TORTILLA

Real California Burritos & Tacos

11 April 2022

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

Audited Annual Results for the 52 week period ended 2 January 2022
Publication of Annual Report & Accounts and Notice of Annual General Meeting

Tortilla wraps up first year with record results

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 financial period ended 2 January 2022 ("the Period").

Financial highlights

- Transformational year: revenues increased 79.5 percent to a record £48.1m (2020: £26.8m, 2019: £35.4m)
- Achieved in spite of Covid-19 related site closures and restrictions, and due to strong performance across the existing estate and addition of new sites
- Like-for-like (LFL) revenue increased 23.8% compared with 2019
- Adjusted EBITDA (pre-IFRS 16) increased 262.5% to £8.7m (2020: £2.4m, 2019: £2.5m)
- Strong balance sheet, with net cash of £6.7m at the period end, supports ability to self-fund roll out plans

Operational highlights

- Continued progress in the delivery of accelerated UK restaurant roll out, with seven new sites added to the estate during the Period, bringing the total number of sites at the period end to 64
    - Three company-run sites opened in Edinburgh, Windsor and Exeter
    - Three new delivery kitchens opened, supporting fast-growing delivery proposition (bringing the total to five at the period end)
    - Launch of new partnership with Merlin Entertainments to open at Chessington World of Adventures
- Expansion of existing partnership with SSP to open two further sites at Gatwick Airport and Leeds Skelton Services

Current trading & outlook

- Strong trading momentum delivered in the Period has continued into 2022, with LFL growth of 20.1% year to date, in line with expectations
- One new site opened in Q1 2022, one in April and at least seven further site openings planned, underpinning the Board's confidence in delivering the Group's target of 45 openings by the end of 2026
- Successful launch of franchise partnership with Compass Group PLC – four locations now trading with plans to open at least 10 more over the next five years
- Well-positioned to navigate macroeconomic pressures, supported by strong brand, value-for-money proposition and flexible operating model
- Very strong platform for continued growth and strategic progress

Richard Morris, Chief Executive Officer of Tortilla, commented:

"Capping off a transformational year for Tortilla, we are very pleased to announce a record financial performance for the Group's maiden Annual Results following its successful IPO in October 2021.

"During the year we made excellent progress in delivery of our long-term growth strategy. We opened further sites in line with our UK roll out plans, expanded our delivery kitchen estate to fulfil growing customer demand, and both extended and launched franchise partnerships which introduced the Tortilla brand to even more customers across the UK. I would like to take this opportunity to thank our teams both in the UK and internationally for their commitment and hard work during the year.

"This strong financial and operational momentum has continued into 2022 and underpinned by our flexible model, value-for-money offer and clear long-term growth strategy, we are very excited to capitalise on the growth opportunities presented by the post-pandemic landscape. We remain confident of delivering our exciting plans for Tortilla to the benefit of all stakeholders."

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 2 January 2022 (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 15 June 2022 at 9:30am 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 Christopher Whitaker Nikhil Varghese	Tel: 020 3100 2222
Hudson Sandler (Public Relations) Alex Brennan Wendy Baker Lucy Wollam Charlotte Cobb	Tel: 020 7796 4133 tortilla@hudsonsandler.com

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. The Group had 68 sites worldwide as of 31 March 2022, comprising 52 sites in the UK operated by the Group, three sites franchised to SSP Group in the UK, four sites franchised to Compass Group UK & Ireland and nine franchised sites in the Middle East.

The Group was founded in 2007 by Brandon Stephens, originally from California who, upon his arrival in London in 2003, found it difficult to satisfy his desire 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 brand is synonymous with an energetic, vibrant culture, and with providing a great value-for-money proposition. It embraces 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

I am delighted to be writing to you after six months of Tortilla being a public company, through which time we have continued to trade strongly.

Looking back at 2021, it was a year, like 2020, where the Group showed its versatility and ability to be flexible during the pandemic. It began with three months of national lockdown as the country dealt with the new Delta variant. It then ended with the arrival of yet another variant, Omicron, resulting in government instructions to work from home and to think strongly about socialising, which naturally suppressed eating out in the run up to Christmas.

Covid-19 paradoxically became an opportunity for Tortilla. We knew we had a strong delivery product and during the lockdown periods we introduced the brand to new customers via delivery, which in turn then saw them return to eat in our stores when we were allowed to open fully.

Managing the stop-start nature of last year was also a test for the ambition and resilience of the Tortilla Management team, a test they passed with flying colours. The fact that, on top of this, they also successfully managed the significant work of a listing process (arriving on the Alternative Investment Market ("AIM") in early October) is testament to the quality and ambition of the Executive Directors Richard Morris, our CEO, and Andy Naylor, our CFO. I have enjoyed getting to know them, and understanding this great business better, over the last six months.

The Tortilla investment case – from 50 to 200, and creating a national brand

The Tortilla brand was conceived by Brandon Stephens in 2007 when he arrived in London to study and struggled to find anywhere to eat the freshly made burritos he ate when growing up in the Mission District in San Francisco. At the time that he founded the business, the UK consumer was a bit sceptical about the quality of Mexican food and needed educating.

Fifteen years later we have a proven model, operating across 64 sites, and customers are increasingly favouring our food-type and brand. We always have queues when opening new restaurants which highlights the wide appeal of our offer. The current property market is giving us access to a very strong pipeline of new sites and we are confident of opening at least 45 locations over the next five years.

The product is still made fresh and our central production kitchen allows us to ensure the quality and consistency of sauces and recipes. Given how well the product travels on delivery (not all restaurant food does) this is now a major and growing sales channel within the business. To date we have opened five delivery-only kitchens and plan to open circa three to four more per year going forward.

Finally, the business was early to test franchising, with ten sites established across the Middle East in the United Arab Emirates and Saudi Arabia, through a partnership with Eathos. Tortilla has gained confidence in its franchising systems and has extended its franchisee partners to SSP and then Compass, in the UK. This ability to franchise clearly gives us further growth opportunities in unchartered locations to supplement our own expansion.

For me, as chair, what excites me about Tortilla is the headroom for growth – with clear customer white space and the proven flexibility of how the Tortilla brand can present itself to customers.

Our new Board of Directors

Prior to the IPO, the Board benefitted from the experience of Paul Campbell and Aarish Patel, both industry veterans and Tortilla fans. I would like to thank them for all the advice they have given me in taking the reins. However, I am very pleased to say that the Board retains the institutional memory of the past and has both Brandon Stephens, the founder, still playing an active role as Founder Director and Loeïz Lagadec, a Quilvest partner, as Board members. In terms of new experience, alongside myself (former CEO of Wagamama) we are delighted to have Laurence Keen, CFO of Hollywood Bowl plc; Laurence was part of the management team that floated Hollywood Bowl over five years ago and, along with his experience in the hospitality sector, has some invaluable insights as we mature as a public company.

Challenges ahead

I anticipate you will have read about the set of challenges facing our sector: from energy and cost of goods inflation to labour shortages. Tortilla will not be immune to these, no business will. However, I want to assure you that the calibre of the Management team as well as the operational simplicity and flexibility of the offer, mean that we are much better placed than many to navigate these. We also suspect the ongoing economic conditions will see customers turn to brands they trust which are also great value for money, which should play into our Tortilla sweet spot.

I expect 2022 to be an immensely exciting year in the evolution of the business and the brand, with opportunities outweighing the challenges. Expansion prospects arising from the favourable property market alongside our partnerships with SSP and Compass, provide a fantastic opportunity to take this business to the next level.

Emma Woods
Chair
11 April 2022

CHIEF EXECUTIVE OFFICER'S STATEMENT

2021 was a year of great achievements for Tortilla, during which we delivered record sales and profits, significant strategic progress and celebrated the exciting milestone of becoming a public company, which we believe will support our ability to further capitalise on significant long-term growth opportunities in the post-Covid-19 casual dining landscape.

The business has shown itself to be extraordinarily well positioned throughout the pandemic. The Tortilla product proposition is well-suited to the growing delivery market, and we have proven the brand's flexibility to operate across a range of locations and formats, including smaller sites and delivery-only kitchens. As we continue to navigate Covid-19 and the current inflationary context, I remain incredibly proud of the way Tortilla has risen to the challenge. Our strong performance during this time showcases the true value of the Group's flexibility, and our ability to adapt, and indeed thrive, in difficult circumstances.

In addition to delivering strong revenue growth of nearly 80%, we were pleased to achieve progress on several strategic objectives, including the launch and development of various partnerships, and growing our estate of delivery kitchens and traditional bricks and mortar locations.

Responding to Covid-19

Tortilla's success over the pandemic has been rooted in our business model. By adjusting our operations several times during this period, we were able to maximise sales across eat-in, takeaway and delivery channels, resulting in only minimal temporary closures – in great contrast to the numerous permanent closures across the industry. Through our re-opening strategy, which optimised locations in residential areas, we were able to flex according to the changing trends, meeting new demand from those working from home and turning this circumstance to our benefit.

Aware of the importance of consistent engagement with our customers, we maintained our public presence through social media, mirroring our customers' increased online activity and ensuring our brand remained relevant and appealing. Equally critical was our relationship with our employees. To counteract the uncertain climate, we ensured regular communication and updates to support and retain our team – crucial during the current staff shortages in hospitality.

Alongside the wider hospitality industry and many other sectors, the Group received financial government support which enabled us to protect our financial position and avoid redundancies. However, while many businesses restructured using company voluntary arrangements ("CVAs") and other methods, Tortilla engaged in active negotiations with landlords, maintaining our positive relationships on a fair basis as the UK economy recovers.

Opportunities ahead

As we move forward, we're excited to capitalise on growth opportunities the post-pandemic landscape presents. As rent levels rebalance, we are accelerating our UK strategy, building on the success of delivery-only kitchens and targeting further franchising and licencing opportunities across a variety of venues looking to add high street brands to their offer.

Our strategy comprises the following key growth pillars, against each of which I am delighted to report that we delivered strong progress during 2021:

UK roll-out

The primary objective of the Group's growth strategy is to accelerate its UK presence, with 45 new sites targeted in the UK in the next five years. We continue to believe that, due to the Covid-19 pandemic and the consequent negative impact on the wider hospitality industry and commercial property market, an exceptional opportunity exists for the Group to secure favourable rental rates and incentive packages and that the Group is well positioned to capitalise on this.

In 2021, we opened three “bricks and mortar” stores (Edinburgh, Windsor and Exeter) and we remain confident of opening ten sites in 2022 given our openings so far this year and upcoming pipeline.

Over the coming years we intend to expand further, seeking opportunities of increased availability of former retail units and lower post-pandemic rents.

Franchising and partnerships

To support our site expansion, we see exciting opportunities to enter into franchise agreements that offer capital-light growth opportunities into new areas for the brand. During 2021 we launched a partnership with Merlin Entertainments to open at Chessington World of Adventures, and we opened two further sites in partnership with SSP at Gatwick Airport and Leeds Skelton Lakes motorway services, taking our total number of sites with SSP to three.

We also commenced a trial with Compass to franchise the Tortilla brand in higher education UK campuses and, as of the end of February 2022, there are four locations trading (Brunel, Swansea, Middlesex and Sussex). This is part of a partnership expected to yield a further ten locations over a five-year period.
These additional partnerships, on top of our own store rollout, are possible due to our flexible business model. The simplicity of the fresh food and our simple kitchen setup enable the brand to explore alternative locations which are out of reach of many of our competitors.

Delivery-only kitchens

Tortilla’s product proposition has been proven to be highly suitable for home delivery. As well as leveraging our growing site portfolio, we see an exciting opportunity to open selective delivery-only kitchens. These enable us to extend the reach of our delivery service, as well as enabling us to introduce the Tortilla brand to new customers ahead of potentially opening a restaurant in a new area.

During the year we opened three such kitchens (Balham, Manchester and Brent Cross), taking the total to five and see the opportunity to open a further three to four sites per year over the medium term.

International

Tortilla is already the largest fast-casual Mexican chain in the UK and Europe. With the popularity of burritos and tacos growing worldwide with successful chains across Europe, Asia, the Middle East and Australia, there is an opportunity for the Group to establish a broader presence internationally. The Group is exploring the opportunity to expand into Europe in the mid-term. During the year, the Group successfully traded from 10 sites operated in the Middle East by Eathos Ltd, as franchisees.

People, values, and culture

Past, present and future – Tortilla's people, values and culture are the foundation of our success. By hiring the best people at all levels, we maintain an inclusive culture where values such as kindness, humility and integrity are of equal importance as education, experience and skills.

We continue to embrace and encourage diversity throughout our recruitment practice, and our workforce is now 48 percent non-British national, with more than half management roles carried out by women. With under 25-year-olds forming more than 50 percent of our workforce, we believe in nurturing young talent through training, career development and ongoing support of government initiatives to help young people into work. Indeed, all staff benefit from clear development plans including Manager in Training programmes, accredited qualifications, industry specific apprenticeships and online training, and we continue working to fill at least half of our management roles with internal candidates.

We understand that motivated and inspired staff do the best work and have continued innovating to ensure our workforce is supported and engaged. We encourage work-life balance for all our employees, pay competitive salaries with hourly rates above the national minimum and living wage thresholds, and promote health and wellbeing through our free employee assistance programme. As well as regular staff socials and recognition through awards, teams are incentivised for outstanding sales performance and service. One such incentive includes a team day out for the restaurant team with the best customer feedback, for which our Head Office run the restaurant for the day – quite a challenge for us…!

Our annual assessment of staff engagement gathers insight both in-store and at our head office, and this year suggested that our teams were happy with the way the company communicated and handled the pandemic, leading to an overall score of 90 percent satisfaction.

Moving forward

As we write this, the global economic and political situation remains difficult, which will test us all, but we also know that Tortilla is a resilient, dynamic enterprise, and generally in a better place than most of our competitors to deal with economic downturns. This report details the strategy and results achieved against the odds and presents the Tortilla Group as a leading light in the future of the hospitality sector.

We're very excited to capitalise on growth opportunities the post-pandemic landscape presents. As rent levels rebalance, we are accelerating our UK strategy, building on the success of delivery-only kitchens and targeting further franchising and licencing opportunities across a variety of venues.

Richard Morris
Chief Executive Officer
11 April 2022

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. Almost half our estate and five of our top ten selling stores are located outside of London, covering a wide range of sites including shopping centres, high streets, residential areas, theme parks, 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 who drive widespread engagement across the most popular social media platforms. Last year saw the launch of our Tik Tok channel, 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 2021, the Group had 64 sites worldwide: 51 UK sites we operate ourselves, three UK sites franchised to SSP, and ten 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 29 sites within the M25 area and 22 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 £250,000 to £425,000 depending on the size of the unit, site condition and store front requirements.

The Group aims for a 35 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 2021 (four bricks and mortar and three delivery kitchens) along with two new SSP franchise units.

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. The Group aims to open a further 45 sites in the next five years including traditional sites, delivery-only kitchens and smaller sites which focus more on delivery/takeaway. In 2019 a Deloitte Whitespace Report confirmed over 120 additional UK sites met the Group’s ideal location criteria.

CHIEF FINANCIAL OFFICER'S REVIEW

Group financial KPI summary

	2021	2020	Change
Revenue	£48.1m	£26.8m	+ 79.5%
Gross profit margin	79.6%	77.4%	+ 2.2% pts
Administrative expenses	£36.5m	£24.7m	+ 47.8%
Net profit/(loss) after tax	£1.4m	(£1.7m)	+ 182.4%
Cash generated from operations	£11.7m	£4.2m	+ 178.6%
Alternative performance measures ("APMs")			
LFL revenue growth (vs 2019)[1]	23.8%	0.0%	+ 23.8% pts
Adjusted EBITDA (pre-IFRS 16)[2]	£8.7m	£2.4m	+ 262.5%
Net cash/(debt) (pre-IFRS-16)[3]	£6.7m	(£2.3m)	+ 391.3%

[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.

Last year was transformational for the Group, with record profits and a successful admission to AIM on Friday 8th October. To say we are pleased with our year, considering the backdrop of the pandemic, would be an understatement and we remain excited about our future.

Revenues

Much like the prior year, 2021 was defined by the pandemic with revenues in Q1 2021 particularly impacted by the lockdowns imposed by the UK Government. Despite this challenge, revenue increased to £48.1m which represents an increase of 79.5 percent compared to 2020. This was achieved through strong performance of the existing estate and the addition of seven new restaurants (three of which were delivery-only kitchens). The existing estate performed very strongly, achieving LFL sales growth of 23.8 percent compared to the pre-pandemic levels of 2019 (excluding Q1, this LFL sales growth increases to 30.3 percent).

In 2021, 285 trading weeks (11% of the total possible) were lost across the estate due to store closures arising because of the pandemic. We remain optimistic that the trading conditions in 2022 will be better due to the easing of restrictions and improved immunity from the pandemic.

The Group performs well across all store formats and throughout the UK. Incredibly, in spite of the challenges the pandemic presented us with, 73 percent of stores achieved a record sales week in 2021 and the profitability levels inside and outside of the M25 remain comparable (average Store Adjusted EBITDA of £350k and £300k respectively). This provides us with confidence over the ability of the Group to continue the rollout to all corners of the UK.

Gross profit margin

The Group achieved a record gross profit margin in 2021 of 79.6 percent (2020: 77.4 percent). This increase was driven by several factors:

(1) an increased proportion of sales via the delivery channel (delivered products are charged at a slightly higher price to cover commission costs and these are reported as administrative expenses);
(2) effective pricing negotiations with suppliers;
(3) improved efficiency at a store level to minimise waste and other losses; and
(4) the benefit of a reduction rate of VAT on some of the Group's products (reduced from 20 percent to 5 percent until 30 September 2021 and then 12.5 percent for the remainder of the year).

Administrative expenses

Under application of IFRS 16, administrative expenses exclude property rents (except for turnover rent) but incorporate the depreciation of right-of-use assets however in both 2020 and 2021, these two factors largely offset.

Administrative costs increased by 47.8 percent year-on-year to £36.5m with this being driven by the increased level of trade in 2021 as the restaurants were closed for a longer period during 2020 than 2021. In both years, the Group utilised the available government support during periods of closure via the Coronavirus Job Retention Scheme ("CJRS").

Administrative expenses also incorporate exceptional items which increased to £1.9m in 2021 (2020: 0.3m). The £1.6m increase is attributable to costs incurred for the Group's IPO with a further £0.5m of IPO cost incurred relating to the issuing of new shares (recorded as a deduction in share premium). This apportionment between exceptional items and share premium has been undertaken in accordance with IAS 32.

As a percentage of revenue, administrative expenses decreased from 92.2 percent (2020) to 75.9 percent (2021) due to the improved nature of trading in 2021 as a substantial portion of the Group's property costs are fixed in nature.

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 2 January 2022	**53 weeks ended 3 January 2021**
	£	**£**
Profit/(loss) from operations	**3,634,155**	**(469,275)**
Pre-opening costs	126,753	78,778
Share option expense	90,507	-
Depreciation and amortisation	6,255,038	5,796,178
Exceptional items	1,856,268	272,182
Non-trading costs	244,639	60,100
IFRS 16 adjustment	(3,466,784)	(3,376,630)
Adjusted EBITDA (pre-IFRS 16)	**8,740,576**	**2,361,333**

The Group generated £8.7m of Adjusted EBITDA (pre-IFRS 16), an improvement of £6.3m compared to 2020. The improved performance was largely generated by the strong sales performance of the business as we were able to introduce the brand to new customers during the pandemic. This customer acquisition arose due to the Group generally re-opening ahead of competitors and heavily engaging with both new and existing customers during this period.

When other businesses re-opened, despite the increased competition, the newly acquired customers remained loyal and the Group's sales went from strength to strength as 2021 progressed.

Operational cost controls were well controlled in the period and along with utilisation of Government support, resulted in Adjusted EBITDA (pre-IFRS 16) (as a percentage of sales) improving to 18 percent (2020: 9 percent).

Cash flow

Cash generated from operations increased in line with the improvement in Adjusted EBITDA, save for the settlement of a number of 2020 working capital related cash flows (namely leasehold payments) that were deferred to early 2021.

Cash expenditure on property, plant and equipment increased due to both the addition of more new sites in 2021 compared to 2020 and higher maintenance capital costs arising from numerous refurbishments when the Group re-opened the estate in the early part of the year.

A significant cash outflow arose from the restructuring of the Group's banking facilities prior to the IPO as the previous debt facilities were fully repaid (£12.6m). The following cash inflows partially offset this: (1) a £3.0m drawdown on a new debt facility as outlined further below; and (2) a primary raise of £5.0m from the IPO less £2.2m of fees (£1.6m recorded as exceptional costs and the remainder recorded in equity).

Financing and net debt

The Group's net debt position has been materially reversed during the course of 2021 to a net cash position of £6.7m at 2 January 2022 (3 January 2021: net debt of £2.3m). The business is highly cash generative, benefits from a negative working capital cycle and is accordingly able to fund the new store openings from own cash.

The Group's £10.0m revolving credit facility (RCF) is held with Santander UK plc and comprises of a drawn balance of £3.0m at 2 January 2022 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, subject to an upward-only ratchet based on increased net leverage levels and is secured until 14 September 2026.

Share based payments

As part of the Group's admission to AIM, a Long Term Incentive Plan ("LTIP") was created for senior Management. The detail of this scheme for the Executive Directors is noted in the remuneration report. These options vest subject to continuous employment over a three and four year period, and attainment of certain performance conditions relating to Adjusted EBITDA (pre IFRS-16). The Group recognised a total charge of £0.1m in 2021 in relation to the Group's share-based payment arrangements.

Dividend

The Board did not recommend a dividend for 2021. The Group's capital over the coming years will be deployed to growth 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 2 January 2022, the Directors have considered the Group's cash flow, liquidity and business activities, as well as the ongoing uncertainty caused by the Covid-19 pandemic.

The hospitality sector has been particularly impacted by Covid-19 and the Group has taken a number of actions to improve liquidity to ensure it is well placed to operate through the pandemic and to achieve its strategic goals.

During 2021, the Group successfully listed on the AIM market which gave the Group access to additional capital and combined with the strong cash generation of the business, enabled the Group to reduce the borrowing facilities from £11.9m to £3.0m. The Group has access to a further £7.0m of financing and this remained undrawn on 2nd January 2022. The Group had cash balances of £9.7m on 2 January 2022 which translate to a net cash position of £6.7m.

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.

Approved by the Board on 11 April 2022 and signed on its behalf by:
Andy Naylor
Chief Financial Officer

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

	Note	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Revenue	4	48,075,399	26,832,846
Cost of sales		(9,797,235)	(6,054,932)
Gross profit		**38,278,164**	**20,777,914**
Other operating income	5	1,877,806	3,489,162
Administrative expenses		(36,521,815)	(24,736,351)
Profit/(loss) from operations	6	**3,634,155**	**(469,275)**
Finance income	9	613	111,791
Finance expense	9	(1,372,504)	(1,335,748)
Profit/(loss) before tax		**2,262,264**	**(1,693,232)**
Tax charge	10	(900,690)	-
Profit/(loss) for the period and comprehensive income attributable to equity holders of the parent company		**1,361,574**	**(1,693,232)**
Earnings/(loss) per share for profit attributable to the owners of the parent during the period			
Basic and diluted (pence)	11	**3.5**	(471.6)

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

Consolidated statement of financial position

	Note	At 2 January 2022 £	At 3 January 2021 £
Non-current assets			
Right-of-use assets	12	24,939,614	25,324,841
Property, plant and equipment	13	9,264,167	9,112,143
Total non-current assets		**34,203,781**	**34,436,984**
Current assets			
Inventories	14	326,108	239,782
Trade and other receivables	15	1,888,702	1,898,295
Cash and cash equivalents	16	9,653,172	10,086,759
Total current assets		**11,867,982**	**12,224,836**
Total assets		**46,071,763**	**46,661,820**
Current liabilities			
Trade and other payables	17	6,729,865	4,909,704
Lease liabilities	12	5,830,987	7,176,104
Loans and borrowings	18	-	1,000,000
Corporation tax liability	10	900,690	-
Total current liabilities		**13,461,542**	**13,085,808**
Non-current liabilities			
Lease liabilities	12	25,831,103	24,195,555
Loans and borrowings	18	2,911,941	11,426,235
Total non-current liabilities		**28,743,044**	**35,621,790**
Total liabilities		**42,204,586**	**48,707,598**
Net assets / (liabilities)		**3,867,177**	**(2,045,778)**
Equity attributable to equity holders of the company			
Called up share capital	19	386,640	359,016
Share premium account	20	4,433,250	-
Merger reserve	20	4,793,170	4,793,170
Share based payment reserve	20	90,507	-
Retained earnings	20	(5,836,390)	(7,197,964)
Total equity		**3,867,177**	**(2,045,778)**

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 by the Board and authorised for issue on 11 April 2022. They were signed on its behalf by:

Andy Naylor
Chief Financial Officer
11 April 2022

Consolidated statement of changes in equity

	Share capital £	Share premium £	Merger reserve £	Share-based payment reserve £	Retained earnings £	Total £
Balance as at 29 December 2019	**359,016**	**-**	**4,793,170**	**-**	**(5,504,732)**	**(352,546)**
Loss for the period	-	-	-	-	(1,693,232)	(1,693,232)
Balance as 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
Newly issued equity shares	27,624	4,972,376	-	-	-	5,000,000
Cost of issue of equity shares	-	(539,126)	-	-	-	(539,126)
Share-based payments	-	-	-	90,507	-	90,507
Balance as at 2 January 2022	**386,640**	**4,433,250**	**4,793,170**	**90,507**	**(5,836,390)**	**3,867,177**

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

Consolidated statement of cash flows

	Note	52 weeks ended 2 January 2022 £	53 weeks ended 3 January 2021 £
Operating activities			
Profit/(loss) after tax		1,361,574	(1,693,232)
Adjustments for:			
Share based payments	8	90,507	-
Net finance expense	9	377,144	228,168
Finance cost on lease liabilities	9	994,747	995,789
Corporation tax charge	10	900,690	-
Depreciation of right to use assets	12	3,514,015	3,495,701
Impairment of right to use assets	12	99,868	(66,584)
Depreciation of property, plant and equipment	13	2,634,304	2,033,690
Impairment of property, plant and equipment	13	-	333,371
Loss on disposal of property, plant and equipment	13	6,852	-
Increase in inventories	14	(86,326)	(3,739)
Decrease in trade and other receivables	15	9,593	56,064
Increase/(decrease) in trade and other payables	17	1,820,161	(1,197,011)
Cash generated from operations		**11,723,129**	**4,182,217**
Investing activities			
Interest received	9	613	1,964
Purchase of property, plant and equipment	13	(2,793,181)	(1,404,116)
Net cash used by investing activities		**(2,792,568)**	**(1,402,152)**
Financing activities			
Proceeds from issue of shares		5,000,000	-
Cost of issue of shares		(539,126)	-
Payments made in respect of lease liabilities	12	(3,932,971)	(655,652)
Interest paid		(203,303)	(284,549)
New loans secured	18	2,907,306	3,846,600
Repayment of loans	18	(12,596,054)	(1,200,000)
Net cash (used by)/generated from financing activities		**(9,364,148)**	**1,706,399**
Net (decrease)/increase in cash and cash equivalents		**(433,587)**	**4,486,464**
Cash and cash equivalents at the beginning of period	16	10,086,759	5,600,295
Cash and cash equivalents at the end of period		**9,653,172**	**10,086,759**

Notes to the consolidated financial information

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.

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 brand both within the United Kingdom and the Middle East.

2. Accounting policies

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Account Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards.

2.2 Basis of preparation

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, the consolidated statement of cash flows and related notes for the companies which comprise the Group.

2.3 New standards, amendments and interpretations adopted

In May 2020 the IASB issued COVID-Related Rent Concessions (Amendments to IFRS 16) that provided a practical expedient permitting lessees not to assess COVID-related rent concessions as a lease modification. The Group has opted not to apply this amendment.

Other amendments applied for the first time for the 52 weeks ending 2 January 2022 were:

- Definition of material – amendments to IAS 1 and IAS 8;
- Definition of a business – amendment to IFRS 3;
- Revised conceptual framework for financial reporting; and
- Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7.

The application of these did not have a material impact on the Group's accounting treatment and has therefore not resulted in any material changes.

2.4 Standards issued not yet effective

Standard/Amendments	Applicable for financial periods beginning on/after
IAS 37 Onerous contracts – Cost of fulfilling a contract	1 January 2022
Annual improvements to IFRS standards 2018-2020	1 January 2022
IAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
IFRS 3 Reference to the conceptual framework	1 January 2022
IFRS 17 Insurance contracts	1 January 2023
IFRS 17 Amendments	1 January 2023
IAS 1 Classification of liabilities as current or non-current	1 January 2023

IAS 1 Disclosure of accounting policies	1 January 2023
IAS 8 Definition of accounting estimates	1 January 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

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 consolidated financial information incorporates the results of a business combination using the predecessor method. Specifically, this is the acquisition of Mexican Grill Ltd, which meets the definition of a common control business combination and is therefore outside the scope of IFRS 3. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their carrying values at the acquisition date.

The comparative figures for share capital are restated as if the entities had been combined at the earliest reporting date presented. The consolidated share capital at 29 December 2019 and 3 January 2021 therefore represents the share capital of Mexican Grill Ltd adjusted for the share capital issued for the purposes of the business combination.

The consolidated statement of financial position as at 2 January 2022 incorporates the results of Tortilla Mexican Grill plc and its subsidiaries for all periods.

2.6 Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the 52 weeks ended 2 January 2022, the Directors have considered the Group's cash flow, liquidity and business activities, as well as the ongoing uncertainty caused by the COVID-19 pandemic.

The hospitality sector has been particularly impacted by COVID-19 and the Group has taken a number of actions to improve liquidity to ensure it is well placed to operate through the pandemic and to achieve its strategic goals.

During 2021, the Group successfully listed on AIM which gave the Group access to additional capital and combined with the strong cash generation of the business, enabled the Group to reduce the borrowing facilities to a principal amount of £3.0m. The Group has access to a further £7.0m of financing and this remained undrawn as at 2 January 2022. The Group had cash balances of £9.7m as at 2 January 2022 which translate to a net cash position of £6.7m.

The Group has prepared forecasts for the next twelve months, including a base case and a severe downside case.

The base case assumes that there are no further lockdowns or restrictions and assumes no further government financial support. In this forecast there are no loan drawdowns and the Group remains in compliance with its covenant obligations.

Under the severe downside case the following adjustments are made:

- Sales reduced by 20 percent in the second quarter of 2022 to model a further prolonged lockdown;
- Sales reduced by 10 percent in the third quarter and 5 percent for the remainder of the year to incorporate the impact of increased restrictions throughout 2022; and
- No further government support, such as reduced VAT, the reintroduction of the Coronavirus Job Retention Scheme or business rates relief, has been assumed.

Whilst this scenario would reduce Adjusted EBITDA by 29 percent, the Group would still have sufficient liquidity and remain in a net cash position. Consequently, the Group would not need to make a further drawdown and would remain in compliance with its covenant obligations. The Directors have also performed reverse stress testing to assess the conditions that would lead to a covenant breach. The Directors are comfortable with the outcome of this exercise.

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 recognition

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 a third-party delivery partner, which is payable the week after the revenue was recorded. The delivery partner charges a commission on these sales, which are recognised within administrative expenses. 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 material.

2.8 Alternative Performance Measures ("APM's")

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APM's are not defined or specified under the requirements of IFRS. The Group believes that these APM's, 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 APM's 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.

2.9 Employee benefits

i. 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.

ii. Defined contribution plan

Contributions to defined contribution schemes are charged to the consolidated statement of comprehensive income in the financial period to which they relate.

2.10 Leased assets

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 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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. 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.

2.11 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 provided on all items of property, plant and equipment so as to write off their carrying value over the expected useful economic lives. It is provided at the following rates:

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

2.12 Impairment

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).

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.

2.13 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.

2.14 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.

2.15 Deferred taxation

Deferred tax assets and liabilities 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 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.

2.16 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.

2.17 Financial assets

Financial assets held at amortised cost are trade and other receivables and cash.

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 netted against the loan balance and amortised on a straight line basis 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. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

2.18 Financial liabilities

Financial liabilities held at amortised cost include trade and other payables, lease liabilities and borrowings.

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.

2.19 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.

i. 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. Given the quantum of the borrowings and the current low interest environment, the risk is not considered material and therefore the Directors have accepted this risk with the position being regularly re-assessed based on wider macro-economic conditions.

ii. 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.

iii. 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.

iv. 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.

v. 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.

vi. Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

Management review cash flow forecasts regularly to determine whether the Group has sufficient cash reserves to meet future working capital requirements.

Maturity analysis
The table below analyses the Group's contractual undiscounted cash flows for the Group's financial liabilities.

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	£	£	£	£	£
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 January 2021					
Trade and other payables	4,909,704	-	-	-	**4,909,704**
Lease liabilities	7,176,104	3,864,422	9,140,207	11,190,926	**31,371,659**
Borrowings	1,000,000	1,300,000	10,126,235	-	**12,426,235**
	13,085,808	**5,164,422**	**19,266,442**	**11,190,926**	**48,707,598**

2.20 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.

2.21 Government grants

Coronavirus job retention scheme grants (CJRS) and other government grants are recognised under the accruals model with any deferred element included in creditors 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.

3. Critical accounting estimates and judgements

The Group makes certain 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. In the future, actual experience may differ from these estimates and assumptions. 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.

3.1 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 is 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 weighted average discount rate applied to the Group's leases is 3.4 percent, there has been a judgement applied that the portfolio has the same discount rate. For the lease liabilities at 2 January 2022 a 0.5 percent increase in the discount rate would reduce the total liabilities by £136,000, which is not considered material.

3.2 Impairment of right-of-use assets and property, plant and equipment

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 main 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.

An independent external consultancy was engaged to calculate the Group's WACC and reasonable changes in the key assumptions were assessed, which did not lead to a material impairment.

3.3 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 £239,000 decrease in depreciation in 2021.

3.4 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.

4. Revenue

	52 weeks ended 2 January 2022	**53 weeks ended 3 January 2021**
	£	**£**
Sale of goods	47,769,278	26,821,338
Franchise income	306,121	11,508
	48,075,399	**26,832,846**

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

There are similar economic characteristics between these businesses 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 2 January 2022	53 weeks ended 3 January 2021
	£	£
Eat Out to Help Out income	-	473,401
CJRS income[1]	491,825	3,015,761
Other government grants[2]	1,385,981	-
	1,877,806	**3,489,162**

[1] Coronavirus Job Retention scheme

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

6. Profit/(loss) from operations

Profit/(loss) from operations is stated after charging:

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
	£	£
Depreciation & amortisation	6,148,319	5,529,391
Impairment of ROU assets	99,868	(66,584)
Loss on disposal of fixed assets	6,852	-
Impairment of fixed assets	-	638,668
Reversal of impairment of fixed assets	-	(305,297)
variable lease payments	615,613	113,619
Inventories - amounts charged as an expense	9,797,235	6,054,932
Staff costs	14,333,277	11,268,458
Share option expense	90,507	-
Pre-opening costs	126,753	78,778
Exceptional items[1]	1,856,268	272,182
Quilvest monitoring fees[2]	70,185	38,089
Bank arrangement fee amortisation	174,454	22,011
Auditors' remuneration:		
Audit fees	77,000	36,000
Tax compliance services	14,000	35,000
Other assurance services	95,000	-

[1] Exceptional items in 2021 includes £1,634,070 of costs incurred in relation to the sale by existing shareholders of their shares in the Group's IPO. A further £539,126 was incurred in relation to the issuing of new shares and this has been recorded as a deduction in share premium. This apportioning between exceptional items and share premium has been undertaken in accordance with IAS 32.

[2] Quilvest monitoring fees were payable prior to the Group's admission to AIM.

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
	£	£
Pre-opening costs	126,753	78,778
Number of site openings in period	7	4

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. 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. Staff costs

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

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
Operations staff`	749	644
Head office staff	36	31
	785	**675**

Staff costs, including Directors' remuneration, were as follows:

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
	£	£
Wages and salaries	13,315,004	10,527,999
Social security costs	779,134	611,249
Pension costs	148,632	129,210
Share based payments (note 8)	90,507	-
	14,333,277	**11,268,458**

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

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
	£	£
Short-term employee benefits	718,900	362,995
Post-employment benefits	3,300	2,679
	722,200	**365,674**

The highest paid Director received remuneration of £367,900 in the 52 weeks ended 2 January 2022 (3 January 2021: £182,512).

The number of Directors receiving pension contributions was 4 in the 52 weeks ended 2 January 2022 (3 January 2021: 4).

The share based payment expense arising from the Directors participation in the Group's LTIP scheme in the 52 weeks ended 2 January 2022 was £60,246 (3 January 2021: £nil).

There are no Key Management Personnel other than the Directors. Further information about the remuneration of individual Directors is provided in the Remuneration report within the Group's 2021 Annual Report.

8. 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 period to exercise, based on the Group's estimate of shares that will eventually vest.

The Group is liable for employer's National Insurance on the difference between the market value at date of exercise and exercise price and therefore this expense is also calculated based on the intrinsic value at the balance sheet date.

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.

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:

	2 January 2022		3 January 2021	
	Number of share options #	Weighted average exercise price £	Number of share options #	Weighted average exercise price £
Outstanding at beginning of the period	-	-	-	-
Granted during the period	1,809,393	1.81	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Outstanding at the end of the period	**1,809,393**	**1.81**	**-**	**-**
Exercisable at the end of the period	**-**	**1.81**	**-**	**-**

The awards outstanding at the end of 2 January 2022 have a remaining weighted average contractual life of three years (3 January 2021: £nil) and an exercise price of £1.81 (3 January 2021: £nil).

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 2 January 2022 of £90,507 (3 January 2021: £nil) 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:

	2 January 2022	3 January 2021
Weighted average share price (pence)	1.81	-
Exercise price (pence)	1.81	-
Expected volatility (%)	43%	-
Option life (years)	5.0	-
Risk free interest rate (%)	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.

9. Finance income and expenses

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
	£	**£**
Finance income		
Bank interest income	613	111,791
Finance expense		
Bank loan interest expense	(377,757)	(339,959)
Finance cost on lease liabilities	(994,747)	(995,789)
	(1,372,504)	**(1,335,748)**

On 14th September 2020, the Group obtained a Coronavirus Business Interruption Loan Scheme ("CBILS") which carries zero interest costs for the first twelve months. The loan was initially recognised at the present value of the future payments with the discount of £109,827 being recognised as finance income in the 53 weeks ended 3 January 2021. Subsequently, in October 2021, the loan was paid off in full, there was an unwinding of interest of £76,427 in the financial period.

10. Taxation

	52 weeks ended 2 January 2022	53 weeks ended 3 Jan 2021
	£	£
Current tax expense		
Current tax on profits for the period	900,690	-
	900,690	**-**

The reasons for the difference between the actual tax charge for the financial period and the standard rate of corporation tax in the United Kingdom applied to profit for the financial period as follows:

	52 weeks ended 2 January 2022	53 weeks ended 3 Jan 2021
	£	**£**
Profit/(loss) for the period	**2,262,264**	**(1,693,232)**
Expected tax charge based on corporation tax rate of 19% in 2021 (19% in 2020)	429,830	(321,714)
Effects of:		
Expenses not deductible for tax purposes	344,578	96,217
Depreciation in excess of capital allowances	319,969	54,735
Movement in tax losses	(202,473)	(5,022)
Other timing differences, primarily arising from operating lease accounting	8,786	175,784
Other adjustments	-	-
Deferred tax	-	-
Total tax charge for the period	**900,690**	**-**

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

The Group has had unprovided deferred tax assets as shown below:

	52 weeks ended 2 January 2022	53 weeks ended 3 Jan 2021
	£	**£**
Unprovided deferred tax asset	(535,863)	(415,628)

The deferred tax assets arise from tax losses, timing differences on fixed assets and timing differences arising from the differences in the deductions available under UK GAAP and IFRS in relation to leases. No asset has been recorded in the financial statements for these amounts on the grounds that the timing and extent of any recovery is subject to a number of uncertainties.

In March 2021, the government confirmed that the corporation tax main rate would increase to 25 percent from 1 April 2023. Accordingly, the rate used to calculate the deferred tax balances at 2 January 2022 has increased from 19 percent to 25 percent as the timing of the release of this asset is materially expected to be after this date.

11. 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.

	52 weeks ended 2 January 2022	53 weeks ended 3 January 2021
	£	**£**
Profit/(loss)		
Profit/(loss) used in calculating basic and diluted profit	1,361,574	(1,693,232)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted earnings per share	38,664,031	359,016
Basic and diluted earnings/(loss) per share (p)	**3.5**	**(471.6)**

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.

12. Leases

The Group leases all properties with typical lease lengths of 10-15 years. All leases are non-cancellable with various terms: payments of a fixed/variable nature, rent reviews and differing renewal terms.

Application of IFRS 16 requires that leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. For adjustments recognised as a consequence of IFRS 16, please refer to note 27.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, and variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date. It excludes variable lease payments that are turnover linked, which are outside the scope of IFRS 16 and are charged to the consolidated statement of comprehensive income as they are incurred.

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group 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 an 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.

Right-of-use assets	**£**
At 30 December 2019	**27,845,165**
Additions	1,863,541
Depreciation	(3,495,701)
Impairment	66,584
Disposals	(954,748)
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**

Lease liabilities	**£**
At 30 December 2019	(30,122,727)
Additions	(1,863,541)
Interest expense	(995,789)
Lease payments	655,652
Disposals	954,746
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)**

Carrying amount by maturity of the Groups lease liabilities

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**More than 1 year**	**Total**
2 Jan 2022	5,830,987	4,225,074	10,085,891	11,520,138	**25,831,103**	**31,662,090**
3 Jan 2021	7,176,104	3,864,422	9,140,207	11,190,926	**24,195,555**	**31,371,659**

13. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Furniture, fittings and equipment	Total
	£	£	£	£
Net book value				
At 29 December 2019	**7,896,056**	**1,474,005**	**705,027**	**10,075,088**
Cost				
At 29 December 2019	13,007,215	4,229,945	3,736,455	20,973,615
Additions	400,434	275,695	727,987	1,404,116
Disposals	2,303	(785,404)	(1,384,479)	(2,167,580)
At 3 January 2021	**13,409,952**	**3,720,236**	**3,079,963**	**20,210,151**
Accumulated Depreciation				
At 29 December 2019	(5,111,159)	(2,755,940)	(3,031,428)	(10,898,527)
Charge for year	(859,053)	(720,817)	(453,820)	(2,033,690)
On disposals	(2,303)	785,404	1,384,479	2,167,580
Impairment charge	(638,668)	-	-	(638,668)
Impairment losses written back	305,297	-	-	305,297
At 3 January 2021	**(6,305,886)**	**(2,691,353)**	**(2,100,769)**	**(11,098,008)**
Net book value				
At 3 January 2021	**7,104,066**	**1,028,883**	**979,194**	**9,112,143**
Cost				
At 3 January 2021	**13,409,951**	**3,720,236**	**3,079,963**	**20,210,150**
Additions	886,575	463,522	1,443,084	2,793,181
Disposals	(1,097)	(562,202)	(851,467)	(1,414,766)
At 2 January 2022	**14,295,429**	**3,621,556**	**3,671,580**	**21,588,565**
Accumulated Depreciation				
At 3 January 2021	**(6,305,886)**	**(2,691,353)**	**(2,100,769)**	**(11,098,008)**
Charge for year	(1,230,421)	(646,518)	(757,365)	(2,634,304)
On disposals	(157)	560,408	847,663	1,407,914
At 2 January 2022	**(7,536,464)**	**(2,777,463)**	**(2,010,471)**	**(12,324,398)**
Net book value				
At 2 January 2022	**6,758,965**	**844,093**	**1,661,109**	**9,264,167**

14. Inventories

	At 2 January 2022	At 3 January 2021
	£	£
Food and beverages for resale	326,108	239,782
	326,108	**239,782**

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 £9,797,235 (53 weeks ended 3 January 2021: £6,054,932).

15. Trade and other receivables

	At 2 January 2022	At 3 January 2021
	£	£
Trade debtors	298,334	332,155
Other debtors	735,324	761,377
Prepayments and accrued income	855,044	804,763
	1,888,702	**1,898,295**

Trade debtors 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 debtors 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.

16. Cash and cash equivalents

	At 2 January 2022	At 3 January 2021
	£	£
Cash at bank and in hand	9,653,172	10,086,759
	9,653,172	**10,086,759**

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.

17. Trade and other payables

	At 2 January 2022	At 3 January 2021
	£	£
Trade payables	2,331,636	2,346,463
Other taxation and social security	508,850	606,152
Other payables	456,830	343,327
Accruals and deferred income	3,432,549	1,613,762
	6,729,865	**4,909,704**

The carrying value of trade and other payables classified as financial liabilities measured at amortised, which the Directors consider equal to fair value.

18. Borrowings

	At 2 January 2022	At 3 January 2021
	£	£
Bank loans - falling due within one year	-	1,000,000
Bank loans - falling due after one year	3,000,000	11,596,054
Subtotal	**3,000,000**	**12,596,054**
Amortised issue costs	(88,059)	(169,819)
	2,911,941	**12,426,235**

Prior to the Group's IPO on 8 October 2021, the following facilities were held with Santander UK plc:

- Term loan: repayable in instalments until 14 November 2025. The balance on this loan at 3 January 2021 was £9,672,482 with £1,000,000 due within one year;
- CBILS loan: repayable in full on 14 November 2025. The total size of this facility was £4,000,000 with a drawn balance on this loan at 3 January 2021 of £3,000,000. The additional £1,000,000 of undrawn funds were not utilised as the financial position of the business was strong enough to not require the additional support. This loan was subject to an initial one-year interest holiday was recognised at the present value of the future cash flows, being £2,923,572 at 3 January 2021; and
- CBILS overdraft: this facility was not utilised by the Group. The total quantum of undrawn funds was £1,000,000.

The term loan accrued interest at rates of 3.25% - 4.50% plus base rate and the CBILS loan attracted interest at a rate of 3.8% plus base rate, although was subject to an initial one-year interest holiday and hence was recognised at the present value of the future cash flows. These loans were all secured by fixed and floating charges over the assets of the Group.

As part of the Group's IPO, the existing facilities were repaid and a new financing arrangement was signed, once more with Santander UK plc. This is a £10m senior facility, repayable in full on 14 September 2026, with a drawn balance at 2 January 2022 of £3.0m. The Group has allocated £2.5m of the remaining undrawn amount to an ancillary facility, an overdraft, which was not utilised at 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 of the term of the facility.

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.

19. Called up share capital

The consolidated share capital at 3 January 2021 has been restated as if the entities had been combined at the earliest reporting date presented and therefore represents the share capital of Mexican Grill Limited adjusted for the share capital issued for the purposes of the business combination.

The issued share capital of the Company on incorporation was one ordinary share of £0.01 (the "Subscriber Share"). There have been the following changes in the Company share capital since incorporation:

- on 10 September 2021: (i) 6,462,600 ordinary shares of nominal value £0.01 each, (ii) 2,196,000 A ordinary shares of nominal value £0.01 each, (iii) 10,799,400 A preference shares of nominal value £0.01 each and (iv) 16,443,600 B preference shares of nominal value of £0.01 each were allotted;
- also on 10 September 2021 simultaneously with the allotment of the shares referred to above, the Subscriber Share was cancelled. Immediately following this, the total statement of capital of the Company was 6,462,600 ordinary shares, 2,196,000 A ordinary shares, 10,799,400 A preference shares and 16,443,600 B preference shares with an aggregate nominal value of £359,016;
- on 29 September 2021 the 2,196,000 A ordinary shares, 10,799,400 A preference shares and the 16,443,600 B preference shares were re-designated as 29,439,000 ordinary shares of nominal value £0.01 each, with the resulting total share capital being 35,901,600 ordinary shares with an aggregate nominal value of £359,016; and
- on 8 October 2021 (immediately following admission to AIM), a further 2,762,431 shares were allotted, bringing the total number of ordinary shares to 38,664,031.

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.

20. Reserves

Share premium account

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

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.

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.

Retained earnings

The accumulated net profits and losses of the Group.

21. Analysis of changes in net debt

The movements in net debt are presented below along with a reconciliation to the financing activities in the consolidated cash flow statement.

	Bank loans	Lease liabilities	Total financing liabilities	Cash and cash equivalents	Net debt
	£	£	£	£	£
At 3 January 2021	**12,426,235**	**31,371,657**	**43,797,894**	**(10,086,759)**	**33,711,135**
Cash flow	(9,688,748)	(3,932,971)	(13,621,719)	433,587	(13,188,132)
Additions to lease liabilities	-	3,228,655	3,228,655	-	3,228,655
Finance expense	377,757	994,747	1,372,504	-	1,372,504
At 2 January 2022	**2,911,941**	**31,662,090**	**34,574,031**	**(9,653,172)**	**24,920,859**

22. Investments in subsidiaries

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

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting rights held by the Group	Principal activity
Mexican Grill Ltd	United Kingdom	100%	Operation of restaurants
Mexican Grill International Franchise Ltd	United Kingdom	100%	International franchising
California Grill Ltd	United Kingdom	100%	Holding leases

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

23. Related party transactions

	At 2 January 2022	At 3 January 2021
	£	£
Richard Morris	-	68,400
Andy Naylor	-	28,500
	-	**96,900**

During the 52 weeks ending 2 January 2022, loans owed by Directors Richard Morris and Andy Naylor were repaid in full. No interest was charged on this loan during this period.

Mexican Grill Ltd was charged monitoring fees of £35,000 for the 52 weeks ended 2 January 2022 (53 weeks ended 3 January 2021: £6,250) 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. This is set at £30,000 for 2022 onwards.

24. Ultimate controlling party

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

25. Capital commitments: Group and Company

The Group had capital commitments of £65,050 at 2 January 2022 (3 January 2021: £nil).

26. Post-balance sheet events: Group and Company

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.

27. IFRS comparison to UK GAAP

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 and has restated its results for comparative period as if the Group had always applied the new standard.

	Pre-IFRS 16 52 weeks ended 2 January 2022	**IFRS 16 adjustments**	**IFRS 52 weeks ended 2 January 2022**	**Pre-IFRS 16 53 weeks ended 3 January 2021**	**IFRS 16 adjustments**	**IFRS 53 weeks ended 3 January 2021**
	£	**£**	**£**	**£**	**£**	**£**
Revenue	48,075,399	-	48,075,399	26,832,846	-	26,832,846
Cost of sales	(9,797,235)	-	(9,797,235)	(6,054,932)	-	(6,054,932)
Gross profit	**38,278,164**	**-**	**38,278,164**	**20,777,914**	**-**	**20,777,914**
Other Operating Income	1,877,806	-	1,877,806	3,489,162	-	3,489,162
Administrative expenses	(36,461,586)	(60,229)	(36,521,815)	(24,806,958)	70,607	(24,736,351)
Profit/(loss) from operations	**3,694,384**	**(60,229)**	**3,634,155**	**(539,882)**	**70,607**	**(469,275)**
Adjusted EBITDA	8,740,576	3,466,784	12,207,360	2,361,333	3,376,630	5,737,963
Pre-opening costs	(165,850)	39,097	(126,753)	(171,063)	92,285	(78,778)
Share based payments	(90,507)	-	(90,507)	-	-	-
Depreciation and amortisation	(2,688,928)	(3,566,110)	(6,255,038)	(2,397,870)	(3,398,308)	(5,796,178)
Exceptional items	(1,856,268)	-	(1,856,268)	(272,182)	-	(272,182)
Non-trading costs	(244,639)	-	(244,639)	(60,100)	-	(60,100)
	3,694,384	**(60,229)**	**3,634,155**	**(539,882)**	**70,607**	**(469,275)**
Finance income	613	-	613	111,791	-	111,791
Finance expense	(377,757)	(994,747)	(1,372,504)	(339,959)	(995,789)	(1,335,748)
Profit/(loss) before tax	**3,317,240**	**(1,054,976)**	**2,262,264**	**(768,050)**	**(925,182)**	**(1,693,232)**
Tax charge	(900,690)	-	(900,690)	-	-	-
Profit/(loss) for the period and comprehensive income attributable to equity holders of the parent company	**2,416,550**	**(1,054,976)**	**1,361,574**	**(768,050)**	**(925,182)**	**(1,693,232)**

	Pre-IFRS 16 52 weeks ended 2 January 2022	IFRS 16 adjustments	IFRS 52 weeks ended 2 January 2022	Pre-IFRS 16 53 weeks ended 3 January 2021	IFRS 16 adjustments	IFRS 53 weeks ended 3 January 2021
	£	**£**	**£**	**£**	**£**	**£**
Non-current assets						
Right-of-use assets	-	24,939,614	24,939,614	-	25,324,841	25,324,841
Property, plant and equipment	8,719,167	545,000	9,264,167	9,189,916	(77,773)	9,112,143
Total non-current assets	**8,719,167**	**25,484,614**	**34,203,781**	**9,189,916**	**25,247,068**	**34,436,984**
Current assets						
Inventories	326,108	-	326,108	239,782	-	239,782
Trade and other receivables	2,308,070	(419,368)	1,888,702	2,496,137	(597,842)	1,898,295
Cash and cash equivalents	9,653,172	-	9,653,172	10,086,759	-	10,086,759
Total current assets	**12,287,350**	**(419,368)**	**11,867,982**	**12,822,678**	**(597,842)**	**12,224,836**
Total assets	**21,006,517**	**25,065,246**	**46,071,763**	**22,012,594**	**24,649,226**	**46,661,820**
Current liabilities						
Trade and other payables	9,220,394	(2,490,529)	6,729,865	8,580,798	(3,671,094)	4,909,704
Lease liabilities	-	5,830,987	5,830,987	-	7,176,104	7,176,104
Loans and borrowings	-	-	-	1,000,000	-	1,000,000
Corporation tax liability	900,690	-	900,690	-	-	-
Total current liabilities	**10,121,084**	**3,340,458**	**13,461,542**	**9,580,798**	**3,505,010**	**13,085,808**
Non-current liabilities						
Lease liabilities	-	25,831,103	25,831,103	-	24,195,555	24,195,555
Loans and borrowings	2,911,941	-	2,911,941	11,426,235	-	11,426,235
Total non-current liabilities	**2,911,941**	**25,831,103**	**28,743,044**	**11,426,235**	**24,195,555**	**35,621,790**
Total liabilities	**13,033,025**	**29,171,561**	**42,204,586**	**21,007,033**	**27,700,565**	**48,707,598**
Net assets / (liabilities)	**7,973,492**	**(4,106,315)**	**3,867,177**	**1,005,561**	**(3,051,339)**	**(2,045,778)**
Equity attributable to equity holders of the company						
Called up share capital	386,640	-	386,640	359,016	-	359,016
Share premium account	4,433,250	-	4,433,250	-	-	-
Share merger reserve	4,793,170	-	4,793,170	4,793,170	-	4,793,170
Share based payment reserve	90,507	-	90,507	-	-	-
Retained earnings	(1,730,075)	(4,106,315)	(5,836,390)	(4,146,625)	(3,051,339)	(7,197,964)
Total equity	**7,973,492**	**(4,106,315)**	**3,867,177**	**1,005,561**	**(3,051,339)**	**(2,045,778)**