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Tortilla Mexican Grill PLC
27 March 2023

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Tortilla Mexican Grill plc
("Tortilla", the "Group" or the "Company")

Audited Annual Results for the 52 weeks ended 1 January 2023
Publication of Annual Report & Accounts and Notice of Annual General Meeting

A year of significant growth and further strategic progress

Tortilla Mexican Grill plc ("Tortilla"), the largest and most successful fast-casual Mexican restaurant group in the UK, is pleased to announce its Annual Results for the 52 weeks ended 1 January 2023 (the "Period").

Financial highlights

- Revenue increased by 20.0% to a new record of £57.7m (FY21: £48.1m), driven by a record year of new site openings.
- Like-for-like ("LFL") revenue up 16.4% vs 2019.
- Adjusted EBITDA (pre-IFRS 16) was £4.0m (FY21: £8.7m). Notably, FY21 included £3.9m of VAT benefit.
- Gross profit margin was 76.4% (FY21: 79.6%).
- Net debt was £0.6m (FY21: net cash of £6.7m).

Operational highlights

- Year of record growth for the Group with 18 sites (net) added to the portfolio, increasing the total number of sites to 82 at the period end
- A record number of UK new openings, with ten Group-operated sites added, as the Group takes advantage of the favourable property rental market
- Excellent franchising proposition due to simplicity of operating model and flexible store format
    - Five franchise sites opened in universities through new partnership with Compass Group plc
    - One further airport site opened at Bristol, through franchise partnership with SSP Group plc
- Strategic acquisition of Chilango in May 2022 strengthened the Group's market position in London:
    - Five of eight new sites converted to Tortilla branding
    - Three remaining sites refurbished post-acquisition
- Relaunched Tortilla Club loyalty scheme, growing loyalty programme by circa 40% to more than 280,000 members.

- Expanded successful partnerships with delivery partners Deliveroo, Uber Eats and Just Eat, alongside new partnerships with delivery kitchen partners including Growth Kitchen and Karma Kitchen.

- Strengthened Board and management team, with the appointments of Francesca Tiritiello (Non-Executive Director), Holly Foot (People Director) and Andrew Brook (Head of IT).

Current trading & outlook

- Trading in line with expectations. LFL sales growth for the eight weeks to 26 February 2023 remained strong, up 4% vs FY22 (up 11% vs FY22 when adjusted for VAT).

- Action taken by management across supply chain to manage costs and aid profitability, including utilities hedge (Apr-Sep 2023), providing certainty for the majority of FY23. Food cost inflation rates have largely plateaued.

- New sites opened in Q1 FY23 in Derby and Greenwich (London) have seen encouraging early trading, with a healthy pipeline of further openings planned for later in the year including in Milton Keynes, Belfast and Bracknell. Ahead of schedule with our targeted ambition, stated at IPO, of 45 new sites in five years.

- Exploring several new franchise sites for 2023 to enhance diversity of locations, including through the expansion of existing partnership with Compass Group and further planned openings at rail stations with SSP Group.

- Technology investments to enhance customer service and reporting efficiencies, to better support the Group's growth strategy and customer loyalty.

- The Board remains confident in the Group's ability to perform in line with market expectations for FY23*.

Richard Morris, Chief Executive Officer of Tortilla, commented:

"We have a proven, great value, and highly popular customer proposition and these strengths continued to underpin our good levels of like-for-like growth and further strategic expansion during 2022.

More and more consumers are seeking out high-quality, healthy, customisable food at great value, and both of our brands - Tortilla and Chilango - sit at the heart of these exciting consumer trends. The strong performances of our restaurants up and down the country as well as the success of new openings in the likes of Lincoln, Coventry, Canterbury, and Leicester once again demonstrate the very broad appeal of our proposition and the demographic diversity in which we operate and succeed.

As well as our continued expansion across the UK, we further strengthened our market position in London through our strategic acquisition of eight Chilango restaurants in the first half of the year. We successfully converted five of these to the Tortilla brand and have refurbished the three remaining Chilango sites. All these sites are benefiting from increased footfall in London.

The beginning of 2023 has started well with like-for-like sales up 4% in the 8 weeks to 26 February. We know that restaurants that offer great, consistent food at competitive price points will always be the winners in our sector, and we are confident that we sit very comfortably in this space. We remain highly motivated and excited about Tortilla's continued growth potential in the UK as well as our opportunities to build on our proven franchise operations to expand overseas."

** Company-compiled consensus: FY23: revenue £69.8m, Adjusted EBITDA £5.0m. Adjusted EBITDA defined as statutory operating profit before interest, tax, depreciation and amortisation (before application of IFRS 16 and excluding exceptional costs) and reflects the underlying trading performance of the Group.*

Publication of Annual Report & Accounts and Notice of Annual General Meeting

Tortilla Mexican Grill plc will publish later today its annual report and accounts for the financial year ended 1 January 2023 (the "Annual Report"), including the Notice of Annual General Meeting. These documents shall be available today on the Company's website.

The Company's Annual General Meeting will be held on 17 May 2023 at the offices of Liberum Capital Limited, 25 Ropemaker Street, London, EC2Y 9LY.

ENQUIRIES

Tortilla Mexican Grill PLC Emma Woods, Non-Executive Chair Richard Morris, CEO Andy Naylor, CFO	Via Hudson Sandler
Liberum Capital Limited (Nominated Adviser, Sole Broker) Andrew Godber Edward Thomas Nikhil Varghese	Tel: 020 3100 2222
Hudson Sandler (Public Relations) Alex Brennan	Tel: 020 7796 4133 tortilla@hudsonsandler.com

Wendy Baker
Charlotte Cobb

For further information, visit tortillagroup.co.uk

NOTES TO EDITORS

About Tortilla Mexican Grill plc

Tortilla is the largest and most successful fast-casual Mexican restaurant group in the UK specialising in the sale of freshly made Californian-inspired Mexican cuisine. As at 1 January 2023, the Group had 82 sites worldwide, comprising 65 sites in the UK operated by the Group, 4 sites franchised to SSP Group in the UK, 5 sites franchised to Compass Group UK & Ireland and 8 franchised sites in the Middle East.

The Group was founded in 2007 by Brandon Stephens, originally from California who arrived in London in 2003 to find a gap in the market for quality burritos and tacos. As a result, Brandon established Tortilla with a mission of offering customers freshly prepared, customisable, and authentic Californian-inspired Mexican food.

The Tortilla and Chilango brands are synonymous with an energetic, vibrant culture, and with providing a great value-for-money proposition. They embrace fast-growing sector trends (including eating out, healthy eating, provenance, ethnic cuisine, delivery) across a variety of locations, through a differentiated product offering which is popular with a broad customer base, and a clearly defined multi-channel marketing strategy. It benefits from flexible site locations and formats, and a scalable central infrastructure.

CHAIR'S STATEMENT

Tortilla's last annual report was published shortly after the start of the war in Ukraine. Back then, little did any of us know the extent to which this geopolitical event would come to shape our year, due to the unprecedented levels of food and energy inflation impacting businesses and consumers. The Group has a long-established reputation for providing a high-quality and great value for money proposition and the Management team has worked hard to mitigate some of these cost pressures. We have resisted passing on all additional costs to our valued customers through price increases and jeopardising our key value for money score. However, taking this necessary long-term view has inevitably impacted the Group's short-term EBITDA margin and annual profits.

I want to thank you, our shareholders, for your understanding.

The Board has been determined that the business arises from this challenging period in a strong manner and is ready to take advantage of the economic recovery. Accordingly, I am pleased to report a number of excellent achievements delivered in the year:

1. We continued our successful UK organic rollout of sites, opening ten new Group-operated sites, including our first sites in smaller cities like Leicester and Coventry. Early trading has been encouraging in these new locations.

2. We acquired Chilango Ltd, which comprised eight additional sites, seven of which are in London strengthening the Group's market position. We have converted five of these sites to Tortilla branding, which supports our confidence in London as office working returns.

3. We commenced a franchise relationship with Compass Group, with five university sites now open, ensuring our key 'student' audience gets to know the brand.

4. We opened a further airport site with SSP Group in Bristol, in time for the summer holidays, which illustrates the relevance of the brand in super high footfall hubs.

5. We strengthened our Management Team with the appointment of a new Operations Director, Stephen Clark (ex-Whitbread plc), People Director, Holly Foot, and Head of IT, Andrew Brook.

6. We relaunched our loyalty scheme - Tortilla Club - to enhance active customer engagement and have already seen good uptake. This scheme has also helped to support customers through the cost-of-living squeeze.

Board Changes

You will read in this report that our franchise business, both in the UK and in the Middle East, is flourishing and we are keen to explore how we can exploit strategic partnerships like this to expand quickly using less capital. I was delighted that Francesca Tirtiello, who has 20 years of European franchising experience, joined the Board as a Non-Executive Director and Chair of the Remuneration Committee in 2022.

In other changes, Laurence Keen, has recently taken on leading the expansion of Hollywood Bowl in Canada. Given the time and travel demands of this new role he has decided to not seek re-election at the AGM. The Board would like to thank Laurence for his support since IPO.

Francesca Tirtiello will now take over as Chair of Audit. We have begun recruitment for a new Non-Executive to chair the Remuneration Committee and will update you when we make this appointment.

2023 - a great value proposition

Our shareholders will undoubtedly have read about consumer spending on 'eating out' being under pressure. However, the Group has been monitoring customer behaviour closely over the last six months, and we remain confident that our great value proposition will give the Group resilience as people seek value-for-money options. After all, we continue to serve customers great fresh food and a drink, in a fun and vibrant atmosphere, at competitive price.

Finally, I have really enjoyed meeting several of our shareholders last year. So, alongside the dialogue you have with Richard and Andy, please feel free to contact me if you would like to discuss our business at any point.

Emma Woods

Emma Woods
CHAIR
27 March 2023

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Group was in fantastic shape as we entered 2022, following record performances achieved across our estate in 2021, having navigated the post Covid-19 environment and opened a record number of new sites.

This strong performance continued into 2022 until the UK was presented with several macro-economic challenges following Russian's invasion of Ukraine, which led to unprecedented levels of food and energy inflation. This set the business on a different footing for the rest of the year, as careful supply chain management became essential to the operation of the business.

However, Tortilla has a strong track record of resilience. The business has proven to be dynamic and able to quickly adapt to economic downturns, and 2022 was no exception. We have been able to capitalise on the opportunities afforded by the commercial property market for example, enabling us to continue to grow our footprint across the UK by stepping up our site rollout. We were also able to secure more favourable terms with landlords on our new sites. The Group's growth was further accelerated by the strategic acquisition of Chilango Ltd, which contributed a further eight sites to the estate.

Chilango acquisition

Chilango was one of our strongest competitors in central London. As an award-winning fast-casual restaurant chain specialising in Mexican food, Chilango is a well-known and complementary premium brand with high levels of customer loyalty. The Group acquired the business in May 2022 to fast track our presence across London, particularly ahead of the anticipated return to office-based working in the capital.

As Covid-19 restrictions were lifted and businesses increasingly encourage employees to return to the office, we have seen demand in central London bounce back strongly, and we are confident that this demand is here to stay.

In line with our strategic plans following the acquisition, five Chilango sites have been re-branded to Tortilla. We have seen improved trading performances at these sites following conversion, which demonstrates the strength of the Tortilla brand and the success of the efficiencies found by utilising the Group's operating model.

Three acquired sites have remained as Chilango branded sites, and we have invested in refurbishment projects at these sites which were completed in early 2023. It is early days for these stores post-refresh, however the initial indicators are promising.

The complementary Chilango brand provides an excellent further growth opportunity for the Group in the years ahead and we are excited to see where the brand takes us.

New site pipeline

Since IPO, the Group's primary growth strategy has been to organically accelerate its presence across the UK, seeking to open 45 new sites over five years. I am thrilled to say that a grand total of 18 new sites opened in 2022, including the Chilango conversions previously outlined, and we are well on track to meet our five-year target. This is a huge triumph given the challenging economic landscape.

We have seen a significant increase in the availability of viable units in key target locations across the UK, and the Group has capitalised on this by securing favourable lease terms with landlords, not only in the form of lower rents but also often with incentive packages included to support capital expenditure. By securing such units and terms we are confident that we will continue to reap the rewards that these sites have to offer for years to come.
Looking forward, the Group is well-positioned to expand further, and we are continuing to have a strong pipeline of new sites for this year and beyond. In Q1 2023, we opened a further two new sites with positive early indicators. The Group is on track to open between 10-12 new sites in 2023.

Franchising and Partnerships

A flourishing aspect of our business is the world of franchising. We have continued to strengthen our relationships with our existing partners, SSP and Compass Group, which led to six new sites opening in 2022 across the UK. Five of these were with Compass Group located in higher education UK campuses at Brunel, Swansea, Middlesex, Sussex and Salford, following a successful trial early in the year. We opened one further site with SSP Group at Bristol Airport which delivered a fantastic performance. Other travel hubs such as Gatwick Airport achieved a record sales performance, proving that busy travel locations are well suited to Tortilla's operating model.

Our UK franchise manager relocated to the Middle East to help grow our franchise partnership in the region. This provides us with great comfort for the future prospects of the business, with a 'home-grown' Tortilla expert working directly to identify new site locations.

Last year we reshuffled our estate of delivery-only kitchens by expanding further with Growth Kitchen and commencing a new partnership with Karma Kitchen. We also expanded our partnerships with delivery partners, adopting a multi-platform approach.

Supply chain

One of the key pillars of Tortilla's success has always been our strong relationships with our suppliers, and in 2022 this became more critical. Early in 2022, we encountered unprecedented levels of food inflation, and it became essential for us to work diligently with our suppliers to ensure that operations were not disrupted. It is a testament to the strength of our supplier relations that we were able to maintain 100 percent menu availability throughout the year despite the numerous challenges presented.

In the meantime, as the reality of the cost-of-living crisis in the UK set in, we recognised the importance of our competitiveness in terms of pricing. To help mitigate this, we looked for other ways of delivering on profitability. We provided top line sales incentives for employees to boost sales volumes at our peak times and implemented tighter controls around expenditure. Full menu reviews were conducted to ensure that the most suitable recipes and ingredients were being used at any given time in the rapidly changing environment. Pricing will remain closely monitored and under review.

Where our prices did increase, the sensitivity of such rises was closely monitored to ensure that the spending habits of both existing and potential customers were not impacted. We were also proud to have kept our price rises below inflation and maintain our competitive price position. We managed to strike the right balance of maintaining reasonable margins without pricing our customers out of our great value offer.

Looking forward to 2023, supply chain management continues to be a key focus area. As we navigate the current economic environment, we will continue to optimise what is within our control whilst continuing to work with suppliers to find cost efficiencies.

People Values and Culture

In September 2022 the Group published its first ESG report, setting out its sustainability commitments and vision for the future.

People are at the core of Tortilla's success. Our ongoing commitment to our people is evident in the career progression of our General Managers, of which 40% have risen through the ranks and have been promoted into their current role in the last year.

The Group recognises that our General Managers form the very foundation of the business and to reflect this, we offer an excellent benefits package. This includes a paid sabbatical for General Managers who serve in the role for five years and bonus payments for mystery diner scores, as well as competitive pay rates for all team members.
In 2022, we recruited Holly Foot as our People Director. She is focusing on enhancing our manager training and development programme, in line with our drive to grow from within. Her role is incredibly important in the context of the current recruitment environment, and we are confident that Holly's expertise will help us to attract and retain the best talent in the industry.

Our Annual Conference was held in February 2023 to celebrate the successes of the business and the individuals within it. It was a hugely motivational and positive day, with the vision of the business shared with all our Head Office and General Manager teams.

Technology

Technology will be at the forefront of our customer service offering and will also be used to implement more efficient reporting procedures across the business moving forward. This will help us to drive more positive relationships with employees and customers alike.

In March 2023 we were delighted to welcome our new Head of IT to the Group. This newly-created role was made to enable us to move forward with our technology strategy, and we look forward to providing updates on this crucial business area in the coming months.

International

Tortilla is already the largest fast-casual Mexican chain in the UK & Europe and Mexican cuisine continues to grow in popularity across the globe. We are committed to furthering Tortilla's UK growth story, though we are simultaneously aware of the huge opportunity for a leading Mexican fast-casual brand to thrive across continental Europe.

The Group continues to seek out new businesses and partnerships as we develop our European growth strategy. We are thrilled that Francesca Tiritiello joined the Board as a Non-Executive Director. She has brought a wealth of experience with European restaurant franchising to help the Group achieve this. Following our success with UK franchising, we are excited about the opportunity to utilise a similar low-capital approach and establish a greater international presence.

Current Trading and Outlook

Looking forward, the Board is excited about the opportunity ahead. Current trading remains in line with expectations, with like for like (LFL) sales growth for the eight weeks to 26 February 2023 up 4 percent on FY22 (11 percent when adjusted for VAT).

The last few years have been punctuated by exceptional events that continue to test us, our industry and the wider UK economy in every area. Whilst Covid-19 gave us opportunities, the cost implications for us over the last 12 months clearly created challenges that inevitably had an impact on profitability. We see these issues as relatively short term in nature, although we expect that costs will remain at a higher level than before the Ukraine conflict over the longer term. We have a flexible pricing strategy and remain confident that we offer excellent value for money to our customers, but clearly a greater semblance of certainty and normality will help in all aspects of our business and the wider sector alike. There has been action taken by management across supply chain to manage costs and aid profitability, including hedging utilities (April-September 2023), providing certainty for the majority of FY23.

Tortilla is an incredibly resilient business, as we have shown over a number of years. The continued growth in popularity of Mexican cuisine and related consumer trends towards healthier eating, customisable options and convenience have supported our consistent growth. Our recent successes in Derby, Leicester and Coventry and other cities show that the brand can operate across different communities, geographies and demographics. We have a healthy pipeline of further openings planned for later in the year including in Milton Keynes and Bracknell; and are ahead of progress on our IPO 2021 target of 45 new sites in five years.

We will continue to push to develop and grow the brand through new site openings, partnerships, the implementation of new technology and our increased presence in all aspects of social media. Our Tik Tok posts are legendary!

Messaging remains buoyant from us all. This business will succeed whatever is thrown at it and we look forward to continuing this journey in 2023 and beyond.

Richard Morris
CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER
27 MARCH 2023

KEY STRENGTHS

Through continuous innovation, we work hard to maintain high standards in all aspects of business. Over the past few years, the following elements have proven areas of particular strength.

Our products

Tortilla has developed a great reputation for its freshly prepared, customisable, value-for-money product range of burritos, tacos and salads. This has enabled us to appeal to a wide demographic, maintaining our loyal customer base and generating further customers as we grow. Our defining characteristics also align with forecasted consumer trends and preferences, providing a positive outlook for the future.

By offering great value-for-money, we have successfully expanded operations across the UK, and are able to charge a minor delivery premium (to address delivery commission costs) while remaining highly competitive.

Embracing sector trends

The Tortilla Group observes and embraces key consumer trends, flexing our products, services and formats to capitalise on growing demand and maintain relevance in a rapidly changing market. Our offering thus adheres to the dominant demands driving our sector, which include:

- **Healthy eating** - packed with rice, beans, vegetables and plant-based options, our menu suits those seeking healthy fast-casual food

- **Fresh and high provenance** - our freshly prepared food is from high quality, responsible sources communicated with full transparency to the consumer

- **Convenience** - Tortilla food is available in-store, via takeaway or delivery, ensuring maximum options for optimum convenience, and reaching more customers than ever before via our widespread delivery-only kitchens

- **Customisation** - a wide range of options enable customers to tailor their Tortilla meal to their preferences and dietary requirements

- **Ethnic food** - Tortilla's authentic Mexican style food caters to consumers' growing interest in ethnic food

Flexible business model

Much of the Group's success, during the pandemic and beyond, can be attributed to our ability to adapt, flexing our business model quickly and effectively to suit circumstances and locations.

Our flexibility is driven by three key factors of our business model:

- Trading strength over eat-in, takeaway and delivery channels
- Ability to trade in small units and without extraction
- Value-for-money offering that appeals to diverse customers including students, local residents and office workers

In contrast to similar fast-casual restaurant businesses, Tortilla has achieved significant geographical spread throughout the UK - in terms of both presence and sales. Over half of our estate and twelve of our top twenty selling stores are located outside of London, covering a wide range of sites including shopping centres, high streets, residential areas, delivery-only kitchens and transport hubs. We are adept at scouting and identifying the best format for new locations.
Moreover, our scalable central infrastructure, currently a 5,500 square foot Central Production Unit ("CPU") in Tottenham Hale, provides cost advantages over our direct competitors, the flexibility to increase its size in tandem with our growth strategy and the assurance that product quality remains consistent across all sites.

Marketing strategy

Through our clearly defined multi-channel marketing strategy, the Group has built and maintained a loyal and diverse customer base.

Our national campaigns run throughout the year with special promotions for seasonal products and recipes across print, online and social media, alongside targeted regional marketing for new site launches.

With a large proportion of customers in the younger age demographic (aged 16-34), we achieve significant engagement via social media and our vast influencer network drives widespread engagement across the most popular social media platforms, sharing bite-size videos reaching millions of views.

Strong leadership

Tortilla's senior Management team continues to excel in its ability to deliver strong and sustainable growth. Under the stewardship of an experienced Board of Directors, our team has continued to execute Tortilla's growth strategy effectively, taking full advantages of opportunities as they arose and conducting all activity with kindness, integrity and ownership.

We focus on hiring the best people at all levels and work hard to propagate our strong culture and values throughout the organisation.

Our Board and senior Management team regularly visit stores and speak with teams and guests to ensure a strong connection between corporate objectives and on-the-ground practice.

Cost effective hiring model

The simplicity of Tortilla food means that recipes and methods are straightforward, and managers can train those with limited experience to high levels of competency within a short time period. We can therefore focus on hiring those with the values and behaviour we seek, enabling us to maintain our culture and avoid the negative impact of the UK's chef shortage.

This also helps us to hire from within our stores' local communities, reducing travel time and cost for employees. All stores strive to get to know their customers on first name terms as part of the 'Raving Fans' initiative, and by creating this 'independent' feel to each restaurant, we gain a further competitive advantage.

Property portfolio and strategy

At the end of 2022, the Group had 82 sites worldwide: 62 UK sites we operate ourselves (59 Tortilla, three Chilango), four UK sites franchised to SSP Group, five UK sites franchised to Compass Group and eight franchised sites in the Middle East. The Group's property portfolio is entirely leasehold.

Within the UK, the Group's portfolio of sites is well diversified with respect to locations, with 34 sites within the M25 area and 28 sites outside of it. Five of Tortilla's top ten stores (by profit) are located outside of the M25. As customers of fast-casual operators tend to be primarily impulsive purchasers (65 percent of our customers visit on impulse), sourcing locations with high footfall is a critical part of boosting brand awareness and generating sales.

Tortilla's property portfolio

The Group's success is driven by our proven property strategy with flexibility across site locations and formats. We generally target locations ranging from 60 square metres to 200 square metres, with the exception of our delivery-only kitchen sites, which operate in typically 25-35 square metre sites. The estimated capital expenditure per site (excluding delivery-only kitchens) ranges from £375,000 to £475,000 (excluding landlord contribution) depending on the size of the unit, site condition and store front requirements.

The Group aims for a 30 percent minimum target investment hurdle for its return on capital employed. Our sites are primarily located in high street areas, residential locations, shopping centres and transport hubs as these high footfall locations provide seven-day trade with lunch and dinner availability, helping the brand appeal to a wider range of consumers and trade throughout the day.

New sites

New sites have historically been a core driver of Tortilla's development. Tortilla opened eight sites in 2014, and five/six sites per year in 2015, 2016 and 2019, but slowed this rollout in 2017 and 2018 as rents did not provide the necessary value at that time. Understandably, site openings slowed in 2020 but we accelerated our pipeline by opening seven sites in FY21 (four bricks and mortar and three delivery kitchens) along with two new SSP Group franchise units. FY22 was a record year for growth with a total of 18 additions to the estate.

New sites will continue to play a key role in our targeted growth trajectory. Tortilla has a specialised property team that supports our growth with a rigorous new site process including site selection, assessment, contract negotiation and fitting. By opening new sites on a regular basis, we have a well-established, reliable infrastructure in place to manage the roll-out as required. We also have a dedicated operations team that relocates to new sites to ensure that new staff are adequately trained and are supervised appropriately before they manage the site themselves.

As the number of sites within the Group's portfolio increases, Tortilla will benefit from an expanding base of senior employees familiar with these processes, and a larger regional Management infrastructure to support new site openings. During 2022, we have been working closely with CACI who have confirmed there are in excess of 200 locations throughout the UK which meet the specific criteria of Tortilla.

CHIEF FINANCIAL OFFICER'S REVIEW

Group financial KPI summary

	2022	2021	Change
Revenue	£57.7m	£48.1m	+ 20.0%
Gross profit margin	76.4%	79.6%	- 3.2% pts
Administrative expenses	£43.6m	£36.5m	+ 19.3%
Net (loss)/profit after tax	(£0.6m)	£1.4m	- 147.0%
Cash generated from operations	£7.6m	£11.7m	- 35.0%
Alternative performance measures ("APMs")			
LFL revenue growth (vs 2019)[1]	16.4%	23.8%	- 7.4% pts
Adjusted EBITDA (pre-IFRS 16)[2]	£4.0m	£8.7m	- 54.6%
Net cash/(debt) (pre-IFRS-16)[3]	(£0.6m)	£6.7m	- 108.2%

[1] defined as the percentage change in like-for-like sales compared to 2019 and so it excludes periods of non-trading

[2] defined as statutory operating profit before interest, tax, depreciation and amortisation (before application of IFRS 16 and excluding exceptional costs) and reflects the underlying trade of the Group. The reconciliation to profit from operations is set out below in this section of the report.

[3] defined as cash and cash equivalents less gross debt. Calculated on a pre-IFRS 16 basis and so does not include lease liabilities.

Revenue

Revenue increased by 20 percent to £57.7m, compared to £48.1m in FY21. This was attributable to the following factors:

- An underlying 16.4 percent like-for-like revenue growth across the estate;
- The strategic acquisition of Chilango Ltd, adding a further eight sites across the estate and revenue of £3.3m; and
- The addition of ten new company-owned sites in FY22 (+£3.2m), as well as the annualisation of the FY21 openings (+£1.2m)

(+£1.2m).

The above factors are partially offset by a £3.9m decrease resulting from the removal of the reduced rate of VAT which benefitted the Group in FY21.

Gross profit margin

The Group achieved a gross profit margin in FY22 of 76.4 percent (FY21: 79.6 percent).

To support the hospitality industry in FY21, following the lifting of the Covid-19 lockdown, the Government temporarily applied a reduced VAT rate of 5 percent to certain suppliers. This was in place from Q1 FY21 to Q3 FY21 and was lifted to 12.5 percent in Q4. From Q2 FY22, the VAT rate returned to 20 percent. Consequently, FY22 benefitted less than FY21, by £3.9m, which equates to a 1.9 ppts reduction in gross profit margin.

The war in Ukraine, combined with the legacy of the pandemic, led to unprecedented levels of inflation in FY22. We saw a c.30 percent increase in protein costs, which accounted for approximately one-third of our cost of goods sold. This was the main contributor to the remaining 1.3 ppts decrease in gross profit margin.

Administrative expenses

Administrative costs increased by 19.3 percent year-on-year to £43.6m. This was largely attributable to the increased level of trade in FY22, as the restaurants were closed for a period in FY21 due to the pandemic. As a percentage of revenue, administrative expenses remained consistent year-on-year at 75.5 percent (FY21: 75.9 percent).

Administrative expenses also incorporate exceptional items, which decreased to £0.5m in FY22 (FY21: £1.8m). The £1.3m decrease was attributable to costs incurred for the Group's IPO in FY21. Of the £0.5m in FY22, £0.4m is related to the Chilango Ltd acquisition.

Adjusted EBITDA (pre-IFRS 16)

The Group utilises Adjusted EBITDA (pre-IFRS 16) as the primary assessment metric of profitability. A reconciliation of this measure compared to profit from operations is below.

	52 weeks ended 1 January 2023	**52 weeks ended 2 January 2022**
	£	**£**
Profit from operations	**536,129**	**3,634,155**
Pre-opening costs	813,154	126,753
Share option expense	362,028	90,507
Depreciation and amortisation	6,212,778	6,255,038
Reversal of impairment	(208,023)	-
Exceptional items	542,140	1,856,268
Non-trading costs	18,538	244,639
IFRS 16 adjustment	(4,304,273)	(3,466,784)
Adjusted EBITDA (pre-IFRS 16)	**3,972,471**	**8,740,576**

The Group generated £4.0m of Adjusted EBITDA (pre-IFRS 16) in FY22, a reduction of £4.7m compared to FY21. This decrease was most notably driven by the £4.8m VAT benefit that was received in FY21.

Whilst the ongoing challenges of inflation impacted our Adjusted EBITDA for FY22, we remain confident that our competitive price point and customisable offering put us in a strong position to continue to grow and succeed going forward.

Cash flow

Cash generated from operations decreased in line with the reduction in Adjusted EBITDA, save for the settlement of a number of FY21 working capital related cash flows (namely leasehold payments) that were deferred to early FY22.

Cash expenditure on property, plant and equipment increased due to the addition of more new sites in FY22 compared to FY21 and higher maintenance capital costs arising from numerous refurbishments when the Group converted five Chilango sites to Tortilla branding.

The acquisition of Chilango Ltd resulted in an initial cash outflow of £2.5m against a total consideration of £2.75m. The remaining £0.25m of consideration is contingent and will be paid upon achieving certain conditions. The £2.5m initial cash outflow included £1.0m which was paid to Chilango Ltd for working capital needs.

Financing and net debt

The Group had cash balances of £2.4m on 1 January 2023 which translated to a net debt position of £0.6m (FY21: net cash of £6.7m).

The Group's £10.0m revolving credit facility (RCF) is held with Santander UK plc and comprises a drawn balance of £3.0m at 1 January 2023 with a further £7.0m of undrawn facility available to the Group.

The financing facility attracts interest at a rate of 2.75 percent above SONIA on drawn balance, subject to an upward-only ratchet based on increased net leverage levels, and is secured until 14 September 2026.

Share based payments

Share-based payment expenses of £0.4m were recognised in FY22 (FY21: £0.1m) relating to the Group's Long Term Incentive Plan ("LTIP") created as part of the Group's admission to AIM.

Dividend

The Board did not recommend a dividend for FY22. As previously announced, the Group's capital will be focused on growth over the coming years with the dividend policy subject to re-assessment going forward.

Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the year ending 1 January 2023, the Directors have considered the Group's cash flow, liquidity and business activities.

During FY22 the Group did not draw down any further on the debt facilities meaning it has access to a further £7.0m of financing and this remained undrawn on 1 January 2023. The Group had cash balances of £2.3m on 1 January 2023 which translated to a net debt position of £0.6m.

The Group has prepared forecasts for the next twelve months, including a base case and a severe downside case. Refer to note 2.6 of the financial statements for details of the assumptions and methodology applied.

Upon consideration of this analysis and the principal risks faced by the Group, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least twelve months from the date of this report. Accordingly, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Andy Naylor
CHIEF FINANCIAL OFFICER
27 MARCH 2023

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income
For the 52 weeks ended 1 January 2023

	Note	52 weeks ended 1 January 2023 £	52 weeks ended 2 January 2022 £
Revenue	4	**57,698,487**	48,075,399
Cost of sales		**(13,605,825)**	(9,797,235)
Gross profit		**44,092,662**	38,278,164
Administrative expenses		**(43,556,533)**	(36,521,815)
Other operating income	5	**-**	1,877,806
Operating profit	6	**536,129**	3,634,155
Finance income	10	**1,384**	613
Finance expense	11	**(1,466,062)**	(1,372,504)
(Loss)/profit before taxation		**(928,549)**	2,262,264
Tax on (loss)/profit	12	**290,327**	(900,690)
(Loss)/profit for the period and comprehensive income attributable to equity holders of the parent company		**(638,222)**	1,361,574
(Loss)/earnings per share for profit attributable to the owners of the parent during the period			
Basic and diluted (pence)	13	**(1.7)**	3.5

There were no items of recognised income or expense other than as shown in the Consolidated statement of comprehensive income above. All activities relate to continuing operations.

The accompanying notes within this announcement form an integral part of these financial statements.

Consolidated statement of financial position
As at 1 January 2023

	Note	1 January 2023 £	2 January 2022 £

	Note	2023	2023	2022	2022
Non-Current Asset					
Intangible assets	15		**2,632,205**		-
Tangible assets	16		**13,721,101**		9,264,167
Right-of-use assets			**31,035,358**		24,939,614
			47,388,664		34,203,781
Current assets					
Inventories	17	**397,083**		326,108	
Trade and other receivables	18	**2,193,877**		1,888,702	
Cash at bank and in hand	19	**2,375,800**		9,653,172	
		4,966,760		11,867,982	
Current liabilities					
Trade and other payables		**(9,110,069)**		(6,729,865)	
Corporation tax	12	**-**		(900,690)	
Lease liabilities		**(5,614,340)**		(5,830,987)	
Net current liabilities			**(9,757,649)**		(1,593,560)
Total assets less current liabilities			**37,631,015**		32,610,221
Non-current liabilities					
Loans and borrowings	21		**(2,930,481)**		(2,911,941)
Lease liabilities			**(31,109,551)**		(25,831,103)
Net assets			**3,590,983**		3,867,177
Equity attributable to equity holders of the company					
Called up share capital	22		**386,640**		386,640
Share premium account	23		**4,433,250**		4,433,250
Share based payment reserve	23		**452,535**		90,507
Merger reserve	23		**4,793,170**		4,793,170
Profit and loss account	23		**(6,474,612)**		(5,836,390)
Total equity			**3,590,983**		3,867,177

The accompanying notes within this announcement form an integral part of these Financial Statements.

The financial statements of Tortilla Mexican Grill plc (registration number 13511888) were approved and authorised for issue by the board and were signed on its behalf by:

Consolidated statement of changes in equity
For the 52 weeks ended 1 January 2023

	Called up share capital	Share premium account	Share-based payment reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 3 January 2021	**359,016**	**-**	**-**	**4,793,170**	**(7,197,964)**	**(2,045,778)**
Profit for the period	-	-	-	-	1,361,574	1,361,574
Share-based payments	-	-	90,507	-	-	90,507
Newly issued equity shares	27,624	4,972,376	-	-	-	5,000,000
Cost of issue of equity shares	-	(539,126)	-	-	-	(539,126)
Balance as at 3 January 2022	**386,640**	**4,433,250**	**90,507**	**4,793,170**	**(5,836,390)**	**3,867,177**
Loss for the period	-	-	-	-	(638,222)	(638,222)
Share-based payments	-	-	362,028	-	-	362,028
Balance as at 1 January 2023	**386,640**	**4,433,250**	**452,535**	**4,793,170**	**(6,474,612)**	**3,590,983**

The accompanying notes within this announcement form an integral part of these Financial Statements.

Consolidated statement of cash flows
For the 52 weeks ended 1 January 2023

	52 weeks ended 1 January 2023 £	52 weeks ended 2 January 2022 £
Cash flows from operating activities		
(Loss)/profit for the financial period	**(638,222)**	1,361,574
Adjustments for:		
Amortisation of intangible assets	**10,456**	-
Depreciation of right-to-use asset	**3,657,710**	3,514,015
Depreciation of property, plant and equipment	**2,501,433**	2,634,304
Loss on disposal of tangible assets	**17,780**	6,852
Net finance expense	**183,939**	377,144
Taxation (credit)/charge	**(290,327)**	900,690
Increase in inventories	**(19,178)**	(86,326)
Decrease in trade and other receivables	**196,503**	9,593
Increase in trade and other payables	**762,249**	1,820,161
Impairment of property, plant and equipment	**160,930**	-
Reversal of impairment of property, plant and equipment	**(368,953)**	-
Impairment of right-to-use asset	**380,673**	99,868
Corporation tax paid	**(610,363)**	-
Share based payments	**362,028**	90,507
Finance cost on lease liabilities	**1,280,739**	994,747
Net cash generated from operating activities	**7,587,397**	11,723,129
Cash flows from investing activities		
Purchase of tangible fixed assets	**(6,643,962)**	(2,793,181)
Interest received	**1,384**	613
Acquisitions, net of cash acquired	**(1,687,365)**	-
Net cash from investing activities	**(8,329,943)**	(2,792,568)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	5,000,000
Cost of issue of shares	**-**	(539,126)
New secured loans	**-**	2,907,306
Repayment of loans	**-**	(12,596,054)
Interest paid	**(181,759)**	(203,303)
Payments made in respect of lease liabilities	**(6,353,067)**	(3,932,971)
Net cash used in financing activities	**(6,534,826)**	(9,364,148)
Net (decrease) in cash and cash equivalents	**(7,277,372)**	(433,587)
Cash and cash equivalents at beginning of period	**9,653,172**	10,086,759
Cash and cash equivalents at the end of period	**2,375,800**	9,653,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Tortilla Mexican Grill plc, the "Company" together with its subsidiaries, "the Group", is a public limited company whose shares are publicly traded on the Alternative Investment Market, "AIM", and is incorporated and domiciled in the United Kingdom and registered in England and Wales (registration number 13511888).

The registered address of Tortilla Mexican Grill plc and all subsidiaries is 142-144 New Cavendish Street, London, W1W 6YF, United Kingdom. A list of the Company's subsidiaries is presented in note 22.

The Group's principal activity is the operation and management of restaurants trading under the Tortilla and Chilango brands both within the United Kingdom and the Middle East.

Judgements made by the directors in the application of these accounting policies have been discussed in note 3.

2. Accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards as adopted by the UK ("Adopted IFRS").

Tortilla Mexican Grill plc has taken advantage of the exemption under section 408 of the Companies Act 2006 to not present its own statement of comprehensive income. The loss for the single entity Tortilla Mexican Grill plc for the 52 weeks ended 1 January 2023 was £206,060 (2 January 2022: £1,634,074).

2.2 Basis of preparation of financial statements

The consolidated financial information contained in this document includes the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows, and related notes for the companies which comprise the Group.

The financial statements have been prepared on an accruals basis and under the historical cost convention unless otherwise stated. The financial statements are presented in GBP.

2.3 New standards, amendments and interpretations adopted

The Directors do not consider that there are any new standards or amendments applicable for the 52 weeks ending 1 January 2023 that would have a material impact on the Group's accounting treatment.

2.4 Standards issued but not yet effective

The following standards are applicable for financial years beginning on/after 1 January 2023:
- IFRS 17 - Insurance contracts
- IAS 1 - Disclosure of accounting policies
- IAS 8 - Definition of accounting estimates
- IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

The following standards are applicable for financial years beginning on/after 1 January 2024:
- IFRS 10 - Sale or contribution of assets between an investor and its associate or joint venture
- IFRS 16 - Lease liability in a sale and leaseback
- IAS 1 - Classification of liabilities as current or non-current
- IAS 1 - Non-current liabilities with covenants

When applied, none of these amendments are expected to have a material impact on the Group.

2.5 Basis of consolidation

The consolidated financial information incorporates the financial statements of the Group and all of its subsidiary undertakings. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Where the Group has power, either directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities, it is classified as a subsidiary.

The statement of financial position as at 1 January 2023 incorporates the results of Tortilla Mexican Grill plc and its subsidiaries for all periods, as set out in the basis of preparation.

In the 52 weeks ended 1 January 2023 the Group acquired Chilango Ltd. The results of Chilango Ltd and its subsidiaries have been included in the consolidated financial information.

2.6 Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the 52 weeks ended 1 January 2023, the Directors have considered the Group's cash flow, liquidity and business activities.

During 2022 the Group did not draw down any further on the debt facilities meaning it has access to a further £7.0m of financing and this remained undrawn on 1st January 2023. The Group had cash balances of £2.4m on 1 January 2023 which translated to a net debt position of £0.6m.

As part of their going concern assessment the Directors have prepared forecasts for a minimum period of twelve months from the date of approval of the financial statements. In addition, certain adverse scenarios have been considered for the purposes of stress and sensitivity testing. In these adverse scenarios, the Group would have sufficient liquidity to remain in compliance with its covenant obligations.

A downside case was considered whereby sales are reduced by 5% for the eighteen month period to June 2024. In this scenario the Group has sufficient liquidity to remain in compliance with its covenant obligations.

A severe downside case was considered to determine what adverse conditions would result in a covenant breach. It was determined that a 10% reduction in sales would cause an initial covenant breach in June 2023, however this is before applying the effect of mitigating actions such as reducing labour spend and controllable costs. This severe case was modeled to provide comfort over the Group's headroom on its covenants, and is not considered to be a realistic scenario.

Upon consideration of this analysis and the principal risks faced by the Group, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future, a period of at least twelve months from the date of this report. Accordingly, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

2.7 Revenue

Revenue represents the amount receivable from customers for goods and services, exclusive of VAT and discounts.

The Group has recognised revenue in accordance with IFRS 15. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The Group's revenue comprises of:

- Food and beverage sales at restaurants with one performance obligation that is satisfied when control is transferred to the customer at the point of sale, which is usually when payment is received, and no contract assets or contract liabilities are created. The Group also generates revenue with third-party delivery partners, which is payable the week after the revenue was recorded. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns and discounts; and

- Franchise fees from the Group's role as franchisor in the UK and Middle East. Revenue comprises ongoing royalties based on the sales results of the franchisee and up-front initial site fees. Royalty revenue is accrued in line with reported sales performance once revenue can be reliably measured. Upfront initial site fees are recognised on opening of the associated franchisee restaurant.

The Group operates a loyalty scheme for customers which entitles the customer to free products after a specified number of purchases. IFRS 15 requires entities to recognise a liability for the provision of these products as the customer, in effect, pays the Group in advance for future goods. The Group has not recognised this liability as the value is not considered material.

2.8 Employee benefits

Short-term benefits

Salaries, wages, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are provided by employees of the Group.

Defined contribution plan
Contributions to defined contribution schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

2.9 Share-based payments

A transaction is accounted for as a share-based payment where the Group receives services from employees and Directors and pays for these in shares or similar equity instruments.

The Group makes equity-settles share-based payments to certain employees and Directors. Equity-settled share-based schemes are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant, measured by use of an appropriate valuation model.

The fair value determined at the grant date of the equity-settled share-based payment is recognised as an expense in the statement of comprehensive income on a straight line basis over the vesting period.

The vesting is dependent on achievement of specific performance conditions for the 2023 and 2024 financial years. The share-based payment expense will be modified if it is determined that these performance conditions will not be met.

Share options are forfeited when an employee ceases to be employed by the Group unless determined by the board to be a 'Good Leaver'. A participant who ceases employment by reason of death, injury, ill-health or disability is also deemed a good leaver.

2.10 Government grants

Coronavirus job retention scheme grants (CJRS) and other government grants are recognised under the accruals model with any deferred element included in liabilities as deferred income. Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure. There are no unfulfilled conditions attached to any grants recognised in the period.

2.11 Current and deferred tax

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Group operates and generates income.

Deferred tax balances are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

2.12 Alternative performance measures ("APMs")

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APMs are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally.

The Group's APMs are: like for like ("LFL") revenue growth/(decline), Adjusted EBITDA (Pre-IFRS), Operating cash flow and net cash/(debt).

The Directors use Adjusted EBITDA as a primary KPI in managing the business. This measure excludes exceptional items, share option expenses and site pre-opening costs and applies pre-IFRS 16 treatment of leases. The Directors believe this measure gives a more relevant indication of the underlying trading performance of the Group and is also the measure used by the banks for the purposes of assessing covenant compliance.

2.13 Intangible asset

Goodwill
Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis.

Other intangible assets
Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate their cost over their estimated useful life on a straight line basis. Computer software assets have a finite useful life, which is determined to be 3 years.

2.14 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis, which is reviewed at each balance sheet date:

Short-term leasehold property	- over the lease term
Plant and machinery	- over 5 years
Fixtures and fittings	- over 3 years

2.15 Leases

Right-of-use assets
The Group recognises a right-of-use asset at the lease commencement date. Right-of-use assets are initially measured at the same amount as the lease liability, reduced for any lease incentive received. Subsequently, right-of-use assets are amortised on a straight line basis over the remaining term of the lease and are assessed for impairment at each balance sheet date. The majority of leases are covered by the Landlord and Tenant Act 1985 which gives the right to extend the lease beyond the termination date. The Group expects to extend the leases covered by the Landlord and Tenant Act 1985. This extension period is not included within the lease term as the termination date cannot be determined.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

Subsequently, lease liabilities are increased to reflect the interest cost on the liability and reduced for the lease payments made, which are recognised on a straight-line basis over the term of the lease. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, for example a rent review or a change in the lease term.

When a lease liability is remeasured, the Group adjusts the carrying amount of the liability to reflect the payments to be made over the revised term, which are discounted at a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being depreciated over the remaining (revised) lease term. Lease payments which are variable in nature and are not linked to any index or rate are expensed in the period to which they relate.

2.16 Impairment

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash- generating units). Each site is considered to be a CGU in its own right.

Goodwill arising on the acquisition of Chilango Ltd has been allocated to individual cash-generating units based on the forecasted EBITDA expected to be generated from each cash-generated unit at the date of acquisition.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of the cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured on a first-in-first-out basis.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Payments taken from customers on debit and credit cards are recognised as cash.

2.19 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Income is recognised from these investments only in relation to distributions receivable from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

2.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The CODM has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

The Directors have taken a judgement that individual sites meet the aggregation criteria in IFRS 8, constituting one operating and one reporting segment and hence have concluded that the Group only has a single reporting segment, as discussed in note 4.

2.21 Equity instruments
Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

2.22 Financial instruments

The Group does not trade in financial instruments and all such instruments arise directly from operations.

Financial assets
Financial assets held at amortised cost are trade and other receivables and cash. All trade and other receivables are initially recognised at transaction value, as none contain in substance a financing transaction.

Trade receivables are all due for settlement within one year. Due to their short-term nature, the Directors consider the carrying amount of trade and other receivables to equal their fair value.

Fees paid on the establishment of loan facilities are recognised as transactional costs of the loan and the fee is capitalised as a prepayment for liquidity services and amortised straight line over the period of the facility to which it relates.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting year for objective evidence of impairment. The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss (ECL) provision for financial assets. To measure expected credit losses on a collective basis, financial assets are grouped based on similar credit risk and ageing. There are no expected credit losses as consideration for goods is received at the point of sale.

Interest income is recognised in the Statement of comprehensive income and is included in the "finance income" line item.

Financial liabilities
Financial liabilities held at amortised cost include trade and other payables, lease liabilities and borrowings. Trade and other payables are initially recognised at transaction value as none represent a financing transaction. They are only derecognised when they are extinguished.

There are no material differences between the carrying values of financial assets and liabilities held at amortised cost and their fair values.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Interest payable is recognised in the Statement of comprehensive income and is included in the 'finance expenses' line item.

2.23 Financial risk

The Group's activities expose it to a variety of financial instrument risks. The risk management policies employed by the Group to manage these risks are detailed below. The primary objectives of the financial instrument risk management function are to establish risk limits and then ensure exposure to risks remains within these limits.

Interest rate risk
The Group is exposed to interest rate risk as the Group's borrowings have an interest rate of SONIA plus a margin.

Commodity price risk
The Group is exposed to movements in wholesale prices of food and drinks. The Group sources the majority of its products in the UK, however there is the risk of disruption to supply caused by COVID-19 or Brexit. The Group always benchmarks any cost changes and typically fixes prices for periods of between three and six months.

Capital risk
The Group manages the capital structure to ensure it will be able to operate as a going concern, whilst maximising the return to shareholders. The Directors look to optimise the debt-to-equity balance and may adjust the capital structure by paying dividends to shareholders, returning capital to shareholders, issue new shares or sell assets to reduce debt. The Directors intend to maintain low net leverage levels as the Group's operating cash flows are sufficient to fund the addition of new restaurants to the portfolio.

Credit risk
The Group's credit risk is attributable to trade and other receivables and cash with the carrying amount best representing the maximum exposure to

credit risk. The Group places its cash only with banks with high-quality credit standings. Trade and other receivables relate to day-to-day activities which are entered into with creditworthy counterparties.

Liquidity risk
Liquidity risk is the risk that the Group may encounter difficulties in meeting its financial obligations as they fall due. They may arise from the Group's management of working capital, finance charges and principal repayments on its debt.

The Directors regularly review cash flow forecasts to determine whether the Group has sufficient reserves to meet obligations and take advantage of opportunities.

Maturity analysis

	Within 1 year £	1 to 2 years £	2 to 5 years £	More than 5 years £	Total £
1 January 2023					
Trade and other payables	8,644,982	-	-	-	**-**
Lease liabilities	5,614,340	5,147,757	12,129,224	13,832,570	**36,723,891**
Borrowings	-	-	2,933,481	-	**-**
	14,259,322	**5,147,757**	**15,062,705**	**13,832,570**	**36,723,891**
2 January 2022					
Trade and other payables	6,729,865	-	-	-	**6,729,865**
Lease liabilities	5,830,987	4,225,074	10,085,891	11,520,138	**31,662,090**
Borrowings	-	-	2,911,941	-	**2,911,941**
	12,560,852	**4,225,074**	**12,997,832**	**11,520,138**	**41,303,896**

3. Critical accounting estimates and judgements

The Group makes certain judgements, estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining the discount rate for IFRS 16

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used. This being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Directors carried out a review of the historic borrowing rates of the Group and historic bond rates together with analysis of the lease terms. They concluded that the use of a single discount rate applied to all leases signed prior to 2 January 2022 is a reasonable approach. Based on this analysis a discount rate of 3.4 percent has been applied. Subsequently, discount rates have been applied on a lease-by-lease basis for the 52 weeks to 1 January 2023, in order to reflect the increasing risk-free rate during this period.

For the lease liabilities at 1 January 2023 a 0.1 percent increase in the discount rate would reduce the total liabilities by £83,000 (2 January 2022: £136,000), which is not considered to be material.

Impairment of goodwill, right of use assets and property, plant and equipment

Goodwill, right-of-use assets and property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired by comparing the carrying value of the assets with their recoverable amounts. The recoverable amount of an asset or cash generating unit (CGU) is determined based on value-in-use calculations prepared on the basis of the Directors' estimates and assumptions. Individual sites are viewed as separate CGUs.

The key assumptions in the value-in-use calculations include the growth rates of revenue and expenses, together with the Group's weighted average cost of capital (WACC), which is used as a discount rate. Projected cash flows are based on financial budgets approved by the Board covering a five year period. Beyond this five year period, projected cash flows have been based on a 3.0% growth rate until the end of the lease terms. The value-in-use calculations also factor in the cost of maintaining the assets, set at £19,000 per annum for each site based on historic averages, and the impact of direct overhead costs.

For the leases held in Chilango Ltd, a further key assumption in the value-in-use calculations was that the leases with terms ending in less than five years would be able to be renewed with terms of 10-15 years, in line with the term lengths of leases held by Mexican Grill Ltd.

An independent external consultancy was engaged to calculate the Group's post-tax WACC. As at 1 January 2023, the pre-tax WACC was determined to be 13.1% (2 January 2022: 14.3%). An increase in the discount rate of 1.0 percent would increase the impairment charge for the 52 weeks ended 1 January 2023 by £11,000, which is not considered to be material.

In the 52 weeks ended 1 January 2023, property, plant and equipment assets of £13,721,101 and right-of-use assets of £31,035,358 and goodwill of £2,624,886 have been tested for impairment. Detailed impairment testing resulted in the recognition of an impairment charge of £160,930 (52 weeks ended 2 January 2022: £nil) and an impairment reversal of £368,953 (52 weeks ended 2 January 2022: £nil) against property, plant and equipment assets (note 16) and an impairment charge of £380,673 (52 weeks ended 2 January 2022: £99,868) against right-of-use assets (note 14).

Useful economic lives of property, plant and equipment

The depreciation charge is dependent upon the assumptions used regarding the useful economic lives of assets. A 10 percent increase in average useful economic lives would result in a £229,000 decrease in depreciation in the 52 weeks ended 1 January 2023 (2 January 2022: £239,000).

Share-based payments

The charge for share-based payments is calculated according to the methodology described in note 8. The Black-Scholes model requires subjective assumptions to be made including the volatility of the Company's share price, fair value of the shares and the risk free interest rates.

Business combinations

The acquisition of Chilango Ltd has been accounted for using the acquisition method under IFRS 3. The identifiable assets and liabilities are recognised at their fair value at the date of acquisition. Determining the fair value of these assets and liabilities involved a degree of estimation. In particular, the goodwill held within Chilango Ltd was not determined to be separately identifiable and so the fair value of this goodwill was adjusted to £nil.

4. Revenue

	52 weeks ended 1 January 2023	52 weeks ended 2 January 2022
	£	£
Sale of goods	57,050,636	47,769,278
Franchise income	647,851	306,121
	57,698,487	**48,075,399**

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker (CODM). The CODM is regarded as the management team of the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.

The Group has three segments:
- UK sales from Group-operated restaurants
- UK franchise sales from franchised restaurants
- Middle East franchise sales from franchised restaurants

The franchise aspects of the business have a minimal cost and asset base and therefore they are not considered to be material and separable segments. There are similar economic characteristics between the franchise aspects and the Group-operated restaurant business, with each following a similar sales and EBITDA trajectory. These have been reviewed by the Directors along with the non-financial criteria of IFRS 8. It is the Directors' judgement that despite some short-term variability, all segments have similar economic characteristics in the medium and long-term and meet the criteria for aggregation into a single reporting segment. Therefore, no segmental analysis is provided.

5. Other operating income

	52 weeks ended 1 January 2023	52 weeks ended 2 January 2022
	£	£
CJRS income[1]	-	491,825
Other government grants[2]	-	1,385,981
	-	**1,877,806**

1 Coronavirus Job Retention scheme

2 Includes Retail Leisure Hospitality Grant, Local Restriction Support Grants and Restart Grants

6. Operating profit

The operating profit is stated after charging/(crediting):

	52 weeks ended 1 January 2023 £	52 weeks ended 2 January 2022 £
Depreciation & amortisation	6,169,599	6,148,319
Impairment of ROU assets	380,673	99,868
Loss on disposal of fixed assets	17,780	6,852
Impairment of fixed assets	160,930	-
Reversal of impairment of fixed assets	(368,953)	-
Variable lease payments	969,880	615,613
Inventories - amounts charged as an expense	13,605,825	9,797,235
Share option expense	362,028	90,507
Pre-opening costs**	813,154	126,753
Exceptional items*	542,140	1,856,268
Bank arrangement fee amortisation	18,538	174,454
Auditors' remuneration:		
Audit fees	120,000	77,000
Tax compliance services	-	14,000
Other assurance services	14,000	95,000

*Exceptional items in 2022 include £415,908 of costs incurred in relation to the acquisition of Chilango Ltd.

	52 weeks ended 1 January 2023 £	52 weeks ended 2 January 2022 £
Pre-opening costs	813,154	126,753
Number of sites openings in period	18	7

Number of sites openings in period	18	7

** The Group reports costs incurred prior to the opening of a site as a separate expense and excludes these from the calculation of Adjusted EBITDA (a non-GAAP measure). This approach is in line with the standard industry practice and the methodology used by the Group's bank for the purposes of assessing covenant compliance. The Directors view this as a better way to analyse the underlying performance of the Group since it excludes costs which are not trading related.

7. Employees

The average monthly number of employees, including the directors, during the period was as follows:

	1 January 2023 No.	2 January 2022 No.
Operations staff	1,093	749
Head office staff	51	36
	1,144	**785**

The average monthly number of employees, including the Directors, during the period was as follows:

	1 January 2023 £	2 January 2022 £
Wages and salaries	16,998,678	13,315,004
Social security costs	1,007,144	779,134
Pension costs	190,987	148,632
Share based payments (note 8)	362,028	90,507
	18,558,837	**14,333,277**

Directors' remuneration, included in staff costs, was as follows:

	1 January 2023 £	2 January 2022 £
Short-term employee benefits	511,677	718,900
Post-employment benefits	3,485	3,300
	515,162	**722,200**

8. Director's remuneration and key management information

The highest paid director received remuneration of £370,000 (2022 - £406,200). The number of Directors receiving pension contributions was 4 (2022: 4).

The share-based payment expense arising from the Directors' participation in the Company's LTIP scheme was £240,984 (2022: £60,246).

There are no Key Management Personnel other than the Directors. Further information about the remuneration of individual Directors is provided in the Remuneration report.

9. Share based payments

A transaction is accounted for as a share-based payment when services are paid for in shares or similar equity instruments.

The Group issues equity-settled share-based payments to Directors and certain members of staff. Equity-settled share-based schemes are measured at fair value at the date of grant, using the Black Scholes valuation model. The expected life used in the model is adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The Tortilla Mexican Grill plc Long-Term Incentive Plan 2021 ("LTIP")

Under the LTIP, options were awarded to Directors and members of the senior management team. 50 percent vests after three years and the remaining 50 percent vests after the fourth year. The vesting is dependent on achievement of specific Adjusted EBITDA targets for the 2023 and 2024 financial years. These performance conditions are expected to be met.

In the 52 weeks ended 1 January 2023, 205,714 nil cost options were awarded under the LTIP to Directors which will vest on 1 December 2024. The vesting is dependent on the Directors' continuous employment.

Awards are forfeited if the employee leaves the Group before the awards vest, except under circumstances where the employee is considered a 'Good Leaver'.

Details of the share awards outstanding are as follows:

	1 January 2023 Number of share options #	1 January 2023 Weighted average exercise price £	2 January 2022 Number of share options #	2 January 2022 Weighted average exercise price £
Outstanding at beginning of the period	[illegible]	[illegible]		

Outstanding at beginning of the period	1,809,393	1.8	-	-
Granted during the period	205,714	-	1,809,393	1.8
Exercised during the period	-	-	-	-
Forfeited during the period	(69,061)	1.8	-	-
Outstanding at the end of the period	**1,946,046**	**1.6**	**1,809,393**	**1.8**

The awards outstanding at the end of 1 January 2023 have a remaining weighted average contractual life of two years (2 January 2022: three years) and an exercise price of £1.62 (2 January 2022: £1.81). No awards were exercisable at the end of the period (2 January 2022: none).

The Group recognised total expenses related to the above equity-settled share-based payment transactions in the form of options during the 52 weeks ended 1 January 2023 of £362,028 (2 January 2022: £90,507) and related employer National Insurance of £9,988 (3 January 2021: £nil).

The fair values were calculated using a Black Scholes model. The inputs used for fair valuing awards granted during the period was as follows:

	1 January 2023	**1 January 2022**
Share price at grant date (pence)	87p	181p
Exercise price (pence)	-	181p
Expected volatility (%)	90%	43%
Option life (years)	2.0	5.0
Risk free interest rate (%)	3.57%	0.63%

In the absence of any historical volatility data for Tortilla Mexican Grill plc, the expected volatility was determined by reviewing the volatility of the share price of similar entities which are currently traded on AIM.

10. Interest receivable

	52 weeks ended 1 January 2023 £	**52 weeks ended 2 January 2022 £**
Bank interest income	**1,384**	613

11. Interest payable and similar expenses

	52 weeks ended 1 January 2023 £	**52 weeks ended 2 January 2022 £**
Bank interest payable	185,323	377,757
Finance cost on lease liabilities	1,280,739	994,747
	1,466,062	**1,372,504**

12. Taxation

	52 weeks ended 1 January 2023 £	**52 weeks ended 2 January 2022 £**
Current tax		
Corporation tax on profits for the period	-	900,690
Adjustments in respect of previous periods	(290,327)	-
Total current tax	**(290,327)**	**900,690**

Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	52 weeks ended 1 January 2023 £	52 weeks ended 2 January 2022 £
(Loss)/profit on ordinary activities before tax	(928,549)	2,262,264

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(176,424)	429,830
Effects of:		
Expenses not deductible for tax purposes	109,211	344,578
Depreciation in excess of capital allowances	(683,653)	319,969
Movement in tax losses	721,889	(202,473)
Other timing differences, primarily arising from operating lease accounting	28,977	8,786
Adjustments to tax charge in respect of prior periods	(290,327)	-
Total tax charge for the period	**(290,327)**	**900,690**

In the 53 weeks ended 3 January 2021, the Group had a brought forward tax loss of £1,065,646, which was fully utilised in the 52 weeks ending 2 January 2022.

In March 2021 a change to the future corporation tax rate was substantively enacted to increase from 19% to 25% from 1 April 2023. Accordingly, the rate used to calculate the deferred tax balances at 1 January 2023 is 25% (2 January 2022: 25%) as the timing of the release of this asset is materially expected to be after this date.

No deferred tax has been provided for at either balance sheet date presented on the basis the position is not material.

13. Earnings/(loss) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of shares outstanding during the period.

	1 January 2023 £	**2 January 2022 £**
(Loss)/profit used in calculating basic and diluted profit	(638,222)	1,361,574
Weighted average number of shares for the purpose of basic and diluted earnings per share	38,664,031	38,664,031
Basic and diluted (loss)/earnings per share (pence)	**(1.7)**	**3.5**

Due to the nature of the options granted under the long-term incentive plan, they are considered to be contingently issuable shares and therefore have no dilutive effect.

Leases

	£
Right-of-use assets	
At 3 January 2021	**25,324,841**
Additions	4,385,093
Depreciation	(3,514,015)
Impairment	(99,868)
Disposals	(1,156,437)
At 2 January 2022	**24,939,614**
Additions	8,459,288
Disposals	(996,353)
Impairment	(380,673)
Arising on acquisition	2,671,192
Depreciation	(3,657,710)
At 1 January 2023	**31,035,358**

	£
Lease liabilities	
At 3 January 2021	**(31,371,659)**
Additions	(4,385,093)
Interest expense	(994,747)
Lease payments	3,932,971
Disposals	1,156,438
At 2 January 2022	**(31,662,090)**
Additions	(8,459,288)
Arising on acquisition	(2,671,192)

Interest expense	(1,280,739)
Lease payments	6,353,067
Disposals	996,353
At 1 January 2023	**(36,723,889)**

Carrying amount by maturity of the Group lease liabilities

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	More than 1 year	Total
	£	£	£	£	£	£
1 Jan 2023	5,614,340	5,147,757	12,129,224	13,832,570	**31,109,551**	**36,723,891**
2 Jan 2022	5,830,987	4,225,074	10,085,891	11,520,138	**25,831,103**	**31,662,090**

15. Intangible assets

	Computer software	Goodwill	Total
	£	£	£
Cost			
Arising on acquisition	24,600	2,624,886	**2,649,486**
Disposals	(9,100)	-	**(9,100)**
At 1 January 2023	**15,500**	**2,624,886**	**2,640,386**
Amortisation			
Amortisation charge	10,456	-	**10,456**
On disposals	(2,275)	-	**(2,275)**
At 1 January 2023	**8,181**	-	**8,181**
Net book value			
At 1 January 2023	**7,319**	**2,624,886**	**2,632,205**
At 2 January 2022	-	-	-

Goodwill

In the 52 weeks ended 1 January 2023 goodwill of £2,624,886 was recognised on acquisition of Chilango Ltd. Each site is considered to be a separate CGU for impairment purposes and therefore the goodwill was allocated to individual sites. The goodwill allocation was based on the forecasted EBITDA that was expected to be generated from each site at the time of acquisition:

	Goodwill
	£
Brewer Street	334,647
Brushfield Street	171,507
Chancery Lane	117,126
Croydon	104,577
Islington	466,414
London Bridge	543,801
London Wall	363,928
Manchester	522,886
	2,624,886

16. Tangible fixed assets

	Long-term leasehold property	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£
Cost				
At 3 January 2022	**14,295,429**	**3,621,556**	**3,671,580**	**21,588,565**
Additions	2,076,864	1,578,180	2,988,918	**6,643,962**
Arising from acquisition	104,019	43,047	194,143	**341,209**
Disposals	(427,046)	(114,138)	(162,234)	**(703,418)**
At 1 January 2023	**16,049,266**	**5,128,645**	**6,692,407**	**27,870,318**
Depreciation				
At 3 January 2022	**7,536,464**	**2,777,463**	**2,010,471**	**12,324,398**
Charge for the period	1,222,230	548,409	730,794	**2,501,433**
Arising from acquisition	37,176	24,089	171,321	**232,586**
Disposals	(518,938)	(79,971)	(102,268)	**(701,177)**
Impairment charge	160,930	-	-	**160,930**
Impairment losses written back	(368,953)	-	-	**(368,953)**

At 1 January 2023	**8,068,909**	**3,269,990**	**2,810,318**	**14,149,217**
Net book value				
At 1 January 2023	**7,980,357**	**1,858,655**	**3,882,089**	**13,721,101**
At 2 January 2022	6,758,965	844,093	1,661,109	9,264,167

17. Inventories

	1 January 2023 £	2 January 2022 £
Food and beverage for resale	**397,083**	326,108

There is no material difference between the replacement cost of inventories and the amounts stated above.

Total inventory recognised as an expense in the consolidated statement of comprehensive income during the period was £13,605,825 (52 weeks ended 2 January 2022: £9,797,235).

18. Trade and other receivables

	1 January 2023 £	2 January 2022 £
Trade receivables	573,832	298,334
Other receivables	1,129,420	735,324
Prepayments and accrued income	490,625	855,044
	2,193,877	**1,888,702**

Trade receivables primarily relate to sales due from third party delivery providers and these are settled the week immediately following the week in which the sale was recorded. There are also amounts owed by the Group's franchise partners, which are due within 30 days of the end of the period.

Other receivables consists of deposits held by third parties, generally landlords, and amounts accrued but not yet invoiced to third parties. These amounts not invoiced are franchise income and produce from the Group's central kitchen which is sold and bought back to the Group's main food supplier, who provides the distribution across the Group's estate.

The Group held no collateral against these receivables at the balance sheet dates. The Directors consider that the carrying amount of receivables are recoverable in full and that any expected credit losses are immaterial.

19. Cash and cash equivalents

	1 January 2023 £	2 January 2022 £
Cash at bank and in hand	**2,375,800**	9,653,172

Cash and cash equivalents comprise cash at bank, in hand and cash in transit. Cash in transit comprises card payment receipts, which are received on the next working day. The fair value of cash and cash equivalents is the same as their carrying value.

20. Trade and other payables

	1 January 2023 £	2 January 2022 £
Trade payables	2,496,200	2,331,636
Corporation tax	-	900,690
Other taxation and social security	2,265,394	508,850
Other payables	864,184	456,830
Accruals and deferred income	3,484,291	3,432,549
	9,110,069	**7,630,555**

21. Loans and Borrowings

	1 January 2023 £	2 January 2022 £
Bank loans - falling due after one year	3,000,000	3,000,000
Amortised issue costs	(69,519)	(88,059)

	2,930,481	**2,911,941**

As part of the Group's IPO on 8 October 2021, the existing facilities were repaid and a new financing arrangement was signed with Santander UK plc. This is a £10m senior facility, repayable in full on 14 September 2026, with a drawn balance at 1 January 2023 of £3.0m (2 January 2022: £3.0m). The Group has allocated £2.5m of the remaining undrawn amount to an ancillary facility, an overdraft, which was not utilised at 1 January 2023 or 2 January 2022. Arrangement fees of £93,000 were incurred as part of the refinancing and this is being amortised to the Group consolidated statement of comprehensive income over the term of the facility. The loan balance is being recognised net of these arrangement fees.

The facility accrues interest at rates of 2.75% - 3.25% plus SONIA and the overdraft attracts interest at a rate of 2.75% plus SONIA when utilised. These loans are secured by a debenture over the assets of the Group and are presented net of capitalised amortised issue costs.

22. Share capital

	1 January 2023 £	2 January 2022 £
Allotted, called up and fully paid		
38,664,031 Ordinary shares of £0.01 each	**386,640**	386,640

Ordinary shares entitle the holder to participate in dividends and the process on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have a par value of £0.01 and the Company does not have a limited amount of authorised capital.

23. Reserves

Share premium account

The share premium account records the amount above the nominal value received for shares sold.

Share based payment reserve

The Group presents employee share options as an adjustment to own equity through this reserve until the point that the shares are awarded and cease to be conditional awards.

Merger Reserve

The merger reserve represents the excess over nominal value of the fair value consideration for the business combination of Tortilla Mexican Grill plc and Mexican Grill Ltd during the Group's IPO. This was satisfied by the issue of shares in accordance with Section 612 of the Companies Act 2006.

Profit and loss account

The accumulated net profits and losses of the Group.

24. Analysis of net debt

	At 3 January 2022 £	Cash flows £	Acquisition of subsidiaries £	Additions and disposals of leases £	Finance expense £	At 1 January 2023 £
Cash at bank and in hand	9,653,172	(7,277,372)	-	-	-	**2,375,800**
Bank loans	(2,911,941)	-	-	-	(18,540)	**(2,930,481)**
Lease liabilities	(31,662,090)	6,353,067	(2,671,192)	(7,462,935)	(1,280,739)	**(36,723,889)**
Net debt	**(24,920,859)**	**(924,305)**	**(2,671,192)**	**(7,462,935)**	**(1,299,279)**	**(37,278,570)**

25. Business combinations

On 23 May 2022, the Company acquired 100% of the issued share capital and voting rights of Chilango Ltd from RDCP Group Limited. Chilango Ltd operates a chain of fast-casual Mexican restaurants, primarily in London. The purpose of the acquisition was the grow the Group's business by accessing key central London locations.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed Assets			
Tangible	2,810,932	-	2,810,932
Intangible	821,576	(804,417)	17,159
	3,632,508	**(804,417)**	**2,828,091**
Current Assets			
Inventories	51,797	-	51,797
Trade and other receivables	778,208	-	778,208
Cash at bank and in hand	75,403	-	75,403
Total Assets	**4,537,916**	**(804,417)**	**3,733,499**

Liabilities			
Due within one year	(1,894,486)	(30,510)	(1,924,996)
Due after more than one year	(1,410,390)	-	(1,410,390)
Lease liabilities	(2,672,467)	-	(2,672,467)
Total Identifiable net liabilities	**(1,439,427)**	**(834,927)**	**(2,274,354)**
Goodwill			**2,624,886**
Total purchase consideration			**350,532**

Fair value of consideration paid:

	£
Cash	100,532
Contingent consideration	250,000
Total purchase consideration	**350,532**

At acquisition date, Chilango Ltd reported goodwill of £804,417 within intangible assets. This was not considered to be separately identifiable and therefore a fair value adjustment was made in respect of this.

The lease liabilities of £2,672,467 were calculated on acquisition in line with IFRS 3. These were calculated as if the lease inception date was the acquisition date.

On acquisition, the Company made an initial cash outflow of £2.5m. The acquisition was made on a "cash free, debt free" basis and therefore further amounts of £1,432,760 were paid to RDCP Group Limited in addition to the consideration shown above. The Company paid an amount of £966,708 to Chilango Ltd on acquisition for working capital needs. The contingent consideration of £250,000 remains unpaid at reporting date and is included within other payables (note 20).

On acquisition, Chilango Ltd held trade and other receivables with a carrying and fair value of £669,708 representing contractual receivables of £669,708. The Group therefore expects to collect all contractual receivables.

Goodwill arising on acquisition of £2,624,886 differs from the amount reported in the Interim Results of Tortilla Mexican Grill plc for the 26 weeks ended 3 July 2022 due to a fair value adjustment of £30,510 to Chilango Ltd's to liabilities falling due within one year, as stated above.

The goodwill arising on the Chilango Ltd acquisition is not deductible for tax purposes. The results of Chilango Ltd since acquisition are as follows:

	Current period since acquisition £
Turnover	2,602,587
Loss for the period since acquisition	(1,133,336)

Had the acquisition occurred on 3 January 2022, the contribution of Chilango Ltd to the Group's revenue would have been £5,825,447 and the contribution to the Group's profit would have been £(1,703,390).

An amount £171,717 has been charged to the Statement of comprehensive income the 52 weeks ended 1 January 2023 in respect of acquisition costs for Chilango Ltd and is recognised with administrative expenses.

26. Subsidiary undertakings

The subsidiaries of Tortilla Mexican Grill plc, all of which have been included in the consolidated financial information and comprise the Group, are as follows:

Name	**Registered office**	**Principal activity**	**Holding**
Mexican Grill Ltd	United Kingdom	Operation of restaurants	100%
Mexican Grill International Franchise Ltd	United Kingdom	International franchising	100%
California Grill Ltd	United Kingdom	Holding leases	100%
Chilango Ltd	United Kingdom	Operation of restaurants	100%
Chilango City Ltd	United Kingdom	Holding leases	100%
Chilango London Ltd	United Kingdom	Holding leases	100%
Chilango Mexican Ltd	United Kingdom	Holding leases	100%
Chilango UK Ltd	United Kingdom	Holding leases	100%

The registered address for all above named subsidiaries is 1st Floor Evelyn House, 142 New Cavendish Street, London, United Kingdom, W1W 6YF.

The shares held in all above named subsidiaries are ordinary shares

The shares held in all above named subsidiaries are ordinary shares.

27. Related party transactions

Mexican Grill Ltd was charged monitoring fees of £30,000 for the 52 weeks ended 1 January 2023 (2 January 2022: £35,000) by QS Direct SI 2 S.à.r.l, in its capacity as General Partner of the Group's shareholder QS Direct SI 2 SCA SICAR.

Tortilla Mexican Grill plc was charged non-executive director fees of £12,375 for the 52 weeks ended 1 January 2023 (2 January 2022: £nil) by Kikkirossi SARL, an entity incorporated in Switzerland which is wholly owned by a Director of Tortilla Mexican Grill plc.

28. Controlling party

The Directors believe that there is no ultimate controlling party of the Group.

29. Capital commitments

The Group had capital commitments of £nil at 1 January 2023 (2 January 2022: £65,050).

30. Post-balance sheet events

The Directors consider that there are no material post balance sheet effects affecting the Group or the Company that have occurred between the end of the period and the date of publication of this report.

31. IFRS comparison to UK GAAP (non-IFRS)

The Group applied IFRS for the first time in the 52-week period ending 2 January 2022. The Group applied IFRS 16 using the modified retrospective approach, with the date of initial application of 1 January 2018.

	Pre-IFRS 16 52 weeks ended 1 Jan 2023 £	IFRS 16 adjustments £	IFRS 52 weeks ended 1 Jan 2023 £	Pre-IFRS 16 52 weeks ended 2 Jan 2022 £	IFRS 16 adjustments £	IFRS 52 weeks ended 2 Jan 2022 £
Revenue	**57,698,487**	**-**	**57,698,487**	48,075,399	-	48,075,399
Cost of sales	**(13,605,825)**	**-**	**(13,605,825)**	(9,797,235)	-	(9,797,235)
Gross profit	**44,092,662**	**-**	**44,092,662**	38,278,164	-	38,278,164
Other operating income	**-**	**-**	**-**	1,877,806	-	1,877,806
Administrative expenses	**(44,377,113)**	**820,580**	**(43,556,533)**	(36,461,586)	(60,229)	(36,521,815)
Profit/(loss) from operations	**(284,451)**	**820,580**	**536,129**	3,694,384	(60,229)	3,634,155
Adjusted EBITDA	**3,972,471**	**4,684,946**	**8,657,417**	8,740,576	3,466,784	12,207,360
Pre-opening costs	**(978,457)**	**165,303**	**(813,154)**	(165,850)	39,097	(126,753)
Share based payments	**(362,028)**	**-**	**(362,028)**	(90,507)	-	(90,507)
Depreciation and amortisation	**(2,563,782)**	**(3,648,996)**	**(6,212,778)**	(2,688,928)	(3,566,110)	(6,255,038)
Impairment	**208,023**	**(380,673)**	**(172,650)**	-	-	-
Non-trading costs	**(18,538)**	**-**	**(18,538)**	(244,639)	-	(244,639)
Exceptional items	**(542,140)**	**-**	**(542,140)**	(1,856,268)	-	(1,856,268)
Profit/(loss) from operations	**(284,451)**	**820,580**	**536,129**	3,694,384	(60,229)	3,634,155
Finance income	**1,384**	**-**	**1,384**	613	-	613
Finance expense	**(185,323)**	**(1,280,739)**	**(1,466,062)**	(377,757)	(994,747)	(1,372,504)
Profit/(loss) before tax	**(468,390)**	**(460,159)**	**(928,549)**	3,317,240	(1,054,976)	2,262,264
Tax credit/(charge)	**290,327**	**-**	**290,327**	(900,690)	-	(900,690)
Profit/(loss) for the period	**(178,063)**	**(460,159)**	**(638,222)**	2,416,550	(1,054,976)	1,361,574

	Pre-IFRS 16 52 weeks ended 1 Jan 2023 £	IFRS 16 adjustments £	IFRS 52 weeks ended 1 Jan 2023 £	Pre-IFRS 16 52 weeks ended 2 Jan 2022 £	IFRS 16 adjustments £	IFRS 52 weeks ended 2 Jan 2022 £
Fixed assets						
Intangible assets	**2,632,205**	**-**	**2,632,205**	-	-	-
Tangible assets	**13,033,022**	**688,079**	**13,721,101**	8,719,167	545,000	9,264,167
Right-of-use asset	**-**	**31,035,358**	**31,035,358**	-	24,939,614	24,939,614
	15,665,227	**31,723,437**	**47,388,664**	8,719,167	25,484,614	34,203,781
Current assets						
Inventories	**397,083**	**-**	**397,083**	326,108	-	326,108
Trade and other receivables	**3,563,818**	**(1,369,941)**	**2,193,877**	2,308,070	(419,368)	1,888,702
Cash at bank and in hand	**2,375,800**	**-**	**2,375,800**	9,653,172	-	9,653,172
Total current assets	**6,336,701**	**(1,369,941)**	**4,966,760**	12,287,350	(419,368)	10,867,982

Trade and other payables	**(10,913,989)**	**1,803,920**	**(9,110,069)**	(10,121,084)	2,490,529	(7,630,555)
Lease liabilities	**-**	**(5,614,340)**	**(5,614,340)**	-	(5,830,987)	(5,830,987)
	(10,913,989)	**(3,810,420)**	**(14,724,409)**	(10,121,084)	(3,340,458)	(13,461,542)
Non-current liabilities						
Loans and borrowings	**(2,930,481)**	**-**	**(2,930,481)**	(2,911,941)	-	(2,911,941)
Lease liabilities	**-**	**(31,109,551)**	**(31,109,551)**	-	(25,831,103)	(25,831,103)
	(2,930,481)	**(31,109,551)**	**(34,040,032)**	(2,911,941)	(25,831,103)	(28,743,044)
Net assets	**8,157,458**	**(4,566,475)**	**3,590,983**	7,973,492	(4,106,315)	3,867,177

Equity attributable to equity holders of the company						
Called up share capital	**386,640**	**-**	**386,640**	386,640	-	386,640
Share premium account	**4,433,250**	**-**	**4,433,250**	4,433,250	-	4,433,250
Share based payment reserve	**452,535**	**-**	**452,535**	90,507	-	90,507
Merger reserve	**4,793,170**	**-**	**4,793,170**	4,793,170	-	4,793,170
Profit and loss account	**(1,908,137)**	**(4,566,475)**	**(6,474,612)**	(1,730,075)	(4,106,315)	(5,836,390)
Total equity	**8,157,458**	**(4,566,475)**	**3,590,983**	7,973,492	(4,106,315)	3,867,177

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