Movements in the year:		
Repayments of loan draw downs	**8,000**	10,000
Non-cash movements in the year	**931**	(294)
Cash inflow/(outflow)	**1,265**	(6,427)
At the end of the year	**(28,382)**	(38,578)

Represented by:	**At 30 December 2013 £'000**	Cash flow movements in the year £'000	Non-cash movements in the year £'000	**At 28 and 29 December 2014 £'000**	Cash flow movements in the year £'000	Non-cash movements in the year £'000	**At 27 December 2015 £'000**
Cash and cash equivalents	**7,307**	(6,427)	–	**880**	2,103	–	**2,983**
Overdraft	**–**	–	–	**–**	(838)	–	**(838)**
Bank loans falling due after one year	**(49,164)**	10,000	(294)	**(39,458)**	8,000	931	**(30,527)**
	(41,857)	3,573	(294)	**(38,578)**	9,265	931	**(28,382)**

Notes to the accounts continued

23 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 in 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 and more specific financial risk management (including sensitivity to increases in interest rates) are included in the report of the Directors. Further details on market and economic risk and headroom against covenants are included in the strategic report.

(a) Financial assets and liabilities

Financial assets

The financial assets of the Group comprise:

	2015 £'000	2014 £'000
Cash and cash equivalents – Sterling	2,983	879
Cash and cash equivalents – Euro	–	1
	2,983	880
Trade and other receivables	13,366	8,991
Total financial assets	16,349	9,871

Cash and cash equivalents include £0.3m (2014: £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:

	2015 £'000	2014 £'000
Overdraft	838	–
Trade and other payables excluding tax	106,641	94,219
Finance lease debt	355	332
Short-term financial liabilities	107,834	94,551
Long-term borrowings – at floating interest rates*	30,527	39,458
Finance lease debt	2,956	2,930
Long-term financial liabilities	33,483	42,388
Total financial liabilities	141,317	136,939

* Total financial liabilities attracting interest were £35.1m (2014: £40.0m). 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 2.18% (2014: 3.00%).

In June 2015, the Company agreed a five year extension of the existing £140m rolling loan facility. This facility provides the Company with medium-term security of funding, additional capacity to take advantage of business opportunities as they become available and the flexibility to optimise the Company's funding structure. The covenants and obligations of the facility extension remain the same as the previous agreement and interest remains 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.

23 Financial instruments and derivatives continued

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

At 27 December 2015 the Group has £108.0m of committed borrowing facilities in excess of gross borrowings (28 December 2014: £100.0m) and £6.9m of undrawn overdraft (28 December 2014: £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 27 December 2015

	Overdraft £'000	Trade and other payables excluding tax £'000	Floating rate loan £'000	Finance lease debt £'000	**Total £'000**
Within one year	838	106,641	1,844	355	**109,678**
Within two to five years	–	–	34,287	1,420	**35,707**
After five years	–	–	–	11,630	**11,630**
	838	106,641	36,131	13,405	**157,015**
Less: future interest payments	–	–	(5,604)	(10,094)	**(15,698)**
	838	106,641	30,527	3,311	**141,317**

At 28 December 2014

	Overdraft £'000	Trade and other payables excluding tax £'000	Floating rate loan £'000	Finance lease debt £'000	**Total £'000**
Within one year	–	94,219	259	332	**94,810**
Within two to five years	–	–	41,761	1,326	**43,087**
After five years	–	–	–	11,475	**11,475**
	–	94,219	42,020	13,133	**149,372**
Less: future interest payments	–	–	(2,562)	(9,871)	**(12,433)**
	–	94,219	39,458	3,262	**136,939**

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

23 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 commercial 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 £3.7m from BH Restaurants Limited. As a result of a detailed trading review of the business, the Board has made full provision against the loan note due (further details are provided in note 12).

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 June 2020 (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).

(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 continued 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.

24 Lease commitments

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

	Minimum lease payments		Present value of minimum lease payments	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Within one year	**355**	332	**355**	332
Within two to five years	**1,420**	1,326	**1,089**	1,017
After five years	**11,630**	11,475	**1,867**	1,913
	13,405	13,133		
Less: future interest payments	**(10,094)**	(9,871)		
Present value of lease obligations	**3,311**	3,262	**3,311**	3,262
Analysed as:				
Amount due for settlement within one year			**355**	332
Amount due for settlement after one year			**2,956**	2,930
Present value of lease obligations			**3,311**	3,262

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 £3.3m (2014: £3.3m).

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

Payments due:	**Payable 2015 £'000**	**Receivable 2015 £'000**	Payable 2014 £'000	Receivable 2014 £'000
Within one year	**67,364**	**2,023**	57,902	2,642
Within two to five years	**233,242**	**6,756**	200,990	8,523
After five years	**497,972**	**18,561**	451,385	20,477
	798,578	**27,340**	710,277	31,642

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 Concessions 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.

Notes to the accounts continued

25 Capital commitments

	2015 £'000	2014 £'000
Authorised and contracted for:	42,650	45,551

26 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.

27 Related party transactions

There were no related party transactions in the 52 weeks ended 27 December 2015.

BH Restaurants Limited (formerly Living Ventures Restaurants Group Limited) was a related party to the Group through its 37.4% holding until 17 April 2014 when the Group disposed of its investment in the company. The Group received £7m of cash proceeds in respect of this disposal and the resulting profit on disposal of £6.9m, net of costs, was reported as a non-trading item in the 52 weeks ended 28 December 2014. In the 52 weeks ended 27 December 2015, the Group received £0.1m of loan note interest, all of which was recognised in the income statement (52 weeks ended 28 December 2014: £0.1m of interest, all of which was recognised in the income statement).

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 27 December 2015 £'000	At 28 December 2014 £'000
Fixed assets			
Investments in subsidiary undertakings	i	**143,471**	140,571
		143,471	140,571
Current assets			
Debtors			
Amounts falling due within one year from Group undertakings		**304,221**	273,504
		304,221	273,504
Creditors			
Amounts falling due within one year to Group undertakings	ii	**(289,608)**	(256,329)
Net current assets		**14,613**	17,175
Total assets less current liabilities		**158,084**	157,746
Net assets		**158,084**	157,746
Capital and reserves			
Called up share capital	v	**56,518**	56,433
Share premium account	v	**25,255**	24,495
Other reserves	v	**(9,838)**	(10,729)
Profit and loss account	v	**86,149**	87,547
Shareholders' funds		**158,084**	157,746

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 89 to 93 were approved by the Board of Directors and authorised for issue on 9 March 2016 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 GAAP, whilst the Group accounts have been prepared under IFRS. The Company accounts have been prepared under the historical cost convention in accordance with applicable UK accounting standards and on the 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 20 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 28 December 2014	**91,829**	**50,164**	**141,993**
Additions – share-based payment schemes	–	2,900	2,900
At 27 December 2015	**91,829**	**53,064**	**144,893**
Amounts written off			
At 28 December 2014 and 27 December 2015	**888**	**534**	**1,422**
Net book value at 28 December 2014	90,941	49,630	140,571
Net book value at 27 December 2015	**90,941**	**52,530**	**143,471**

The Company's subsidiaries are listed below:

	Status	Proportion of voting rights and shares held at 27 December 2015
TRG (Holdings) Limited	Holding	100%
The Restaurant Group (UK) Limited	Trading	100%
Chiquito Limited	Trading	100%
Blubeckers Limited	Trading	100%
Brunning and Price Limited	Trading	100%
Frankie & Benny's SL	Dormant	100%
Caffe Uno Limited	Dormant	100%
Number One Leicester Square Limited	Dormant	100%
City Centre Restaurants (Holdings) Limited	Dormant	100%
Adams Rib Limited	Dormant	100%
G.R. Limited	Holding	100%
Strikes Restaurants Limited	Dormant	100%
CCR Properties (No. 1) Limited	Dormant	100%
CCR Properties (No. 2) Limited	Dormant	100%
Black Angus Steak Houses Limited	Dormant	100%
Deep Pan Pizza Company Limited	Dormant	100%
J.R. Restaurants Limited	Dormant	100%
City Hotels Group Limited	Dormant	100%
DPP Restaurants Limited	Dormant	100%
Garfunkels Restaurants Limited	Dormant	100%
Frankie & Benny's (UK) Limited	Dormant	100%
City Centre Restaurants (UK) Limited	Dormant	100%
Est Est Est Group Limited	Holding	100%
Factmulti Limited	Holding	100%
Ultraexpand Limited	Dormant	100%
Worksize Limited	Dormant	100%
Sidemet Limited	Dormant	100%
Merrycrown Limited	Dormant	100%
Introdyne Limited	Dormant	100%
Denhall Restaurants Limited	Dormant	100%

The Company's 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.

Company financial statements – under UK GAAP 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 2015 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 (2014: £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 27 December 2015 the Company employed five persons (28 December 2014: four persons).

v) Share capital and reserves

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 28 December 2014	**56,433**	**24,495**	**(10,729)**	**87,547**	**157,746**
Issue of shares	85	760	–	–	**845**
Employee share-based payment schemes	–	–	2,900	–	**2,900**
Employee benefit trust – purchase of shares	–	–	(1,746)	–	**(1,746)**
Other reserve movements	–	–	(263)	–	**(263)**
Profit for the year	–	–	–	30,717	**30,717**
Dividends	–	–	–	(32,115)	**(32,115)**
As at 27 December 2015	**56,518**	**25,255**	**(9,838)**	**86,149**	**158,084**

Details of share issues during the year are given in note 20 of the consolidated accounts and details of the dividends paid and proposed during the year are given in note 9 of the consolidated accounts.

Group financial record

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	**685,381**	635,225	579,589	532,541	487,114
Adjusted operating profit	**88,891**	80,450	74,916	66,435	61,185
Underlying interest	**(2,046)**	(2,385)	(2,231)	(1,874)	(902)
Adjusted profit before tax	**86,845**	78,065	72,685	64,561	60,283
Non-trading credits/(charges)	**–**	6,862	–	–	(11,675)
Profit on ordinary activities before tax	**86,845**	84,927	72,685	64,561	48,608
Tax	**(17,959)**	(17,928)	(16,495)	(16,334)	(14,231)
Profit for the year	**68,886**	66,999	56,190	48,227	34,377
Basic earnings per share	**34.55p**	33.39p	28.02p	24.08p	17.19p
Adjusted earnings per share	**33.80p**	29.96p	28.02p	24.08p	21.86p
Proposed total ordinary dividend per share for the year	**17.40p**	15.40p	14.00p	11.80p	10.50p
Special dividend per share	**–**	3.45p	–	–	–
Dividend cover (excluding non-trading items and special dividends)	**1.94**	1.95	2.00	2.04	2.08
Employment of finance					
Property, plant and equipment	**403,640**	368,576	337,519	293,785	269,141
Other non-current assets	**26,433**	26,433	26,433	26,433	26,433
Net current liabilities	**(98,398)**	(92,224)	(80,168)	(65,268)	(62,641)
Long-term liabilities	**(48,115)**	(58,261)	(67,819)	(71,102)	(75,651)
	283,560	244,524	215,965	183,848	157,282
Financed by:					
Equity	**283,560**	244,524	215,965	183,848	157,282
Net debt	**(28,382)**	(38,578)	(41,857)	(35,974)	(41,593)
Gearing	**10.0%**	15.8%	19.4%	19.6%	26.4%

Shareholder information

Directors
Alan Jackson
Non-executive Chairman

Danny Breithaupt
Chief Executive Officer

Stephen Critoph
Chief Financial Officer

Tony Hughes
Senior independent non-executive Director

Simon Cloke
Independent non-executive Director

Sally Cowdry
Independent non-executive Director

Debbie Hewitt (from 1 May 2015)
Independent non-executive Director

Company Secretary
Alex Small (from 1 September 2015)

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Annual General Meeting
Thursday 12 May 2016

Proposed final dividend – 2015
Announcement – 9 March 2016
Ex-dividend – 16 June 2016
Record date – 17 June 2016
Payment date – 6 July 2016

Notes

Notes

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