TORTILLA

Annual Report & Accounts 2023


BURRITOS AS BIG
AS YOUR HEAD

Contents

STRATEGIC REPORT

At a glance

> The Tortilla brand is synonymous with an energetic, vibrant culture and great value for money.
>
> – Brandon & Jen Stephens, Founders

Tortilla Mexican Grill plc ("Tortilla", "the Group") is the largest and most successful fast-casual Mexican restaurant business in the UK.

The Group was founded in 2007 by Brandon Stephens. Originally from California, Brandon arrived in London in 2003 to find a gap in the market for quality burritos and tacos. He responded by establishing Tortilla, with a mission to offer customers freshly prepared, customisable and authentic Californian-inspired Mexican food.

Tortilla, specialists in freshly made Californian-inspired Mexican cuisine, had 87 sites worldwide at the end of 2023: 66 Group-operated UK Tortilla sites of which one is a delivery kitchen, three Group-operated UK Chilango sites, five UK franchise sites run by SSP Group plc ("SSP"), five UK franchise sites run by Compass Group plc ("Compass") and eight franchise sites in the Middle East run by Eathos.

87
sites worldwide

- 66 Group operated Tortilla sites
- 3 Group operated Chilango sites
- 5 SSP UK franchise sites
- 5 Compass Group UK franchise sites
- 8 Middle East sites

Chair's statement

The Tortilla Board considers 2023 as a year of recovery.

We have made significant strategic progress against the long-term plan to drive disciplined profit growth. This was underpinned by a rigorous focus on careful cost management and operational efficiency improvements which will yield full year margin benefit in 2024 and beyond.

Whilst consumer spending on 'eating out' remained under pressure in 2023 from the wider macro-economic uncertainty and high inflation, our customer research continues to endorse long term interest in a high-quality Mexican-inspired burrito proposition. We offer customers fresh, healthy, convenient, and customisable food and drink in a fun and vibrant atmosphere at a competitive price. We were delighted to see demand for the brand remaining very robust across the Group's high performing sites in our London portfolio, busy city centre locations, key shopping centres and travel hubs, where we enjoy stronger levels of awareness. The Board has identified that trading in newer, lower footfall regional towns and cities, where Tortilla is less well known, has been more challenging. However, we see significant opportunities to address this through our brand and marketing initiatives, with several plans already underway to drive footfall in 2024.

Delivery continued to be an important sales channel for Tortilla. Whilst the multi-partner approach supported strong growth in sales volume and awareness, the move to a triple aggregator model challenged margin performance over the course of 2023. Since the period end, we have been pleased to complete the launch of a new delivery structure, strengthening our relationships between fewer partners which will improve our margins from the delivery channel in 2024. Early signs of this refined delivery strategy have been encouraging and will continue to be reinforced with exciting, joint funded marketing plans and investment in increased brand awareness.

The Board firmly believes in the significant opportunity for the business as the largest and most successful fast-casual Mexican restaurant group, in what is still an under-represented segment of the fast casual dining space, both in the UK and internationally. In 2023 we opened seven new stores in the UK, alongside the ongoing successful rebranding of the Chilango portfolio which was acquired in 2022. Our flexible business model, with a centralised production unit, lends itself well to a range of site formats and we are particularly excited about the potential to accelerate the speed of growth in the UK and internationally through franchising. Our successful collaboration with both SSP and Compass Group in the UK, and Eathos in the Middle East bears early testament to the longer-term potential to grow through franchising partnerships.

Reflecting on the ongoing market challenges, progress and tremendous opportunities for Tortilla, the Board and the Executive team have spent time in the latter part of 2023 developing our growth strategy. This has seen us refine our approach around five strategic pillars, 'Tortilla's Vital 5,' through which we will drive profitable growth in the years ahead as we continue to expand the Tortilla brand, both in the UK and overseas.

Our Vital 5 are:

1. Improve UK profitability
2. Invest in brand to drive growth
3. Invest in team and tech
4. Double down on franchise
5. Develop brand internationally

Details of these strategic pillars are further outlined in the CEO update.

> "We have made significant strategic progress against the long-term plan to drive disciplined profit growth."

Board Changes

An important focus for the Board over the course of 2023 has been succession planning, paving the way for Richard Morris, our long serving CEO, to step down in Q1 2024. Richard has had a distinguished 35 year career in hospitality and played a transformational leadership role for Tortilla, taking it from 13 sites to 87 over the last 10 years. He leaves with our heartfelt thanks for his contribution to the business.

The Board had previously identified and developed Andy Naylor as Richard's successor and was pleased to announce his appointment to the role of CEO. Andy has worked alongside Richard for the last seven years, initially as Chief Financial Officer, then with added Business Development leadership responsibilities and more recently as UK Managing Director. A dynamic leader, Andy's commercial expertise and growth mindset have seen him play a critical role in shaping Tortilla's multi-channel and franchise business strategy and his appointment marks the start of an important new chapter for Tortilla as we leverage the business's increasing scale and momentum to drive further UK and international expansion.

Following an extensive search, we were also very pleased to confirm Maria Denny's appointment to the Board as Chief Financial Officer in February 2024. Maria brings a wealth of experience in the food and retail sector having held senior finance positions at Müller, Dairy Crest Limited and most recently as CFO UK and Ireland at Signify. I look forward to working closely with both her and Andy as we double down on operational excellence under the new management, to drive disciplined profitable growth.

Finally, we were pleased to appoint Keith Down in August 2023 as Senior Independent Non-Executive Director, and Chair of the Audit Committee. Keith strengthens the Board and brings with him a great deal of leadership experience gained across a broad range of successful consumer-facing businesses having held CFO roles at JD Weatherspoon Plc, Go-Ahead Plc, Dunelm Plc, and most recently as Finance Director of Selfridges Group. I have no doubt that the Board will benefit from his skills and insights.

2024 - Focussing on Tortilla's Vital 5

Whilst we appreciate that the trading environment will remain challenging throughout 2024 as consumer spending on eating out remains under pressure, we are confident that our great value proposition, ambitious and invigorated team, and revised strategy focusing on the Vital 5, positions us well for an exciting and successful year ahead.

Finally, I would like to take this opportunity to thank every member of the Tortilla team along with our franchise partners for their continued support and commitment and look forward to announcing further progress in 2024.

EMMA WOODS
CHAIR
1 MAY 2024

Chief Executive Officer's statement

I am delighted to be writing to shareholders in what marks my inaugural set of results as Chief Executive Officer. Having been with the business for seven years, I am confident that the Tortilla brand continues to have immense potential in the UK and international markets.

Recent years have seen the business take significant strides to expand our presence through our multi-channel business strategy and strengthen our operating model to set the foundation for continued profitable growth. I am looking forward to working with our newly appointed CFO Maria Denny, the Board and wider team to accelerate this journey throughout 2024 and beyond. Under the new management, we will be focussing on the following stategic pillars, 'Tortilla's Vital 5:

1. Improve UK profitability

One of the key pillars of Tortilla's success has been our strong relationships with our suppliers. In 2022 we encountered unprecedented levels of food inflation, however during 2023 we started to see the cost pressure ease. As we gain scale, we have been able to renegotiate contracts with our key suppliers for more beneficial terms, which is testament to the ongoing strength of these relationships. In 2023, we also moved energy providers to ensure we maintained the best possible rates across Tortilla's sites, given the significant increase in energy costs across the UK. Our utility cost expenditure was also further reduced by the introduction of our new chicken pibil product as it enabled us to remove grills from numerous sites helping the business to not just reduce costs but also lower its carbon footprint. As 2024 progresses we are well positioned to realise the full year benefit of these cost saving initiatives whilst we continue to strive for operational excellence to lower our cost base and enhance our profitability further.

The Group delivered more than 1.5 million Tortilla main meals across Uber Eats, Just Eat and Deliveroo in 2023, whilst maintaining an average of 4.6-star customer app rating. Delivery is an important sales channel for Tortilla as the food offering is well-suited to being consumed off-premises, with sales made via third-party delivery platforms accounting for 30% of our own store sales. Whilst the Group's multi-partner approach to delivery has supported strong growth in sales volumes and awareness, delivery commission charges have challenged margin performance. To mitigate this, we sought for a new delivery structure and to strengthen the relationship between fewer partners.

In December 2023, Tortilla announced a review of the brand's delivery strategy to establish a new delivery structure and I'm pleased to report that in February 2024, we concluded this review, announcing Uber Eats and Just Eat as our chosen delivery strategy partners. The dual delivery partner approach has resulted in more favourable contractual terms, which will lead to improved margins in the year ahead. The refined strategy will also see Tortilla collaborating on some exciting jointly funded marketing efforts, including the launch of exclusive products and offers, and heavy investment into brand awareness to attract new customers through a growing UK customer base.

> "We have a brand and product to be hugely proud of and I am very excited to lead the business through the next chapter of the journey."

2. Invest in brand to drive growth

With macro-economic headwinds impacting the wider market, the Group inevitably faced a challenging year in 2023 as cost-of-living pressures weighed on the UK customer appetite for eating out. Whilst central London and higher footfall locations remained more resilient, trading across regional town centres, where the Tortilla brand is less established, was more challenging.

Independent market research[1] shows lower brand awareness for Tortilla than for similar sized restaurant groups, but with a higher conversion rate. We know that we are a much-loved brand for customers that know us and therefore there is a compelling case to invest more heavily in driving awareness through an exciting series of Tortilla marketing strategies.

In 2023, through our revitalised marketing strategy, the Group has built and maintained a loyal and diverse customer base and our team worked hard over the course of the year to drive customer footfall across our sites through targeted events and innovative promotions. Our loyalty scheme also now enables a more generous promotional offer through which our customers can receive a free burrito after five purchases at a Tortilla site.

The scheme continues to grow and drive customer spend, retention, and frequency generating an uplift of 116% in active users since the previous year to more than 400,000 customers at period end, with a further 50,000 sign-ups in Q1 2024. Frequency is also up +16% year on year and spend is 5% higher than the Group average. In 2024 we will invest further in marketing via promotions, sampling events, social media campaigns, and collaboration with local partners. We also intend to drive visitor frequency and retention by enhancing our loyalty program even further by the launch of a new industry leading loyalty platform in 2024, which will enable us to fully engage with our customers and offer them new incentives and rewards.

Another important area of focus has been to invest in food and menu development to drive continuous improvement to maintain our market leading position and improve customer satisfaction. During the year we launched a new chicken pibil along with new rice and salsa recipes. The 'Chicken Pibil Burrito' became our most ordered dish in 2023. With the appointment of a Director of Food, James Garland, due to join in June 2024, the investment into food and menu development will see exciting new authentic flavours and menu items appearing in the year ahead. James is currently serving as Director of Food Operations, Supply Chain and Compliance at Honest Burgers, a business highly respected for food quality. James brings a wealth of experience with him and will undoubtably have a transformational impact on our food quality, brand collaborations and innovation. It is our firm belief that this will create additional opportunities for consumers to engage with our brand and consequently leverage a significant purchase frequency opportunity.

3. Invest in team and tech

Alongside the Board appointments mentioned by Emma in the Chair's statement, we have continued to strengthen our wider management team during 2023 with the appointment of Andrew Brook who joined the Group as Head of IT in March 2023, and was subsequently promoted to Technology Director in December 2023, highlighting our ambition to upscale our application of technology within the business. Andrew Brook and our upcoming appointment of James Garland as Director of Food represent key appointments to develop the business going forward.

Our Annual Conference was held in February 2024 to celebrate the success of the business and the individuals within it. It was a hugely motivational and positive day, with the vision for the business over the next year shared with all our Head Office and General Manager teams. The spirit and culture of the Tortilla team are inherent to the Group's success, and I would like to once again thank the entire team for their hard work and commitment over the course of the year.

[1] *CGA consumer survey (c.3,000) Q2 2023.*

On the technology front, we strive to ensure this is at the forefront of our customer service offering and are continually reviewing how we can improve our operations across the wider business. In 2023, we opened our very first digital concept, a kiosk-only site in London Wall, located in the City of London's financial district. The site is performing well and is positioned to take advantage of the peak lunch time trade from local office workers. The average customer journey time is just two minutes and 20 seconds down from nearly 10 minutes prior to the kiosk implementation, ensuring a steady flow of customers. In addition, the implementation of kiosks has seen the average order value increase by 14%. As this is the first of its kind for Tortilla, we have learnt important lessons on implementation, ensuring the customer journey is as smooth as possible and how to manage labour requirements under this model. This proof-of-concept is promising and indicates the kiosk- only approach may be a viable solution for sites with significant volume demand that cannot currently be fully met. We will continue to review opportunities to integrate this model into our expansion strategy for the future with kiosks installed in our Bath site during the first half of 2024.

2023 also saw the successful launch of a nationwide rollout of delivery order-aggregation software to simplify the management of multi-platform delivery channels at every store and to maximise the speed and accuracy of delivery order fulfilment. Finally, we have also invested in a series of productivity tools to support the Group in managing rota labour and consequently drive efficiencies and improved margins across our sites. We look forward to seeing the full benefits of these initiatives in the new financial year.

4. Double down on franchise

Franchising has strategic importance to our business, with our operating model working well for franchisees due to the flexibility of the site format, simple kitchen setup and a central production food model that provides consistency of high food quality and enables a simple labour model without reliance on chefs. In addition, as an established business, our purchasing power and investment in marketing and food development benefit our franchisees.

We have continued to strengthen our relationships with our high calibre portfolio of existing partners in the UK, including SSP Group ("SSP") where we are focussed on expansion across travel hub locations and Compass Group ("Compass") where we are focused on higher education UK campuses. These sites continue to perform very well, with strong like-for-like sales performance across existing sites and SSP achieving sales records in all locations. In 2023, SSP opened a new site in Manchester Piccadilly railway station. Post period end, we also announced the launch of at least four new SSP sites in 2024, with an exciting pipeline of additional opportunities anticipated for 2025 and beyond.

Alongside this, our Middle East franchise business with Eathos had a record year, giving us confidence to explore further franchise opportunities in the Middle East and other jurisdictions, such as continental Europe. We expect to open a further site in the Middle East in 2024, with Eathos, and are hugely excited to see this growth.

Looking ahead, we see significant strategic merit to accelerate our growth through expanding our franchise network, both through existing and new partnerships and therefore we will evolve the mix of new openings to focus more heavily on franchising whilst we take a more targeted approach on the rollout of own stores, adding in primary locations where the brand has high awareness. We will open at least eight sites in 2024, compared to seven sites in 2023 which means we are still in line with our IPO growth aspiration, having doubled our rollout commitment in 2022.

5. Develop brand internationally

Tortilla is already the largest fast-casual Mexican chain in the UK & Europe and Mexican cuisine continues to grow in popularity across the globe. The UK will always remain at the core of Tortilla, but we are aware that there is a huge opportunity to expand in other markets overseas. The Group continues to seek out relationships with new businesses and partnerships as we develop our European growth strategy. We will update shareholders with any significant developments of this international strategy as and when appropriate.

Current trading and outlook

Current trading is in line with management expectations and our profit conversion is improving. Our LFL sales are 4.7% down, which is in line with expectation and reflecting the anticipated impact of change in delivery strategy in February this year. The early indications of the change to a dual delivery model are encouraging. We expect the favourable upside in profitability to continue throughout 2024 as we leverage on initiatives implemented in 2023 and launch new ones. Our key focus is to drive sales growth and that underpins our investment in product quality, with the upcoming appointment of a Director of Food, and our deployment of cash for a big drive in raising brand awareness through marketing initiatives. We have already made progress towards our targeted expansion plans with a site in Manchester Arndale expected to open in June, and our franchise partners expected to exceed the previous store opening plans with at least 5 new stores now expected for 2024.

We have a brand and product to be hugely proud of and I am very excited to lead the business through the next chapter of the journey. Our team members, managers, support office staff, executive team and Board of Directors all share the ambition for growing the brand as we all see considerable opportunity in the UK and internationally.

ANDY NAYLOR
CHIEF EXECUTIVE OFFICER
1 MAY 2024

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 multi-channel strategy
- **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 across 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 diversification throughout the UK – in terms of both presence and sales. Over half of our estate and nine of our top twenty profitable stores are located outside of London, covering a wide range of sites including shopping centres, high streets, residential areas, a delivery-only kitchen and transport hubs. We are adept at scouting and identifying the best format for new locations.

Moreover, our scalable central infrastructure, currently a 5,500 square foot Central Production Unit ("CPU") in Tottenham Hale, provides cost advantages over our direct competitors, the flexibility to increase its size in tandem with our growth strategy and the assurance that product quality remains consistent across all sites.

Marketing strategy

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

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

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

Strong leadership

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

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

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

Cost effective hiring model

The simplicity of Tortilla's 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 2023, the Group had 87 sites worldwide: 69 UK sites we operate ourselves (66 Tortilla, three Chilango), five UK sites franchised to SSP Group, five UK sites franchised to Compass Group and eight franchised sites in the Middle East. The Group's property portfolio is entirely leasehold.

Within the UK, the Group's portfolio of sites is well diversified with respect to locations, with 33 sites within the M25 area and 36 sites outside of it. Three 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, 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 site, which operate in 25-35 square metres. The estimated capital expenditure per site (excluding delivery-only kitchens) ranges from £375,000 to £475,000 (excluding landlord contribution) depending on the size of the unit, site condition and store front requirements.

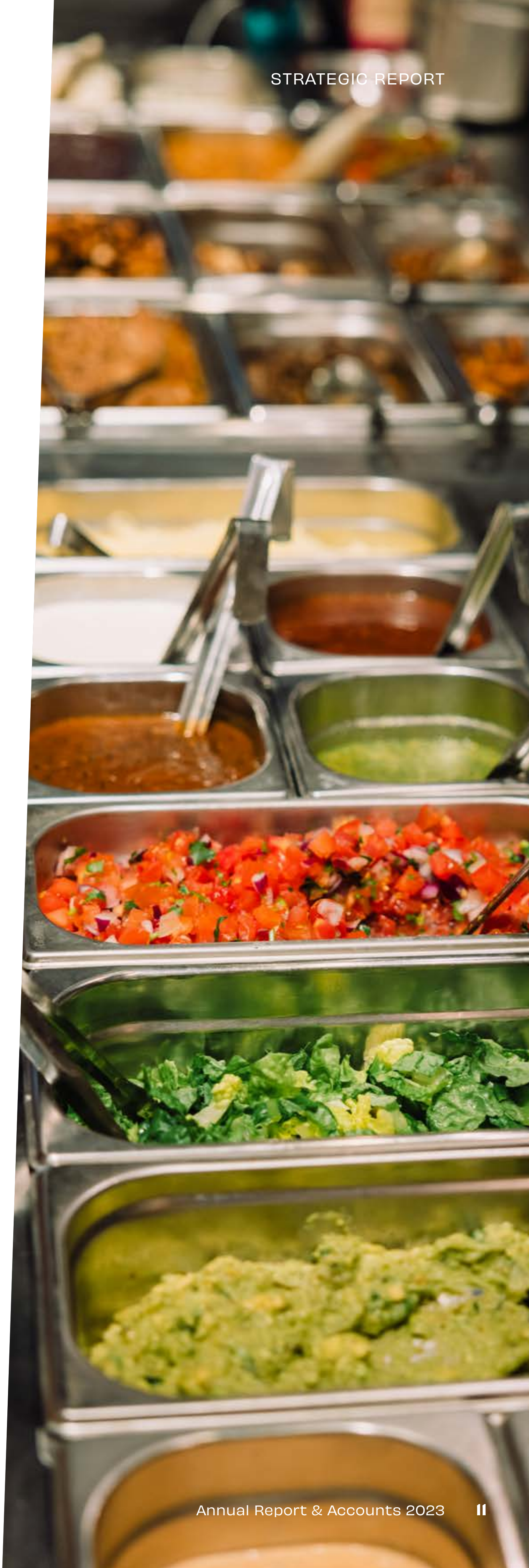
The Group aims for a 30% minimum target investment hurdle for its return on capital employed. Our sites are primarily located in high street areas, residential locations, shopping centres and transport hubs as these high footfall locations provide seven-day trade with lunch and dinner availability, helping 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 Group franchise units. 2022 was a record year for growth with a total of 18 additions to the estate. Growth continued in 2023 with the addition of 6 Tortilla sites, and one SSP Group franchise unit.

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. 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. The Board see the strategic merit in accelerating our growth through existing and new franchising partnerships and are evolving the mix of new openings to focus more heavily on franchising whilst we take a more targeted approach on the rollout of own stores, focusing on Grade A locations where the brand has greater awareness. We will open at least eight sites in 2024, compared to twelve previously guided. We are still in line with our IPO growth aspiration, having doubled our rollout commitment in 2022.

> "Tortilla has achieved significant geographical diversification throughout the UK - in terms of both presence and sales."
>
> \- Andy Naylor, CEO



Chief Financial Officer's review

Group financial KPI summary

	2023	2022	Change
Revenue	**£65.7m**	£57.7m	+ 13.8%
Gross profit margin	**77.3%**	76.4%	+ 0.9% pts
Administrative expenses	**£50.1m**	£43.6m	+ 15.0%
Net loss after tax	**(£1.1m)**	(£0.6m)	+ 71.2%
Cash generated from operations	**£9.9m**	£7.6m	+ 30.3%
Alternative performance measures ("APMs")			
LFL revenue growth	**3.6%**[1]	16.4%[2]	- 12.8% pts
Adjusted EBITDA (pre-IFRS 16)[3]	**£4.6m**	£4.0m	+ 15.8%
Net cash/(debt) (pre-IFRS-16)[4]	**(£1.3m)**	(£0.6m)	- 135.2%

[1] defined as the percentage change in like-for-like sales compared to 2022.

[2] defined as the percentage change in like-for-like sales compared to 2019, to exclude periods of non-trading.

[3] 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.

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

Revenue

Revenue increased 13.8% to £65.7m compared to £57.7m in 2022. This was attributable to the following factors:

- The addition of six new equity sites in 2023, one franchise site, and the annualisation of the 2022 openings. The Group remains ahead of its aim of opening 45 new sites across the five years following its IPO in October 2021; and
- An underlying 3.6% LFL revenue growth across the estate. This translates to 4.9% growth when adjusted for Q1 VAT benefit from 2022.

The above factors are offset by a £0.8m decrease resulting from the VAT benefit that was obtained in Q1 2022.

The Group achieved an adjusted EBITDA (pre-IFRS 16) in 2023

£4.6m

Gross profit margin

The Group achieved a gross profit margin in 2023 of 77.3% (2022: 76.4%). This 0.9% increase was attributable to effective negotiations with the Group's main food suppliers, securing favourable commercials across 76% of the basket.

Administrative expenses

Under application of IFRS 16, administrative expenses exclude property rents (except for turnover rent) and incorporate the depreciation of right-of-use assets.

Administrative costs increased by 15.0% year-on-year to £50.1m. This is largely attributable to the increased level of trade in 2023. As a percentage of revenue, administrative expenses remained relatively consistent on prior year at 76.3% (2022: 75.5%) with some additional costs being linked to strengthening our support office as we continue to grow. Management has maintained focus on cost control with the benefits of multiple initiatives - in strategic partnerships, energy, and productivity. The full benefit of cost focused activities during the year will materialise in 2024.

Administrative expenses also incorporate exceptional items which decreased to £0.4m in 2023 (2022: £0.5m). Of the £0.5m in 2022, £0.4m was associated to costs incurred in relation to the Chilango acquisition. IFRS 3 requires acquisition costs to be expensed to the P&L rather than capitalised as part of the transaction. Of the £0.4m in 2023, £0.2m was incurred in relation to a potential new site that was subsequently aborted, and £0.1m related to restructuring costs.

We performed detailed impairment testing, resulting in an impairment charge of £0.3m in 2023 (2022: £0.2m). The discount rate used for the weighted average cost of capital (WACC) was 15.1% pre-tax (2022: 13.1%). See note 3 to the Financial Statements for more information.

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 31 December 2023 £	52 weeks ended 1 January 2023 £
Profit from operations	**684,110**	**536,129**
Pre-opening costs	344,570	813,154
Share option expense	387,443	362,028
Depreciation and amortisation	8,155,814	6,194,997
Loss on disposal of fixed assets	40,746	17,781
Impairment charge / (reversal)	289,901	(208,023)
Exceptional items	437,756	542,140
Non-trading costs	18,540	18,538
IRFS 16 adjustment*	(5,793,605)	(4,304,273)
Adjusted EBITDA (pre-IFRS 16)	**4,565,275**	**3,972,471**

**The IFRS 16 adjustment relates to the impact of IFRS 16 on rental expenses contained within administrative expenses.*

The Group generated £4.6m of Adjusted EBITDA (pre-IFRS 16), an increase of £0.6m compared to 2022.

Whilst the challenges of inflation have impacted our adjusted EBITDA for 2023, we remain confident that our competitive price point and customisable offering overall puts us in a strong position to continue to grow and succeed. The 2023 successful supplier negotiations will further help EBITDA growth in the new year.

Cash flow and liquidity

Cash generated from operations increased in line with the increase in Adjusted EBITDA.

Working capital requirements are by nature low and are indeed negative, with cash from in-store customers received and recognised at the point of sale. Hence, trade and other receivables in the main relate to delivery partner receipts and landlord deposits. Trade and other payables relate to supplier credit terms, wages and utility accruals. Additionally, fast delivery times and Central Production Unit (CPU) efficiencies allow for low stock level requirements, meaning inventories are kept at a minimum. This negative working capital position should continue to grow in line with expansion plans.

Cash expenditure on property, plant and equipment decreased due to both fewer new sites in 2023 compared to 2022 and higher maintenance capital costs arising in 2022 from numerous refurbishments when the Group converted five Chilango sites to Tortilla sites.

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

The liquidity position of the Group remains strong, with a low current ratio of 0.3. The Group is confident it can pay its current liabilities as they fall due, as consumers pay at the point of sale and the inventory is used before supplier payment is due. The Group also have an overdraft facility of £2.5m with Santander which can be utilised for any unforeseen events. The overdraft is part of and not in addition to the revolving credit facility referred to below.

Financing and net debt

The Group had cash balances of £1.6m on 31 December 2023, which translated to a net debt position of £1.3m (2022: net cash of £0.6m), excluding IFRS 16 lease liabilities.

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 31 December 2023 with a further £7.0m of undrawn facility available to the Group. This additional £7.0m remains undrawn as at the date of signing these financial statements.

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

Share based payments

In FY2023, the Group granted further Long-Term Incentive Plan (LTIP) shares to the senior leadership team. Share-based payment expenses of £0.4m were recognised in 2023 (2022: £0.4m) relating to the Group's Long Term Incentive Plan ("LTIP") created as part of the Group's admission to the Alternative Investment Market ("AIM"). Further details around vesting conditions are disclosed in note 8.

Dividend

The Board did not recommend a dividend for 2023. The Group's capital will be focused on growth over the coming years with the dividend policy subject to re-assessment going forward.

Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the year ending 31 December 2023 the Directors have considered the Group's cash flow, liquidity and business activities.

During 2023, as mentioned above, the Group did not draw down any further on the debt facilities meaning it has access to a further £7.0m of financing. The Group had cash balances of £1.6m on 31 December 2023, which translated to a net debt position of £1.3m.

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.

MARIA DENNY
CHIEF FINANCIAL OFFICER
1 MAY 2024

Directors' Duties – Section 172 Statement

The Directors are aware of their duties under Section 172(1) of the Companies Act 2006 ("CA06"), to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA CA06.

Stakeholder engagement

The Board is fully committed to engaging with stakeholders and understands the importance of considering their differing interests when considering and making decisions. Stakeholder engagement plays a central part in the Group's purpose and strategy and will play a fundamental role in helping the Group achieve long term sustainable success. Whilst it will not always be possible to ensure a positive outcome for all stakeholders following Board decisions, the Board will always listen to and consider stakeholder views.

Our key stakeholders:

- Employees
- Customers
- Local community and environment
- Suppliers
- Shareholders

Employees

Stakeholder interests:

- Career progression
- Development opportunities
- Reward and recognition
- Health and safety
- Competitive benefits

How we engage:

- In-store recognition
- Group's internal employee platform, Fourth Engage
- Annual Group-wide conference
- Social events and quarterly business updates
- Assessment of employee engagement conducted annually
- Provision of an employee assistance programme for health and wellbeing
- Benefit portals Wagestream and Perkbox are accessible to all

Customers

Stakeholder interests:

- High quality produce at a great price
- Consistency of food and service across the estate
- Customisable food offer
- Embracing new food trends

How we engage:

- Digital and in-store marketing
- Customer loyalty program
- Feedback surveys
- New product development and limited time offers
- Brand collaborations
- Allergen and nutritional calculator tool
- Mystery diner programme

Local community and environment

Stakeholder interests:

- Community resource
- Disposable packaging to be recyclable or bio-degradable
- Events

How we engage:

- Where possible, hire from within the local communities where stores are based
- Paying competitive salaries and hourly rates
- Provision of safe and friendly space for the local community
- Tight supply chain with controls on sourcing packaging that is in line with our environmental standards

Suppliers

Stakeholder interests:

- Long-term partnerships and fair pricing
- Ethical and sustainable trading
- Sourcing quality produce and higher welfare meats

How we engage:

- Open dialogue regarding service levels and upcoming challenges/opportunities
- Regular price reviews and fair negotiations
- Menu development discussions

Shareholders

Stakeholder interests:

- Financial and operational performance
- Growth in Group
- Environmental, social and corporate governance

How we engage:

- AGM, interim and annual reports
- One-to-one meetings
- Trading updates via RNS
- Corporate website

Approved by the Board on 1 May 2024 and signed on its behalf by:

MARIA DENNY
CHIEF FINANCIAL OFFICER

Climate-related financial disclosures

Introduction

Climate change is a major global concern fuelled by rising greenhouse gas levels.

Tortilla's operations as part of the food industry, contribute to greenhouse gas emissions through our supply chain, transportation, and food waste. We recognise the need to address this by actively adopting sustainable practices, reducing emissions, and prioritising responsible sourcing and we are committed to sustainable and responsible practices.

In response to this the Group have devised a three pillar strategy to tackle climate change, this strategy has naturally formed from all levels of operations and is deeply rooted within the business.

- **Invest:** The Group invests in and adopts innovative technologies that are more energy-efficient, environmentally friendly, and have lower carbon footprints. This includes upgrades to use cleaner energy sources, implementing energy-efficient processes, and incorporating renewable energy solutions. By embracing cutting-edge technologies such predictive ordering, kiosks and solar panels, the Group can reduce its overall emissions and improve operational sustainability.
- **Influence:** The majority of the Group's carbon emissions come from Scope 3 emissions, more specifically, the supply chain and consumers. Engaging with the supply chain and customers is crucial for a comprehensive emission reduction strategy.
- **Manage:** The Group has implemented measures to actively manage and reduce its existing emissions utilising employee training and ensuring best practises are followed.

In our first year embracing the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, we see opportunities and challenges on our path to achieving Net Zero operations and collaborating more deeply with stakeholders. The TCFD framework helps us integrate climate-related risks and opportunities into our assessments, spanning Scope 1 to Scope 3 emissions.

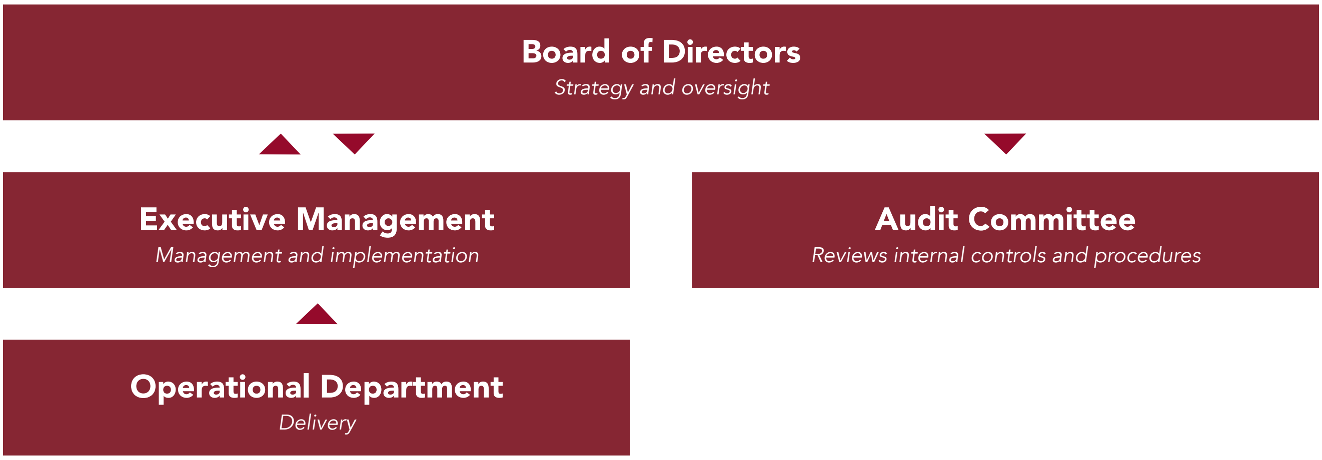
We confirm that we are aligned with the four TCFD recommendations and the 11 recommended disclosures set out in Figure 6 of Section B of the report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures' updated in October 2021 by the TCFD as well as the mandatory Companies (Strategic Report) Climate-related Financial Disclosure Regulations 2022 (SI 2022/31) (CFD).

Governance

The Group values strong leadership and transparent governance. Our Board is collectively responsible for setting our company's vision, strategy, and sustainability goals, and we are committed to upholding the Quoted Companies Alliance Corporate Governance Code (the QCA Code) for the highest standards of corporate governance. The Board is accountable and responsible for climate change on the business model and strategy, the Board exercises climate-related management and implementation through the Executive Management via the Chief Executive Officer (CEO).

We have a robust governance structure in place to efficiently supervise the management of our key risks, encompassing both the challenges and opportunities arising from climate change. The Board conducts annual reviews of principal risks, recorded within the risk register, which incorporates climate change risks and opportunities, integrating them into the risk management protocols.

Executive Management conducts an annual comprehensive assessment to identify climate-related risks and opportunities that may impact the business and this is recorded in the climate-related opportunity and threats report. This involves considering physical risks (e.g. poor crop harvest, sea-level rise), transition risks (e.g. policy changes, market shifts), and opportunities (e.g. renewable energy, sustainable products). Executive Management then engage with internal and external stakeholders, including heads of departments and external specialists, to gather diverse perspectives on climate-related issues. This helps in identifying risks and opportunities that might not be immediately apparent, see table 'Climate-related risks and opportunities' on page 21. This delivers a three level defence model where the CFO is the first line of defence, where the CEO has oversight as the second line of defence, and the Audit Committee is tasked with reviewing and improving and acts as the third line of defence.



Governance summary for climate-related risks and opportunities

Board of Directors	Monthly	Exercises oversight over Tortilla's company's vision, strategy, and sustainability goals. Conducts annual reviews of principal risks, which incorporates climate change risks and opportunities, integrating them into the risk management protocols. Considers climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization’s performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures.
Executive Management	Monthly	The Chief Financial Officer bears the highest management-level responsibility for climate-related matters, overseeing the formulation, evaluation, and communication of the Company’s Net Zero strategy, policies, and standards to the Board. Their duties encompass establishing and assessing progress toward key performance indicators (KPIs), evaluating climate-related risks, and overseeing associated opportunities. The Operations Director provides support to ensure the implementation of sustainability strategies, along with ongoing review of climate-related risks, controls, and mitigations.
Audit Committee	Quarterly	Evaluates the adequacy and efficacy of the Group's risk management and internal control systems, including the potential impact of climate change, outcomes from the Group's scenario analyses, costs associated with achieving our climate Net Zero commitments, and their implications on the financial statements and associated disclosures.
Operational Departments	Monthly	Business Development Leaders hold responsibility for managing climate-related risks and opportunities within their respective regions supported by the Operational Departments. Climate considerations are an integral part of Tortilla's day-to-day operations and decision-making, ensuring a holistic approach to climate responsibility.

Tortilla has an ongoing training program available to all employees aimed at enhancing the skills and knowledge regarding climate-related issues, underscoring our commitment to building organisational capacity in this critical domain.

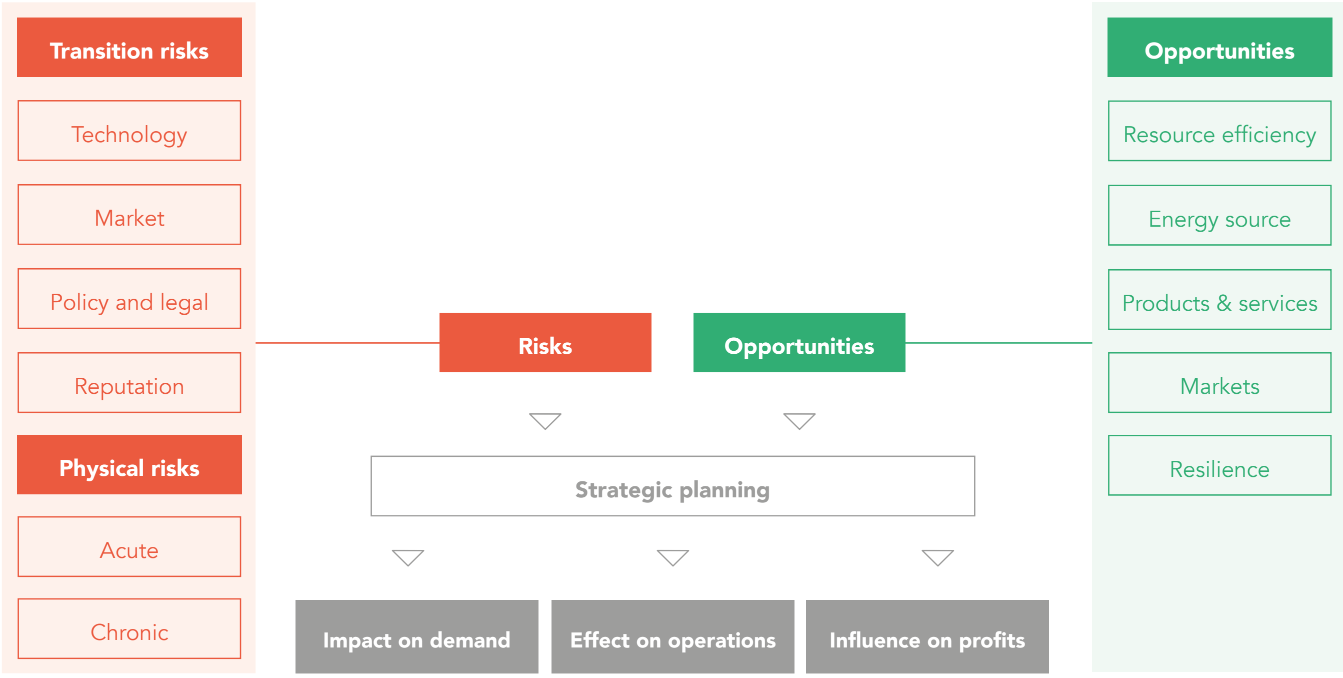
Strategy

Approach

To determine climate-related risks and opportunities for this year's Climate-related Financial Disclosures, our internal teams conducted both qualitative and quantitative risk assessments along with scenario analysis. These processes are an integral part of the risk assessment process, reflecting the Group's commitment to amalgamate climate risk into broader risk management approach.

In assessing materiality, the Group conducts a thorough analysis of risks and opportunities, evaluating them across three critical areas, their potential impact on demand, their effect on operations, and their influence on profits.

This structured approach allows for a comprehensive understanding of the significance of each factor, ensuring a strategic perspective in the determination of materiality. Risks and opportunities are prioritised based on their impact on each of the three critical areas and ranked on their overall collective impact.



Impact Materiality

- **Low impact** - this demonstrates limited impact on profitability at Group level, no impact to operations
- **Medium impact** - moderate impact on profitability at Group level, little to no impact to operations
- **High impact** - material impact on profitability at Group level, impact on operations, the Group must apply mitigating actions

Time Horizons

In assessing climate-related issues, the Group takes into consideration relevant short, medium, and long-term time horizons, acknowledging that these issues often manifest themselves over the medium and longer terms, and are aligned with the useful life of the organisation's assets and infrastructure.

S - Short-term (1-3 years)

M – Medium-term (3-5 years)

L – Long-term (5+ years)

The Group identified two milestones which best reflect periods of time to assess risk, three years is selected as this aligns with the useful life of the organisation's assets, whereas five years aligns with the Group Financial Model.

Climate-related risks and opportunities

Impact Timeframe Materiality	Key impact on business	Mitigating actions
Transitional		
Carbon pricing - Increased pricing of GHG emissions		Policy and legal risks
S M L	• Carbon pricing would lead to increased operating costs for the Group. This could include higher energy bills, increased costs for transportation and food sourcing, and additional administrative costs associated with tracking and reporting emissions. • Write offs, asset impairment and early retirement of existing assets.	Current • In 2022 the Group prepared a Glidepath to Net Zero which highlights key areas where the Group can reduce their carbon footprint. • Work with suppliers to reduce emissions. Proposed • Offer more plant-based options to alleviate costs. • Cost of high emission products would be reconsidered within pricing strategy.
Changing in customer preferences		Market risk
S M L	• Customers who are more environmentally conscious may seek out restaurants that offer sustainable and climate-friendly menu options. • The Group may need to reevaluate their sourcing and supply chain practices to align with customer preferences for environmentally responsible ingredients.	Current • Align with industry around data collection and supplier engagement (feedback response). Proposed • New sourcing requirements introduced gradually and in consultation with suppliers.
Increased material and energy costs		Market risk
S M L	• One of the most direct impacts is the increase in operating expenses. When the costs of ingredients, packaging, and energy rise, it can put pressure on the Group's profit margins. • Efficient supply chain management becomes crucial to control material costs.	Current • Half hourly electricity usage monitoring. • Regularly optimise Group operations to reduce waste, minimise inventory carrying costs, and streamline tasks. • Usage of external party to source supply chain which has a competitive price point. Proposed • Source supply chain which adheres to carbon requirements as well as a competitive price point.
Stakeholder concern - Risk of failure to align with customers expectations		Reputation risk
S M L	• Customers may appreciate restaurants that prioritise energy-efficient practices. Therefore, there is a risk of reduced revenue from a decreased demand of goods and services. • Customer preferences for environmentally responsible businesses can influence a restaurant's marketing and branding strategies.	Current • Net Zero by 2045. • Waste management – 100% zero waste to landfill since 2020. • Ethical sourcing and supply chain. • Sustainable packaging.
Physical		
Extreme weather conditions - Increased severity of extreme weather events such as cyclones and flood		Acute risk
S M L	• Extreme weather events such as hurricanes, snowstorms, or flooding can disrupt restaurant operations. Restaurants may need to close temporarily due to safety concerns or a lack of customers, which can result in revenue losses. • Severe weather can affect distribution. Roads may become impassable, supplies may be unable to be delivered to stores. • If a restaurant is directly impacted by a severe weather event, recovery and rebuilding can be a long and costly process. It may take time to repair or replace damaged equipment and infrastructure. This can also lead to higher insurance premiums. • During and immediately after extreme weather events, potential customers may stay home or be unable to reach the restaurant due to safety concerns or transportation disruptions. • Risk of an increase in costs from negative impacts on workforce, e.g Health, safety, and absenteeism.	Current • Business interruption assessment. • Well diversified portfolio within the UK. • The Group operates a flexible business model, with the product delivery friendly allowing for the Group to partner with Delivery platforms to bring the product to the consumer. Proposed • Preparing for extreme weather conditions involves investing in preventive measures. This could include disaster preparedness plans, emergency supplies, and training for staff on how to respond to emergencies.

Impact Timeframe Materiality	Key impact on business	Mitigating actions
Rising mean temperatures - Risk of lack of sourcing supply options		Chronic risk
S M L	• Severe weather can affect the supply chain. Suppliers may be unable to grow certain produce in certain areas, and supply shortages may occur. The Group might face difficulties in sourcing key menu items, affecting the quality and availability of food. • Power outages and temperature fluctuations caused by extreme weather can lead to food safety concerns.	Current • Back up supply options sourced as a contingency. • Capacity to freeze certain products to ease short term supply shortages. • Food safety and compliance – prevent accidents and foreign body.
Opportunities		
Transition to lower emissions technology - Investment in new technologies		Technology opportunity
S M L	• The most significant impact is the reduction in the Group's carbon footprint. By using lower-carbon energy sources such as renewable energy (solar, wind, etc.) or energy-efficient equipment, the Group can significantly decrease its greenhouse gas emissions. • Transitioning to lower-carbon energy sources can lead to cost savings over time. Energy-efficient equipment and renewable energy sources can reduce energy bills, which can positively impact the Group's bottom line. • Investing in lower-carbon energy solutions demonstrates a commitment to long-term sustainability, future-proofs the business by reducing exposure to volatile energy prices and positions the restaurant as a responsible and forward-thinking establishment.	Current • Opportunity to reduce emissions and energy costs through investment in energy efficient equipment/ energy saving measures – gas to electricity, energy efficient lightbulbs etc. • Till technology consolidation. • AI software enabling invoice image recognition eliminating the need to print invoices as well as autofill functionality. Proposed • Solar power – solar panels on CPU to be installed in 2024. • Smart socket trial.
Resource efficiency - Opportunity to reduce emissions and cost by reducing waste		Technology opportunity
S M L	• Improved resource efficiency can lead to significant cost savings. By reducing waste, optimising energy and water usage, and efficiently managing inventory, Tortilla can lower its operational expenses, which can positively impact the Group's profitability. • Enhancing resource efficiency aligns with sustainability goals and helps reduce the Group's environmental impact. It can result in lower carbon emissions, reduced water consumption, and decreased waste generation, contributing to a more eco-friendly and responsible image. • Resource efficiency can lead to better menu planning. By reducing food waste through portion control, inventory management, and creative use of ingredients, the Group can optimise its menu offerings and potentially introduce new, sustainable dishes.	Current • Too Good To Go (TGTG) partnership • Installation of kiosks. • Converting waste oil into biofuel. • Benchmarking stores – 5 stores have meters installed which act as a benchmark across the board, encouraging best practises followed. Proposed • Predictive ordering – producing the correct amount of food.
Changing in customer preferences		Market opportunity
S M L	• Customers may seek more sustainable food options. • Customers may seek out companies which are more environmentally friendly.	Current • Opportunitity to differentiate through the quality of sustainable offerings e.g. vegan menu. • Customisable menu, customers can choose based on preferences. Proposed • Locally sourced food items. • Alternative food options e.g. lab grown meat and avocado alternatives.

Impact on business, strategy and financial planning

Invest:

The Group demonstrates its commitment to environmental sustainability through strategic investments in innovative technologies. Initiatives such as reducing or removing gas usage, installing solar panels, and implementing LED lighting across facilities signify a dedicated effort to transition towards cleaner energy sources and enhance energy efficiency. Additionally, installing kiosks to streamline production processes and implementing predictive ordering systems not only optimise operational efficiency but also contribute to reducing carbon footprints. By consolidating technology and embracing cutting-edge solutions, the Group reflects a forward-thinking stance towards environmental sustainability, reducing emissions while maintaining competitiveness.

Influence:

Acknowledging the significance of Scope 3 emissions, especially those emanating from the supply chain and consumers, underscores the Group's commitment to a holistic emission reduction strategy. Engaging with the supply chain involves collaboration with suppliers to encourage the adoption of sustainable practices and the reduction of carbon-intensive processes. Likewise, connecting with consumers allows the Group to influence behaviour and promote environmentally friendly choices. This includes encouraging eco-friendly practices by clearly labelling recycling in stores. By addressing emissions beyond its direct control, the Group demonstrates a commitment to driving positive change throughout its entire ecosystem.

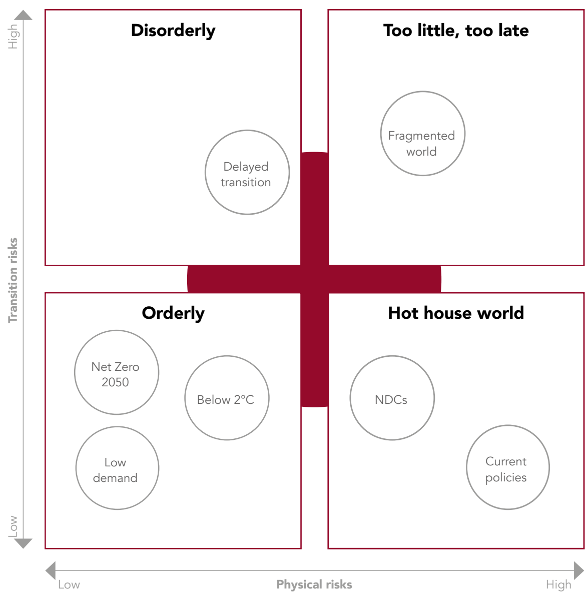
Manage:

The implementation of measures to actively manage and reduce existing emissions is a crucial aspect of the strategy. Employee training plays a pivotal role in ensuring that all staff members are well-informed and aligned with the Group's sustainability goals. Continuous monitoring and assessment of emissions allow the Group to identify areas for improvement and track progress over time. This proactive management approach not only reduces the environmental impact of current operations but also lays the foundation for a culture of sustainability within the organisation.

Scenario analysis

Drawing from the findings of our qualitative risk assessment, we conducted an evaluation of climate change's physical impacts and the consequences of rigorous climate policies across three distinct climate scenarios, in line with TCFD recommendations. These scenarios included two focusing on physical climate impacts and one centred on low-carbon transitions.

The Network for Greening the Financial System (NGFS), a network of 100+ central banks and Supervisors, partnered with an expert group of climate scientists and economists to design a set of hypothetical scenarios. These scenarios provide a common and up-to-date reference point for understanding how climate change (physical risk) and climate policy and technology trends (transition risk) could evolve in different futures. Seven scenarios were developed, where each scenario shows a range of higher and lower risk outcomes. These scenarios share similar socio-economic assumptions. They assume a continuation of current economic and population trends, and account for the energy-market implications of the war in Ukraine. The seven scenarios can be categorised within four subsections:



Scenario analysis (continued)

- **Orderly** scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- **Disorderly** scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome.
- **Hot house world** scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise.
- **Too little, too late** scenarios reflect delays and international divergences in climate policy ambition that imply elevated transition risks in some countries and high physical risks in all countries due to the overall ineffectiveness of the transition.

In order to gain a better understanding of the external impacts of climate change, three NGFS scenarios were selected to show an active approach, a reactive approach, and business as usual approach.

The three scenarios chosen were:

1. Net Zero 2050 - this scenario sees global warming limited to 1.5°C through stringent climate policies and innovation, reaching global Net Zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach Net Zero for all GHGs.
2. Delayed Transition – this scenario assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO_2 removal is limited.
3. Fragmented World - this scenario assumes that only currently implemented policies are preserved, leading to high physical risks.

🟢 less than 1% cost increase as a % of sales
🟡 between 1% and 3% cost increase as a % of sales
🔴 larger than 3% cost increase as a % of sales

Increased material and energy costs

Electricity price has been selected as a focus for the analysis. The UK intends to decarbonise the grid by 2030, so it can be assumed that the investment costs towards this decarbonisation would impact the cost of electricity. Electricity currently makes up 28% of the Group's controllable costs, and fluctuation in price can have a material impact.

Focus area – Electricity price

Data Sources – NGFS (GCAM 6.0 NGFS)

For the purpose of this exercise, these assumptions are implemented:

- GDP increase and inflation rates are taken from the IMF website
- Consumption levels remain constant per store until 2045
- No action is taken to reduce costs or consumption
- Data is available in 5 year increments, this is extrapolated to achieve annual figures
- NGFS – Electricity price model used

Cost increase as a % of revenue	2030	2045
Net zero 2050	🟢	🟡
Delayed transition	🟢	🟢
Fragmented world	🟢	🟢

Key takeaways: In the case that the world takes an active approach towards reducing emissions, costs will see an increase starting from the short term, however if a reactive approach is taken, the Group will only start seeing cost increases from around 2035. In all scenarios, costs will have only a mild impact on the business.

Proposed actions to mitigate increase in electricity costs:

- Install solar panels in the Central Production Kitchen.
- Ensure we use energy efficient systems wherever possible e.g., replacing lights with LED and using passive infra-red sensors (PIRs) where possible.
- Energy surveys will be undertaken at sites consuming large amounts of electricity to identify potential opportunities, such as installation of energy efficient equipment or improving the building's energy performance.

Rising mean temperatures, risk of sourcing supply options

Cost of proteins has been selected for as a focus for this analysis as proteins are a staple of the Group's cost of good sold, making up 30% of food and drink purchases. Price fluctuations will impact the business strategy, marketing and price point.

Focus area: Cost of Proteins

Data Sources: NGFS (REMIND-MAgPIE 3.2-4.6)

For the purpose of this exercise, these assumptions are implemented:

- GDP increase and inflation rates are taken from the IMF website
- No change to the sales mix until 2045
- No action is taken to reduce costs
- Data is available in 5 year increments, this is extrapolated to achieve annual figures
- NGFS – Non-Energy Crops and Livestock price model used

Cost increase as a % of revenue	2030	2045
Net zero 2050	🟢	🔴
Delayed transition	🟢	🔴
Fragmented world	🟢	🟡

Key takeaways: Within the next ten years, all scenarios point to minimum impact, however in the long term, global warming can indirectly lead to increases in meat prices by affecting feed crop production, exacerbating water scarcity, causing heat stress on livestock, altering grazing patterns, and prompting regulatory responses. These interconnected factors contribute to higher production costs for meat producers, which are ultimately passed on to the Group in the form of elevated meat prices. In addition to the physical risks, it's important to note the transition risks, notably the possibility of future carbon tax on both animal protein as well as well as transportation which according to NGFS would impact the Net Zero 2050 scenario from 2030 and all scenarios from 2035 onwards.

Proposed actions to mitigate increase in protein costs:

- Evaluate the menu to identify opportunities for cost-saving without compromising quality or customer satisfaction.
- Strengthen relationships with suppliers and negotiate better pricing terms. Explore options for long-term contracts or volume discounts to secure stable pricing amid fluctuations in food costs.
- Embrace seasonal and locally sourced ingredients, which can often be more affordable than imported or out-of-season items.
- Implement efficient inventory management practices to minimise waste and optimise stock levels.
- Implementing dynamic pricing strategies that allow for flexible pricing based on ingredient costs, demand fluctuations, or seasonal trends.

Extreme weather conditions

Flooding has been selected as a focus for the analysis, as the Group have access to relevant information regarding flood risk from the Group's insurance provider.

Focus area: Flooding

Data Sources: flood-map-for-planning.service.gov.uk, flood-risk-maps.naturalresources.wales, map.sepa.org.uk, www.floodinfo.ie, Insurance provider

For the purpose of this exercise, these assumptions are implemented:

- No Group growth or expansion
- There will be no changes to flood defences between 2023 and 2045

Results: The Group's insurance provider has identified two stores as being in a high-risk flood zone, Tortilla Cabot Circus and Tortilla Guildford. Assessing the flood map for planning service and the risk of flooding from rivers and the sea, as well as the two locations identified, there are an additional seven stores which are within zone 3 for flood risk, all of which have flood defences, and an additional one in a zone 2 for flood risk. The stores within zone 3 are Tortilla Canary Wharf, Tortilla Hammersmith, Tortilla Lakeside, Tortilla Southwark, Tortilla Peckham, Tortilla Greenwich and Tortilla London Bridge. The Group's Central Production Kitchen also falls within a zone 2 area for risk of flooding from rivers and the sea.

Key takeaways: As we progress towards 2045, it becomes more likely that floods will occur, particularly in high-risk flood areas. As the stores are based predominantly in the UK, flood risk is relatively low, and all stores within a high-risk flood area have flood defences built. In the case of a flood, insurance will cover the cost of rebuilding the store as well as any business interruption causing loss of sales, however for the two stores identified by our insurance provider, the excess is £100,000 if the Group were to put a claim forward. The impacts of the potential exposure to flooding were not found to be significant in the context of the overall business.

Proposed actions to mitigate flooding impact:

- The Group works closely with our insurance provider on a business continuity program and ways to reduce risks of business interruption.
- Our insurance company performs annual store surveys and report back to the Group with any improvements.
- Investigate options which provide an excess protection solution.
- Preparing for extreme weather conditions involves investing in preventive measures. This could include disaster preparedness plans, emergency supplies, and training for staff on how to respond to emergencies.

Risk Management

The Board consistently reviews the principal risks to ensure the safeguarding of our business longevity, reputation, and environmental impact in the best interest of our business and stakeholders. Critical risks, which could impede business operations or significantly affect profitability or reputation, are identified, and incorporated into our Board-reviewed risk register. Key risks, integral to routine business considerations, also feature in this register.

Determine climate scenarios

↓

Assess the risk impacts

↓

Scenario analysis

↓

Link risks and opportunities

↓

Integrate into strategy

Identifying and assessing climate-related risks

The Group employs a comprehensive approach to assess the relative significance of climate-related risks compared to other risks. This involves conducting assessments at various levels of the business, engaging consultants on an annual basis, and leveraging the expertise of the Board. The assessment considers both financial and non-financial impacts, with a particular focus on evaluating the potential for reputational damage. Additionally, the Group takes into account other relevant factors, such as technological advancements, market trends, and stakeholder expectations, in the comprehensive evaluation of climate-related risks.

Furthermore, the Group actively considers existing and emerging regulatory requirements related to climate change. This involves a holistic perspective that encompasses financial and non-financial impacts, recognising the potential repercussions on the organisation's overall performance. The assessment extends to potential reputational damage, emphasising the need for compliance with evolving climate-related regulations.

For climate-related risks which are deemed to impact the Group, the potential size and scope of climate related risks are assessed via either a qualitative assessments of operational and strategic risks or, where applicable, a quantitative analysis of potential financial impacts using forward-looking scenarios.

A crucial component of the risk management framework is the definition of risk terminology. The Group categorises climate-related risks into Physical Risks and Transition Risks, aligning with the framework established by the TCFD and adopted by the CFD. Physical Risks encompass event-driven occurrences, both acute (such as extreme weather events) and chronic (longer-term shifts in climate patterns). These risks may manifest in direct damage to assets or indirect impacts from supply chain disruptions. Transition Risks, on the other hand, arise from the shift towards a lower-carbon economy and involve policy, legal, technological, and market changes. The alignment with the TCFD framework promotes clarity and standardisation in communicating these risks.

The Group's risk management processes reflect an adaptable approach to identifying, assessing, and disclosing climate-related risks. By integrating various assessment methods, considering regulatory requirements, and aligning with established frameworks, the Group ensures a comprehensive and transparent representation of its climate risk management efforts.

Managing climate-related risks

Management, tasked with overseeing and devising action plans, holds responsibility for monitoring both critical and key risks. Management evaluate strategies for risk mitigation, transfer, acceptance, or control and report progress to the Board.

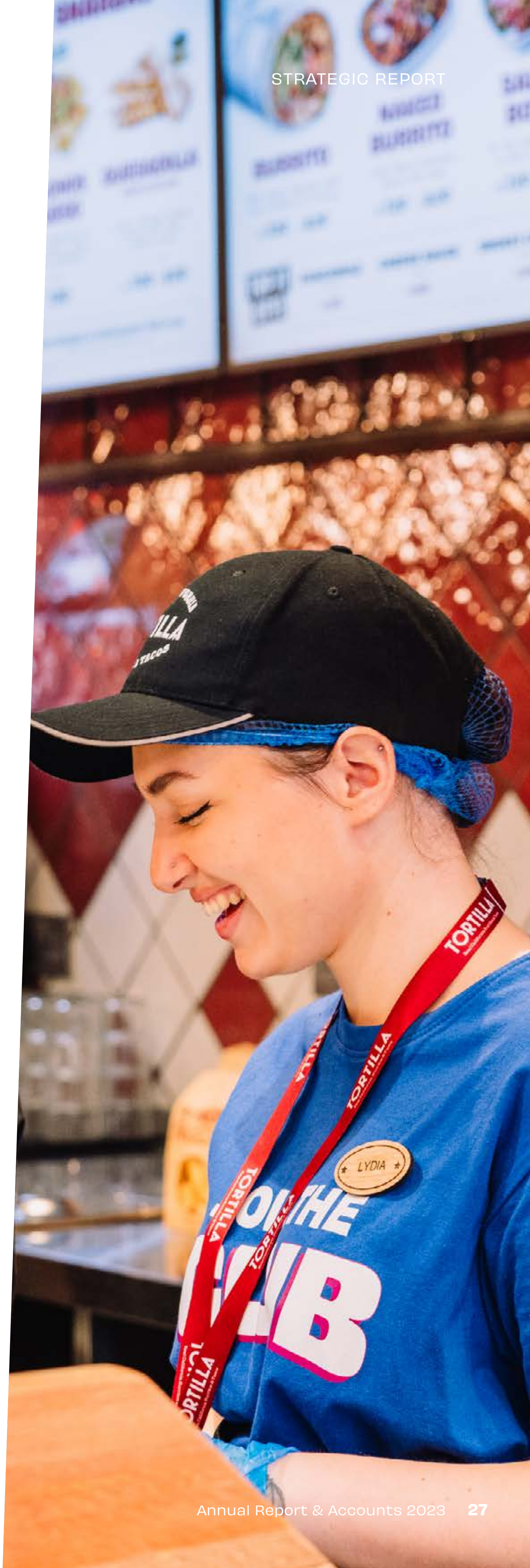
In prioritising climate-related risks, Management carefully evaluate materiality, considering both short-term and long-term implications to align risk management strategies with business objectives. Our commitment to adaptability ensures that our risk management processes stay responsive to the dynamic landscape of climate-related challenges, reflecting our dedication to sustainability and resilience.

Integration into the organisation's overall risk management

We have seamlessly integrated our processes for identifying, assessing, and managing climate-related risks into our overall risk management framework. Recognising the interconnected nature of risks, our approach ensures that climate-related considerations are an integral part of our broader risk management strategy.

Our identification process involves a comprehensive analysis that considers the potential impacts of climate-related factors on various aspects of our operations and supply chain. We assess both the immediate and long-term implications of these risks. This information is then seamlessly integrated into our overall risk assessment, ensuring a holistic understanding of the interplay between climate-related risks and other organisational vulnerabilities. The CFO is ultimately responsible for this evaluation and monitoring the risk register.

In managing climate-related risks, we leverage the same risk management mechanisms and decision-making processes used for other types of risks. This integration fosters efficiency and consistency in our risk responses. By embedding climate-related risk management into our overall strategy, we can proactively address challenges and capitalise on opportunities, aligning our business objectives with sustainable and resilient practices.



Metrics and targets

In the current year, we take pride in our achievements related to data collection and management, enabling us to make a firm commitment to achieving Net Zero status by 2045. This stands as a definitive expression of our dedication to responsible business practices, aligning seamlessly with our core values of local, trusted and value.

In pursuit of this goal, we have engaged external consultants to assist with our comprehensive Net Zero strategy. Our aim is to incorporate environmental sustainability into every aspect of our operations, spanning the food we serve, the services we provide, and the daily management of our activities with interim targets spanning every five years starting from 2025.

We have committed to carbon neutrality in our Group operations by 2030 (Scope 1 and 2). This will be achieved by offsetting residual Scope 1 and 2 emissions via high-quality verified offsets (projects must be verified by either Verra or Gold Standard) to become carbon neutral.

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured. The Group has chosen January 2022 – December 2022 (financial year 2022) as our baseline year.

CFD cross-industry metric category	Unit of measure	Metric	Metric target set and reported?	Linked to identified climate risks and opportunities
GHG emissions	tCO2e/ £m	Scope 1 and Scope 2 total tCO2e/ £m revenue	Carbon-neutral by 2030: offsetting any residual Scope 1 and 2 emissions	Carbon pricing and cost of transitioning operations to Net Zero
Transition risks	%	% of total UK directly purchased electricity from renewable sources	100% of total UK directly purchased electricity from renewable sources by end of FY2024	Increased material and energy costs
Transition risks	%	% of total gas directly purchased in the UK from renewable sources	100% renewable gas purchased in UK by end of FY2024	Increased material and energy costs
Physical risks	% of annual revenue	% of UK revenue located in an area subject to high risk of flooding	periodic monitoring to feed into risk assessment process	Extreme weather conditions

Scope I, Scope 2, and Scope 3 greenhouse gas (GHG) emissions

Scope/Category	Item	Total tCO2e	%
Scope 1			
Stationary combustion	Gas consumed	71.39	0.3%
Transport	Owned and leased vehicles	N/A	0.0%
Refrigerants	HVACs	34.81	0.1%
Scope 2			
Electricity (Location based)[1]	Purchased electricity, for own use (grid average)	1,299.34	N/A
Electricity (Market based)[2]	Purchased electricity, for own use (specific contract)	324.83	1.3%
Scope 3			
Cat 1: Purchased goods & services	Goods and services	21,301.87	86.7%
Cat 2: Capital goods	Capex expenditure	922.52	3.8%
Cat 3: Fuel & energy related services	WTT (Well-To-Tank) & T&D (Transmission & Distribution losses) for S1 and 2	121.33	0.5%
Cat 4: Upstream transport	Paid transport for goods (upstream & downstream), well to wheel (WTW)	49.54	0.2%
Cat 5: Waste	Waste	141.60	0.6%
Cat 6: Business travel	Land and air travel for business purposes (WTW)	100.95	0.4%
Cat 7: Employee commuting	Employees commuting to and back from work	939.63	3.8%
Cat 7: Employee commuting	Employees working from home	12.09	0.0%
Cat 9: Downstream transport	Transport to customers (WTW)	398.85	1.6%
Cat 12: End of life sold goods	Waste disposal and treatment of products sold (by customers)	13.02	0.1%
Cat 14: Franchises	Only scope 1 & 2 emissions of franchises included	131.82	0.5%
Total Gross Emissions (Location based)		**25,538.76**	
Less emissions avoided by procurement of renewable electricity		(974.50)	
Total Gross Emissions (Market based)		**24,564.26**	**100.00%**
Less carbon offsets		(0.00)	
Total Net Emissions		**24,564.26**	

To further understand our GHG emissions, we have calculated the intensity ratios to allow us to track our emissions relative to the business size. Hence as the business grows, our intensity ratios should decrease, but the absolute GHG emissions may increase.

Intensity ratios	Gross emissions (Location based)	Gross emissions (Market based)	Net emissions
tCO2e per employee[3]	22.29	21.43	21.43
tCO2e per million £ turnover	386.95	372.19	372.19

[1] Location based represents emissions from electricity consumption based on grid average emissions.
[2] Market based represents emissions from electricity consumption based on specific energy contracts.
[3] Based on 1,146 employees.

Risk and mitigation

The Board is ultimately responsible for ensuring that a robust risk management process is in place and that it is being adhered to. The Directors consider the following to be the principal risks faced by the Group:

Operational cost control degradation

Risk: Poor operational controls and processes would lead to a degradation in Group margins.

Responsibility: CFO

Mitigation: The Group reviews and manages strict weekly budget controls. Our Financial and Operational teams work collaboratively to address any problems via weekly calls.

Availability of new sites

Risk: Increased competition for new sites may cause increased rents/difficulty obtaining new prospects due to competitors outbidding the Group.

Responsibility: Property Director

Mitigation: Our property team is extremely experienced, so the business can obtain maximum potential prospects. We grow other property prospects such as delivery-only kitchens, franchised units and licencing opportunities to supplement the core pipeline.

Decline in popularity

Risk: Decline in customer demand for burritos/tacos and the wider Mexican cuisine could lead to declining sales.

Responsibility: Marketing Director

Mitigation: The Group has a strong focus on new product development and marketing activities to keep our product offering relevant with the customer base. Consumer trends are monitored and embedded into the proposition wherever possible. We aim to keep our prices as low as possible to retain our strong value-for-money proposition.

Input cost inflation

Risk: Inflated cost of ingredients, materials, fuels or transportation may increase input costs thus reducing profit margin.

Responsibility: CFO

Mitigation: We manage our supply chain in a highly detailed manner, adjusting to input cost pressures by either seeking alternatives (i.e. product swap out) or by increasing menu prices to offset impact. Furthermore, we manage commodity risk by locking in prices for three-six months where possible.

CPU business continuity

Risk: Restaurants are reliant on sourcing certain food products from the CPU. Business disruption at this facility would impact the restaurants' ability to trade.

Responsibility: Director of Food

Mitigation: The Group have invested in strengthening the CPU Management team and created a working party to identify strategies for business continuity. The Group are also exploring expanding the unit to grow the estate and are also exploring contingency arrangements with third parties.

Brand reputational damage

Risk: Reputation issues relating to any actual/perceived problems with our products (e.g. availability, quality, variety and value for money), customer services or the outsourced delivery (through Uber Eats), could subject the brand to reputational damage (such as adverse publicity, negative reviews/adverse social media commentary). Possible issues include food poisoning, unknowingly serving an allergen to a customer, or one of our franchise partners may fall below Group standards.

Responsibility: Marketing Director

Mitigation: Our Marketing team closely monitor social media channels and customers' feedback forms. Store managers sign store crisis management documents which are displayed in staff rooms to highlight procedure for identifying issues and responding to direct media contact. Our crisis communications plan, accessible for all Management staff, highlights our escalation process by severity of issue.

Food safety risk is mitigated by strict controls around the production and storing of food. Stores are audited both internally and by third party experts. The CPU maintains Safe And Local Suppliers Approval ("SALSA") accreditation and has full traceability systems. Our allergen procedure is built into core training procedures and both allergen and dietary information is held centrally. The Group avoids most serious allergens to lower risk further.

Franchising risk is mitigated by legal agreements that enforce the ability for the Group to exert control over the operations of the franchisee. We carry out regular audit visits to check franchisee standards, and products are all sourced from CPU ensuring quality.

Staff shortages

Risk: The Group's success depends on the retention of key personnel and our ability to recruit, retain and develop suitable personnel, including site managers and staff who serve customers. Any future shortages of qualified personnel or the Group's inability to recruit and retain such personnel could have a material adverse effect.

Responsibility: People Director

Mitigation: At restaurant level, the Group is well-protected from some of the more challenging recruitment difficulties in the industry. Due to the CPU, restaurants do not require significant specialised skills in the kitchens which means both back of house and front of house activities are easy to train and do not require experienced employees.

To recruit/train General Managers, we use a combination of internal resource and external recruitment resourcing, pay competitively, and provide structure development and opportunities to grow with the Group.

Accidents at work

Risk: The Group's employees and customers are at risk of accidents whilst working or visiting one of our sites.

Responsibility: CFO

Mitigation: The Group maintains a strong training culture to ensure that staff can minimise the frequency of accidents at work. Furthermore, the Group insures this risk, reducing risk of financial exposure.

Brand infringement

Risk: The Tortilla brand and its intellectual property (including trademarks) is key to our value. Damage to the brand or inability to protect intellectual property could have a material adverse effect.

Responsibility: Marketing Director

Mitigation: The Group has trademarked 'Tortilla' and 'Tortilla Pronto' so the intellectual property of both is legally covered. The Group uses an external monitoring service which watches any recently filed third party trademark applications and opposes any identified threats.

Failure of card payment services

Risk: The Group depends on card payment providers as all of the Group's in store revenues are generated from customer card payments. Any temporary or sustained disruption in card payment processing services, resulting in the Group's failure to receive payments and/or the inability of customers to make card payments or use of other services, would have a significant negative impact on the Group's operations and its financial position. There is no guarantee that any such risk could be mitigated, whether through implementing a "cash-only" policy throughout the Group's estate or otherwise.

Responsibility: Technology Director

Mitigation: To minimise the risk, the Group has the following measures in place:

1. Two separate internet lines per sites with failover in operation between these should one encounter a problem.
2. Each store has a 3G enabled mobile payment device that can be used in the case of an internet outage impacting both internet lines.
3. The Group has the ability to return to taking cash payments should either of the above fail and could continue operating effectively in the short term.

Additionally certain payment gateways have begun allowing merchants to take offline payments once again (with the merchant accepting all risk). Investigation underway with Freedom Pay.

Cyber attacks

Risk: The Group could be subject to a disruptive cyber-attack, resulting in systems being unavailable. Temporary or sustained disruption in card payment processing services could also result in the Group's failure to receive payments and/or customers to make card payments. This would have a negative impact on operations and financial position.

Responsibility: Technology Director

Mitigation: The Group's IT systems are managed by CloudMatters with the head office server backed up offsite daily and therefore, services could be restored within a shorter period. A full Disaster Recovery test was recently undertaken successfully restoring all data and services. Furthermore, the Operations team use Microsoft Sharepoint which is protected by Microsoft policies and is therefore considered low risk.

Recent enhancements to protect the business from cyber-attack/data breach include:

1. All domain login accounts are now protected with Multi Factor Authentication.
2. All Group owned mobile devices protected by InTune Mobile Device Manager.

Supply chain disruption

Risk: Unforeseen events such as swine flu or BSE could impair the Group's ability to source produce, causing an adverse effect on the Group's operations.

Responsibility: CFO

Mitigation: The Group uses an external consultancy with expert foresight of upcoming issues to manage supply chain issues. Issues are therefore flagged early, and resolutions found. The Group utilises low risk items which are easily sourced from alternative sources as they are not specialist in nature.

Reliance on delivery partners

Risk: Risk of over-reliance on delivery partners, a third-party channel which provides circa 30% of the Group's revenue. Industrial action by food couriers/staff at these businesses might result in an outage/impairment in offer. Tortilla might be inadequately supported by way of page positioning/marketing support and may lose customers.

Responsibility: CFO

Mitigation: The Group have lowered the risk of this by partnering with two brands (not just single platform) and by creating a commercial arrangement that contractually commits the delivery partners to extensive marketing commitments.

Furthermore, we have added a new role into the business (Head of Central Operations), to manage the delivery partners very closely. This keen focus on operational and marketing performance will help to de-risk.

Pricing impacts

Risk: Risk of future price rises resulting in negative consumer sentiment and therefore impact future sales volumes.

Responsibility: CFO

Mitigation: Thorough review of competitors, both within Mexican fast-casual and other fast casual businesses. Price trial and testing before rollout to whole estate. Managed as per previous years.

CORPORATE GOVERNANCE

Board of Directors

Committee Key:

A Audit Committee N Nomination Committee R Remuneration Committee Committee Chair

Emma Woods

NON-EXECUTIVE CHAIR

Emma has extensive experience at Board level in multi-site leisure businesses. She has been on the Company's Board since its IPO in 2016.

Her hospitality experience includes being the CEO of Wagamama from December 2018 to June 2021, during which time she navigated the acquisition by TRG plc and the Covid-19 pandemic. Prior to this she was Wagamama's Chief Growth Officer and before that was Group Marketing Director for PizzaExpress.

Emma is trained as a global marketer and has previously held Global Marketing Director roles at Merlin Entertainments and Unilever.

Andy Naylor

CHIEF EXECUTIVE OFFICER

Andy joined Tortilla in July 2017 as CFO, bringing with him 15 years' experience. He was appointed as Managing Director in November 2023, and as Chief Executive Officer with effect from March 2024.

Andy joined Tortilla from Gaucho, where he was Head of Finance, a role which included overseeing the sale of the business to Equistone Partners. Andy started his career at Deloitte and holds an ACA qualification.

Maria Denny

CHIEF FINANCIAL OFFICER

Maria joined Tortilla in February 2024 as CFO.

Maria draws on a wealth of experience in the food and retail sector spanning 15 years' having held senior finance and accounting positions at Müller UK and Ireland, Dairy Crest Limited and most recently as CFO UK and Ireland at Signify. She holds a CGMA and MBA qualification.

A N R

Brandon Stephens

FOUNDER NON-EXECUTIVE DIRECTOR

Brandon founded Tortilla in 2007 and led Tortilla as CEO until 2014.

Brandon has also been Founder/CEO of REVL, Chairman of Red's True Barbecue, and Interim Director of e-commerce for Arcadia Group. He currently advises TriSpan's Rising Stars fund, a dedicated restaurant private equity programme, and is a NED for Thunderbird Fried Chicken Ltd and Mamma Roma Group.

Brandon started his career in Silicon Valley and has also worked as a consultant at Accenture and Booz Allen Hamilton. He holds an Electrical Engineering degree from Princeton and an MBA from London Business School.

A N R

Keith Down

NON-EXECUTIVE DIRECTOR

Keith joined the Board in August 2023 and is Tortilla's Senior Independent Director and Chair of the Audit Committee. Keith brings a wealth of leadership experience gained across a broad range of consumer-focused businesses.

He has held senior positions at companies operating across a wide range of sectors including retail, leisure, and hospitality. He was previously Finance Director and Company Secretary at JD Wetherspoon plc, Group Finance Director at Go-Ahead plc, Chief Financial Officer at Dunelm plc and, most recently, Finance Director of Selfridges Group. He is currently the Senior Independent Director and Audit Committee Chair of Topps Tiles plc.

Loeïz Lagadec

NON-EXECUTIVE DIRECTOR

Loeïz represents the interests of Quilvest Capital Partners, a global alternative investments player with circa. USD7 billion of assets under management, which has been the largest shareholder in Tortilla since 2011.

Loeïz is a Partner in Quilvest's direct private equity investment team and has served on the Boards of a number of portfolio companies including Sogetrel, EDH, BT Blue, Minafin, and Tortilla.

Before joining Quilvest in 2006, Loeïz spent two years with the Boston Consulting Group in Paris and Barcelona. Loeïz is a graduate of HEC in Paris (Ecole des Hautes Etudes Commerciales) and was awarded an MBA from Harvard Business School. He also holds a masters in French corporate law.

A N R

Francesca Tiritiello

NON-EXECUTIVE DIRECTOR

Francesca brings a wealth of business development, franchise, finance and M&A experience and she has been involved in the successful expansion of many branded businesses across the European QSR market, in both advisory and senior finance positions.

Francesca is currently a Partner and Co-Founder of Kikkirossi, a European boutique advisory firm specialising in international franchise and brand development.

Previously, she has held several director and CFO roles in European hospitality businesses, including eight years at Yum! Brands Inc., the owner and operator of household names including KFC, Pizza Hut and Taco Bell.

Francesca holds a Masters Degree, Summa Cum Laude, in Business Economics and is a CFA Charter holder.

Application of the Code Principles

As Chair of the Board, I have the pleasure in presenting the corporate governance report for the year ended 31 December 2023.

The Board is committed to ensuring high standards of corporate governance and has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). During the financial year ended 31 December 2023. The Company has applied and complied with the QCA Code as detailed in the table below.

EMMA WOODS
CHAIR

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

The Board is responsible for implementing the strategy and managing the business of the Group, and time is allocated to discuss strategic matters at each Board meeting. The Board holds a dedicated strategy session each year.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Board understands the fundamental importance of ensuring and maintaining an appropriate level of dialogue with shareholders. The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for investor relations, with the Board ultimately being responsible for and ensuring a satisfactory dialogue with Shareholders. The Group's financial PR agency leads the preparation, coordination and communication of all dealings with the financial community and is the primary point of contact for shareholders and third parties.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group considers the key stakeholders to be its employees, suppliers, customers, community, and regulators.

The Board understands that the Group's long-term success relies heavily upon strong relations with each of their stakeholders and that they must ensure that the needs of each are understood and met.

The Board is committed to ensuring a continuous and open dialogue with its stakeholders, both internal and external. It is understood that stakeholder feedback must be integrated into both the Board's decisions and the Group's strategy and business model as is ultimately integral to the Group's success. Further details can be found in the Section 172 Statement on pages 16 to 17.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board ensures that effective risk management, including the consideration of both opportunities and threats, is embedded throughout the Group. A risk management framework is in place and is reviewed by the Board on an annual basis.

The Board and Audit Committee regularly review the risk register, and in particular the principal risks facing the business, and challenge Management to ensure that appropriate mitigations are in place to manage risks within the Board's agreed appetite.

Further details can be found in the Matters Reserved for the Board and the Audit Committee Terms of Reference.

Details of the key risks faced by the business and how we mitigate them are detailed on pages 30 to 33.

Principle 5

Maintain the Board as a well-functioning, balanced team led by the chair

The Nomination Committee is responsible for overseeing the structure, composition and make-up of the Board and leads the search and selection process for new Board appointments, including reviewing succession plans, evaluating the balance of skills, diversity, experience, independence, and knowledge of Directors.

Principle 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Each Director brings appropriate experience to the Board. During 2023, the Board appointed Keith Down as Senior Independent Director and Audit Committee Chair, replacing Laurence Keen who stepped down from the Board on 17 May 2023.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Given the changes to the Board and Committee membership during the 2023, and focus on recruitment and succession planning, the Board has agreed to delay conducting a performance evaluation process (which will be internally facilitated) until later in 2024 to allow a period for new Directors to settle into their roles. We will report on that process in our 2024 annual report.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

The culture of the Group is set by the Board, and the Directors are committed to promoting a culture of honesty and ethical behaviour. All new staff to the Group receive training and information on the values and culture of the Group, as well as receiving regular communications from the senior Management team. The following policies, amongst others, are included in the Employee Handbook: Whistleblowing, Anti-Bribery, Equality and Diversity, Bullying and Harassment and Corruption and Bribery. The Group invests in creating a culture of employee engagement via the Workplace platform, in addition to which the CEO releases periodic all-employee updates.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

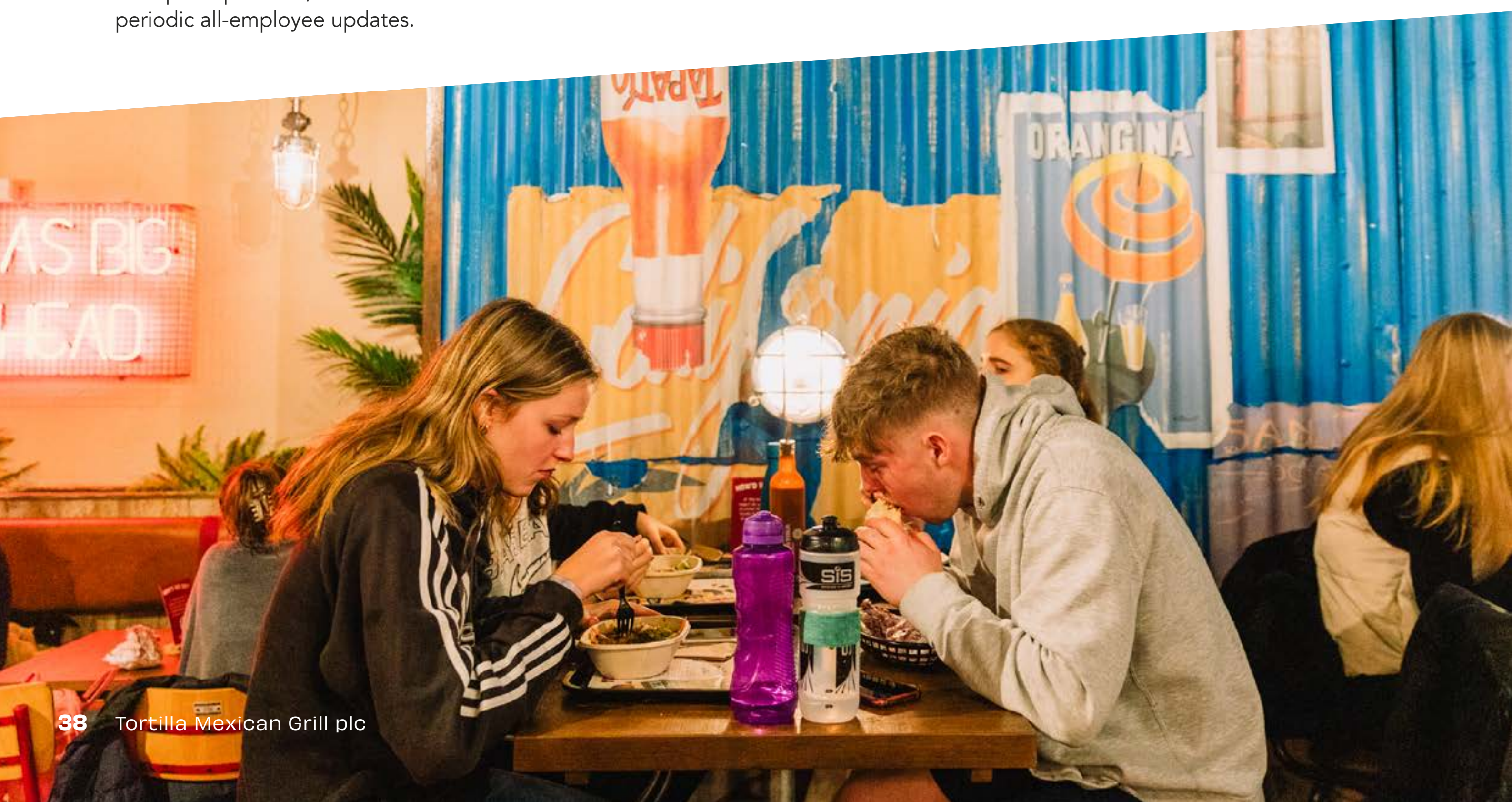
The Chair has the ultimate responsibility for corporate governance, and ensures that the Directors have access to timely, accurate and clear information from which to base their decisions, as well as ensuring that the Committees are functioning appropriately, and the fiduciary requirements of the Board are being carried out.

Principle 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group communicates with its shareholders through:

- the Annual Report and Accounts;
- half-year report announcements;
- RNS announcements;
- AGM;
- one-to-one meetings with large existing or potential new shareholders;
- its investor relations programme; and
- the Company's website (www.tortillagroup.co.uk).



Composition and independence of the Board

The Board currently consists of seven Directors: the Non-Executive Chair, two Executive Directors and four Non-Executive Directors ("NEDs"). Three of the Directors, Emma Woods, Francesca Tiritiello and Keith Down, are deemed by the Board to be independent in character and free from relationships or circumstances which could affect their judgement.

Details of each Director's experience and background are given in their biographies on pages 35 and 36. Their skills and experience are relevant and cover areas in the leisure and hospitality industries including global marketing, business development, financial management and control, corporate governance, legal and mergers and acquisitions.

The Board considers all Directors to be effective and committed to their roles.

Appointments to the Board and re-election

The Board has delegated to the Nomination Committee the tasks of reviewing the Board's structure, size and composition, preparing a description of the role and capabilities required by a particular appointment and identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise. Further details on the role of the Nomination Committee are available in its Terms of Reference which can be found on the Group's website: https://tortillagroup.co.uk/corporate-governance/.

All Directors offer themselves for annual re-election, in accordance with best practice in corporate governance.

How the Board works

The Board has overall responsibility for the Company's purpose, strategy, business model, performance, capital structure, approval of key contracts and major capital investment plans, the framework for risk management and internal controls, governance matters and engagement with shareholders and other key stakeholders.

The Board remains committed to understanding the needs of our shareholders and the wider stakeholders and it always considers how the Board's decisions impact them in the longer term. In the Section 172 statement on page 16 we explain who the key stakeholders are and how the Directors engage with them. The Board's full responsibilities are set out in a formal schedule of matters reserved for its decision.

Board meetings

The Board has an agreed annual schedule of activity for its meetings, and the meetings of its Committees. Additional meetings may be convened outside that schedule to deal with ad-hoc matters as they arise.

Directors also have contact on a variety of issues between formal meetings. An agenda and accompanying detailed papers, covering key business and governance issues are circulated to the Board in advance of each Board meeting.

The Board normally meets at least six times per year, and met on seven occasions during 2023. Attendance at the Board and Committees for 2023 is set out in the table below:

Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings
Emma Woods	7/7	4/4	3/3	2/2
Richard Morris	7/7	-	-	-
Andy Naylor	7/7	-	-	-
Brandon Stephens	7/7	4/4	3/3	2/2
Keith Down[1]	2/2	2/2	2/2	1/1
Loeïz Lagadec	7/7	-	-	-
Laurence Keen[2]	3/3	2/2	1/1	1/1
Francesca Tiritiello	7/7	4/4	3/3	2/2

[1] *Appointed 24 August 2023.*

[2] *Stepped down 17 May 2023.*

Division of responsibilities

The Chair and Chief Executive have separate, clearly defined roles. The roles and responsibilities of the Chair and Chief Executive Officer are set out below:

Emma Woods, as Chair of the Board, is responsible for leading an effective Board, upholding high standards of corporate governance throughout the Group, particularly at Board level, and ensuring appropriate strategic focus and direction.

The Chair has the ultimate responsibility for corporate governance and ensures that the Board retains accountability for good governance and is responsible for monitoring the activities of the Senior Management team.

The CEO, Andy Naylor, has overall responsibility for proposing the strategic focus to the Board, delivery of the business model and strategy and the day-to-day management of the Group's business.

Non-Excutive Directors

Each of the Non-Executive Directors has entered into a letter of appointment with the Company which set out the duties of the Director and commitment expected. They are expected to commit at least 20 days per annum to their role and are specifically tasked with:

- bringing independent judgement to bear on issues put to the Board;
- applying their knowledge and experience in considering matters such as strategy, company performance, use of resources and standards of conduct; and
- ensuring high standards of financial probity and corporate governance.

How the Board operates

Certain matters are specifically reserved for decision by the Board, and these are set out in a formal Schedule of Matters Reserved for the Board. The matters reserved include decisions relating to:

- setting the Group's values and standards, including policies on employment, health and safety, environment and ethics, and ensuring workforce policies are consistent with the Group's values and supports long term success of the Group;
- the Group's strategic aims and objectives;
- the structure and capital of the Group;
- financial reporting, financial controls and dividend policy;
- approval of significant contracts and expenditure above agreed delegated authority limits;
- effective communication with shareholders; and
- any changes to Board and Committee membership or structure.

The Board has delegated other matters, responsibilities and authorities to its Board Committees, details of which are stated later in this report. Anything falling outside of the schedule of matters reserved or the Committees Terms of Reference falls within the responsibility and authority of the Chief Executive, including all Executive Management matters.

At each meeting, the Board reviews comprehensive financial and trading information produced by the Management team and considers the trends in the Company's business and its performance against strategic objectives and plans. It also regularly reviews the work of its formally constituted standing Committees as described below and compliance with the Group's policies and obligations.

All Directors are expected to attend all meetings of the Board and any Committees of which they are members, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend a meeting, they are encouraged to submit any comments on paper to be considered at the meeting to the Chairman in advance to ensure that their views are recorded and taken into account during the meeting.

Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

The main activities of the Board during the year

There are a number of standing and routine items included for review on each Board agenda. These include operational reports, financial reports, governance and investor relations updates. In addition, key areas put to the Board for consideration and review included:

- approval of annual and half-year report and financial statements;
- review and approval of budget;
- review and implementation of strategy (including UK and international expansion);
- investor relations; and
- approval of the appointment of a new NED.

Board Committees

The Board is supported by three committees, each established in accordance with the recommendations of the QCA Code: the Audit Committee, the Nomination Committee; and the Remuneration Committee. Keith Down is Chair of the Audit Committee, Emma Woods is Chair of the Nomination Committee, and Francesca Tiritiello is Chair of the Remuneration Committee. The Board has determined that each Committee's members have the appropriate skills to discharge their duties. Details of the operation of the Committees are set out in their respective reports. Further detail on the roles and activity of the Audit, Nomination and Remuneration Committees are is set out in their respective reports below.

External advisors

The Board receives annual briefings and updates from the Group's Nominated Adviser, Liberum Capital Limited, in respect of continued compliance with the AIM Rules.

The Board seeks advice on various other matters from its Nominated Adviser and other advisers as appropriate.

Development, information and support

Directors keep their skillset up to date with a combination of attendance at industry events, individual reading and study, and experience gained from other Board roles. Directors also have direct access to the advice and services of the Company Secretary. The Company Secretary supports the Chairman in ensuring that the Board receives the information and support it needs to carry out its roles. Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Conflicts of interest

Under the Company's Articles, the Directors may authorise any actual or potential conflict of interest a Director may have and may impose any conditions on the Director that are felt to be appropriate. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and they are not counted in the quorum. A process is in place to identify any of the Directors' potential or actual conflicts of interest.

Accountability

The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. These procedures include the preparation of management accounts, forecast variance analysis and other ad-hoc reports. There are clearly defined authority limits throughout the Group, including matters reserved specifically for the Board.

Financial and business reporting

The Board seeks to present a fair, balanced and understandable assessment of the Group's position and prospects in all half-year, final and any other ad-hoc reports, and other information as may be required from time to time. The Board receives a number of reports, including those from the Audit Committee, to enable it to monitor and clearly understand the Group's financial position.

Annual General Meeting (AGM)

This year's AGM will be held on Tuesday 11 June 2024. The Notice of Annual General Meeting will be circulated separately to shareholders and is available on the Company's website at www.tortillagroup.co.uk/circulars-and-documents/. Separate resolutions are provided on each issue so that they can be given proper consideration and all shareholders are encouraged to submit their votes.

EMMA WOODS
CHAIR
1 MAY 2024

Audit Committee report

On behalf of the Board, I am pleased to present the Audit Committee report for the period ended 31 December 2023.

Membership, role and responsibilities

I was appointed as Chair of the Audit Committee on my appointment as a Non-Executive Director on 24 August 2023, taking on the role from Francesca Tiritiello who had held the position since Laurence Keen stepped down on 17 May 2023. The other members of the Committee as at the year-end are Emma Woods, Brandon Stephens and Francesca Tiritiello, with Emma, Francesca and I being deemed independent by the Board.

The role and responsibilities of the Audit Committee are set out in its formal Terms of Reference which have been approved by the Board and are reviewed annually by the Committee. Our key role is in monitoring the integrity of annual and interim financial statements as well as ensuring the appropriate consideration is given to key accounting judgement and estimates. The Committee has responsibility for monitoring the effectiveness of the Group's internal controls and risk management systems and reviewing reports from the Group's auditors relating to the Group's accounting. In all cases the Committee ensures it gives due regard to the interests of shareholders. The Committee also oversees the relationship with the external auditor (including advising on its appointment, agreeing the scope of the audit and reviewing the audit findings).

Activity during the year

The Committee met four times during 2023, with all meetings attended by all members of the Committee at the time. Committee meetings were also attended by the external audit partner and other members of the external audit team. Although not members of the Audit Committee, our CEO and CFO are also invited to attend meetings.

Key activity at meetings of the Committee included:

- reviewing the Company's weighted average cost of capital (WACC) calculation, a key input in our impairment review process;
- reviewing and challenging the key accounting judgements and estimates in relation to the Group's full-year and half-year financial statements, including in relation to impairment testing (and goodwill valuation), and share based payments;
- reviewing the Group's draft financial statements and reviewing the external auditor's detailed reports thereon, including discussion of key audit matters and risks; and
- approving the external auditor's plan for the audit of the Group's annual financial statements, including key audit matters, key risks, confirmation of auditor independence and terms of engagement, including audit fees
- meeting the external auditor, without management, to discuss matters relating to its remit and any issues arising from its work; and
- reviewing the Group's risk register and risk management process.

Significant issues considered in relation to the financial statements

The Committee reviewed the financial statements, with particular attention to accounting policies and areas of judgement.

The key matters considered by the Committee in respect of the period ended 31 December 2023 are set out below:

Significant issues and judgements	How the issues were addressed
Valuation/impairment of property, plant and equipment (including right of use assets and allocated goodwill)	Detailed analysis of each individual cash generating unit ("CGU") was performed with a key emphasis on forward-looking profitability expectations. Each site is considered to be a separate CGU, which includes the allocated goodwill and right-of-use asset values. An independent consultancy was engaged to perform calculations of the Group's weighted average cost of capital ("WACC"). The Directors acknowledge that the key risk of material misstatement comes from achieving the key growth assumptions applied in the calculations and this has therefore been an area of focus, along with the WACC computation and goodwill allocation.

External auditors & audit tender

The Audit Committee oversees the relationship with the external auditor (Haysmacintyre LLP) to ensure that auditor independence and objectivity are maintained. This includes monitoring the tenure of the external auditor and audit partner, and the nature and extent of any non-audit services that the external auditor is engaged to provide.

Audit Process

At the outset of the audit process, the Committee receives from the auditors a detailed audit plan, identifying their assessment of the key audit matters and their intended areas of focus. The audit plan also sets out the scope of the audit and audit timetable, and identifies materiality thresholds.

Non-Audit services

As part of its monitoring, the Committee keeps the nature and extent of non-audit services (and non-audit fees set out in note 5 to the financial statements) provided by Haysmacintyre LLP under review. Non-audit services are principally in connection with loan covenant reporting and turnover certificates. The fees associated with these non-audit services are not material, and Haysmacintyre and the Committee are satisfied that appropriate safeguards are in place such that the provision of such services does not impact on Haysmancintyre's independence.

Audit effectiveness and Auditor re-appointment

The Committee reviews the effectiveness of the external process on an annual basis, taking into account the views of the CFO, finance team and the external auditor, as well as assessing the Committee's own interactions with the external auditor. The Committee is satisfied with Haysmacintyre's performance and has recommended to the Board that a resolution to reappoint Haysmacintyre as the Group's auditor is proposed at the forthcoming AGM.

Risk management and internal control

The Board has overall responsibility for maintaining sound internal control and risk management systems and has delegated responsibility to monitor their effectiveness to the Committee.

The system of internal control comprises high level Groupwide controls, controls operating within individual stores and controls over processes. Policies, procedures and clearly defined levels of delegated authority have been communicated across the Group, and Management has identified the key operational and financial processes which exist within the business and implemented internal controls over these processes in addition to the higher-level review and authorisation-based controls. These policies are designed to ensure the accuracy and reliability of financial reporting and govern the preparation of financial statements. The Committee is satisfied that the system of controls is sufficient for a Group of Tortilla's size and complexity.

Internal audit

The Group does not currently have an internal audit function, and the Committee supports Management's view that there is no need, at present, to establish an internal audit function given the operational scale of the business as well as the fact that no cash payments are made in its restaurants. The Committee will keep under review the need for an internal audit function on an annual basis.

Whistleblowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. No concerns were raised during the year and the Committee is comfortable that the policy is operating effectively.

KEITH DOWN
COMMITTEE CHAIR
1 MAY 2024

Remuneration Committee report

As Chair of the Remuneration Committee ("the Committee") I am pleased to present the report of the Committee for the period ended 31 December 2023.

Membership, role and responsibilities

The members of the Committee are me (as Chair), Emma Woods, and Keith Down (who joined the Committee on his appointment as a Non-Executive Director on 24 August 2023).

Emma, Keith and I are considered independent by the Board within the meaning of the QCA Code.

The Committee operates under Terms of Reference approved by the Board, which are available for inspection on the Company's website at https://tortillagroup.co.uk/. The terms of reference are subject to an annual review by the Committee.

The Committee is responsible for reviewing the performance of the Executive Directors and other designated senior executives and, within the terms of the agreed remuneration policy, determining their remuneration packages, including where appropriate, bonuses, incentive payments and the grant of share options or other share awards.

The Terms of Reference of the Committee requires that it meets at least twice a year.

Activity during the year

The Committee met twice in 2023 and has met on two occasions since the period end. All Committee members were present at each meeting. During the period, the Committee discussed and agreed:

- the remuneration arrangements for the new Chief Financial Officer (Maria Denny), and increases to Andy Naylor's salary following his promotion to Managing Director (in November 2023) and subsequently to Chief Executive Officer (with effect from 1 April 2024);
- the structure of performance targets and measures for the 2023 bonus targets, and monitored outturns for the financial period ended 31 December 2023 (see below for more details);
- the Group wide pay review, including a 4% average base salary increase for head-office staff, and specific salary increases for staff earning £80k or more and/or direct reports of the Executive Directors (in line with the Committee's terms of reference).
- awards made in 2023 under the Tortilla Mexican Grill plc Long Term Incentive Plan 2021 ("LTIP") to the Executive Directors and key members of the senior management team, and associated performance targets (see below for more details);
- the structure and weighting of performance targets to apply to LTIP awards to Executive Directors in 2024; and
- the treatment of LTIP awards held by departing CEO (Richard Morris), including allowing the LTIP awarded in 2022 (and not subject to performance measures) to vest in accordance with the normal timetable, with the LTIP awarded to the CEO in 2023 lapsing in full.

In May 2023, the Committee approved a grant of awards of nil-cost options under the LTIP to the CEO and CFO with a value of 100% of their base salaries. The awards will vest after three-years subject to continued employment and the satisfaction of stretching strategic performance measures as set out below. The awards were in line with our intention that performance-related awards will be granted on an annual basis to the Executive Directors and key members of the senior management team to support the Company's ambitious growth plans and to enable us to recruit, motivate and retain key talent in a competitive market.

Remuneration policy

The objective of the Group's remuneration policy is to attract, motivate and retain high quality individuals who will contribute to the success of the Group. In order to achieve this, the Group provides competitive salaries and benefits, and Executive Directors' remuneration is balanced between both fixed and performance-related elements. It is the Remuneration Committee's intention that remuneration should reward achievement of objectives aligned with shareholders' interests over the medium to long term. The table below summarises the key elements of the remuneration policy for Executive Directors:

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Base salary	To help recruit and retain high performing Executive Directors. Reflects the individual's experience, role and importance to the business.	Basic salary is reviewed annually at the start of the financial period with reference to each Executive Director's performance and contribution during the year, Group performance, the scope of the Executive Directors' responsibilities and consideration of competitive pressures.	There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population, but has discretion to award a lower or a higher increase.	The Committee considers individual and Group performance when setting base salary.
Benefits	To help recruit and retain high performing Executive Directors. To provide market competitive benefits.	Benefits are in line with those offered to other senior Management employees and include private medical expenses cover and life insurance cover.	No maximum potential value.	None
Pension	To help recruit and retain high performing Executive Directors. To provide market competitive pensions.	Executive Directors are entitled to participate in the Group's pension scheme.	The CEO and CFO receive statutory minimum pension contributions, in line with legislation and with all other UK employees.	None
Annual bonus	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term.	Parameters, performance criteria, weightings and targets are set at the start of each year. Payments are made in cash following completion of the year subject to the Committee's assessment of performance against targets and other matters it deems relevant.	The maximum bonus opportunity for the CEO and CFO is 100 percent of base salary.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year.
Long Term Incentive Plan	To incentivise and reward long term performance and value creation. To aid retention and align the interests of Executive Directors and shareholders in the long term.	Executive Directors are eligible to receive awards under the 2021 Long Term Incentive Plan at the discretion of the Committee. Under the 2021 LTIP, awards may be granted as nominal or nil cost options or market value options. Awards are subject to malus and clawback provisions. An additional holding period post vesting may be applied.	The maximum LTIP opportunity for the CEO and CFO is 100 percent of base salary.	Awards may be subject to performance conditions, including financial and non-financial metrics. Performance criteria and weightings may be changed from year to year.

Annual Remuneration report

Directors' remuneration (audited)

The total remuneration paid to each Director who served during the period ending 31 December 2023 is set out in the table below:

	Salary/fee £000	Taxable benefits £000	Annual Bonus[1] £000	Pension contributions £000	Total Remuneration 2023 £000	Total Remuneration 2022 £000
Executive Directors						
Richard Morris	227	3	-	1	**231**	215
Andy Naylor	172	2	-	1	**175**	153
Non-Executive Directors						
Emma Woods	81	-	-	-	**81**	75
Keith Down[2]	17	-	-	-	**17**	-
Laurence Keen[3]	16	-	-	-	**16**	41
Loeïz Lagadec[4]	-	-	-	-	**-**	-
Brandon Stephens	32	-	-	-	**32**	31
Francesca Tiritiello[5]	34	-	-	-	**34**	-
Total	**579**	**5**	**-**	**2**	**586**	**515**

[1] *Outturns for the 2023 annual bonus are described below.*

[2] *Appointed 24 August 2023.*

[3] *Stepped down 17 May 2023.*

[4] *Loeïz Lagadec is employed by Quilvest. As part of the Relationship Agreement entered into on 30 September 2021, Quilvest are entitled to be paid £32,000 per annum.*

[5] *Francesca Tiritiello is employed by Kikkirossi Sàrl. As part of the Agreement entered into on 20 September 2022, Kikkirossi Sàrl was entitled to be paid £45,000 per annum. This arrangement ceased at the end of March 2024, with payments from that date onwards being made directly to Francesca Tiritiello. In addition to the standard NED fee, Francesca Tiritiello also received a fee of £10,500 (paid to Kikkirossi Sàrl) during 2023 in respect of specific services relating to European development opportunities.*

Pension contributions (audited)

Executive Directors are entitled to participate in the Group's pension scheme, in line with terms available for the UK workforce, and each of the CEO and CFO receive a contribution of 3% of base salary within the legal thresholds for auto-enrolment.

Annual bonus (audited)

The table below sets out the performance targets which applied to the 2023 annual bonus for Executive Directors:

	Weighting	Performance targets			Underpin
		Threshold	Target	Maximum	
Corporate EBITDA	70%	£4.9m	£5.0m	£5.5m	N/A
European Expansion	15%	N/A	Opening first unit in Continental Europe or two countries signed	N/A	Corporate EBITDA of £4.9m*
UK Expansion	15%	N/A	Opening 10 corporate units and 6 franchise units in the UK	N/A	Corporate EBITDA of £4.9m*

**after bonus accrual.*

The threshold corporate EBITDA of £4.9m was not met and, as a result, no bonuses will be paid to the Executive Directors in respect of the period ended 31 December 2023.

LTIP (Audited)

As noted above, the Executive Directors were granted awards of nil cost options over ordinary shares under the LTIP on 10 May 2023, with a face value at the date of grant equal to 100% of base salary. The awards will vest on the third anniversary of grant, subject to each Executive Director's continued employment over the period, and the satisfaction of the following performance measures over a three year period from 1 January 2023 to 31 December 2025:

	Weighting	Performance targets*		
		Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
UK Expansion	50%	Opening of 8 new units in the UK per year	Opening of 10 new units in the UK per year	Opening of 15 or more new units in the UK per year
European Expansion	50%	Entry into 1 new market	Entry into 3 new markets	Entry into 4 or more new markets

** Subject to financial underpin such that awards will only vest if a minimum level of EBITDA, equal to the sum of threshold targets used for bonus awards, is achieved cumulatively over the three full financial years beginning 1 January 2023. The threshold targets for future financial years have not yet been set.*

The table below sets out details of all outstanding share awards in respect of the Executive Directors:

Type of initial option	No. of Ordinary Shares subject to options	Grant date	Vesting date	Exercise price (pence)
Richard Morris[1]				
CSOP option	16,574	8 October 2021	50 percent of the aggregate Ordinary Share options vest on the third anniversary of the date of grant, and the remainder vest one year later. Both elements are subject to continued employment and the satisfaction of Adjusted EBITDA (pre IFRS-16) performance targets.	181
LTIP (market value) option	756,907	8 October 2021		
LTIP (nil cost) option	120,000	1 December 2022	1 December 2024, subject to continued employment only.	Nil
LTIP (nil cost) option	210,232	10 May 2023	10 May 2026, subject to continued employment and the satisfaction of strategic measures linked to expansion and an EBITDA financial underpin.	Nil
Andy Naylor				
CSOP option	16,574	8 October 2021	50 percent of the aggregate Ordinary Share options vest on the third anniversary of the date of grant, and the remainder vest one year later. Both elements are subject to continued employment and the satisfaction of Adjusted EBITDA (pre IFRS-16) performance targets.	181
LTIP (market value) option	447,514	8 October 2021		
LTIP (nil cost) option	85,714	1 December 2022	1 December 2024, subject to continued employment only.	Nil
LTIP (nil cost) option	150,697	10 May 2023	10 May 2026, subject to continued employment and the satisfaction of strategic measures linked to expansion and an EBITDA financial underpin.	Nil

[1] *See below for treatment of Richard Morris's LTIP awards following his departure from the business.*

Richard Morris

Taking account Richard Morris's length of service and significant contribution to the business, the Committee agreed to exercise discretion to treat Richard as a "good leaver" with respect to his LTIP award granted in 2022. Therefore Richard's 2022 LTIP award will vest in accordance with the normal timetable (the award is not subject to any performance conditions). The other LTIP awards held by Richard will lapse with effect from his leaving date.

The Committee also agreed that Richard would not be eligible for a bonus in respect of 2023. Richard's remuneration in 2024 will therefore comprise his salary and normal pension contribution from 1 January 2024 up to his leaving date (31 March 2024).

Implementation of remuneration policy in 2024

The remuneration policy will operate as follows in 2024:

	Basic salary/fee £'000	Maximum bonus (% of salary)	Maximum LTIP (% of salary)	Pension (% of salary)
Executive Directors				
Andy Naylor	226	100%	100%	3%
Maria Denny	165	100%	100%	3%
Non-Executive Directors				
Emma Woods	81	-	-	-
Keith Down	48	-	-	-
Loeïz Lagadec[1]	-	-	-	-
Brandon Stephens	32	-	-	-
Francesca Tiritiello	45	-	-	-

[1] *In accordance with the terms of the Relationship Agreement between Quilvest and the Group dated 30 September 2021, Quilvest is entitled to receive a fee of £32,000 in respect of Loeïz Lagadec's service as a Non-Executive Director of the Group.*

As Andy Naylor received salary increases linked to his promotion to Managing Director (from £162k p.a. to £202k p.a.) and then CEO (from £202k p.a. to £226k p.a), and Maria Denny joined the Company in February 2024, the Committee agreed that the Executive Director base salaries would not be subject to an annual increase this year. As noted last year, the base salaries for both Executive Directors remain behind the market, and we therefore expect to carry out a recalibration of Executive Directors salaries once the business has reached 100 sites within the UK and has expanded into Europe. This will enable salaries to be increased in a meaningful way as a result of the business' expansion.

There are no changes to the fees payable to Non-Executive Directors for 2024.

The maximum bonus opportunities for Executive directors in the 2024 financial year will be 100% of base salary. The bonus will continue to be assessed against financial (profit) and non-financial (relating to UK and European growth) targets, with 70% of total bonus opportunity weighted on the Group Adjusted EBITDA, and payment against the non-financial measures being conditional on the achievement of a financial underpin being met. As part of her joining arrangements, the Committee also approved a bonus of 10% of base salary payable to Maria Denny following satisfaction of a successful 12-week probationary period.

The actual performance targets are not disclosed in advance as they are considered to be commercially sensitive but will be disclosed in the 2024 Annual Report when determination of the bonus has been made.

It is anticipated that a performance-based award will be granted under the LTIP to the Executive Directors during the 2024 financial year, with a maximum opportunity of 100% of base salary. The performance targets have yet to be determined and will be disclosed in next year's Directors' Remuneration Report.

Shareholder views

The Group is committed to high standards of corporate governance and our policy and disclosures on Directors' remuneration are intended to reflect this approach. We welcome shareholder feedback. We have included an advisory resolution on remuneration to shareholders at our 2024 AGM and we will continue to do this for all future AGMs. At the 2023 AGM, 100% of the votes cast were in favour of the remuneration report.

Directors' interests in shares

The beneficial interests of Directors holding office as at 31 December 2023 and persons connected with them in the ordinary shares of the Group (excluding share options) were as follows:

	Held at 31 December 2023
Richard Morris	1,378,397
Andy Naylor	142,565
Emma Woods	16,574
Keith Down	-
Loeïz Lagadec	-
Brandon Stephens	3,210,000
Francesca Tiritiello	-

There were no changes in the Directors' interests in shares between 31 December 2023 and 29 April 2024.

Directors' service contracts

Executive Directors

The general principle is that all Executive Directors will have a rolling contract of employment with mutual notice periods of at least six months. The table below provides details of the service contracts of the Executive Directors as at 31 December 2023.

	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Richard Morris	20 September 2021	6	6
Andy Naylor	20 September 2021	6	6

Non-Executive Directors

The Non-Executive Directors do not have service contracts but instead have letters of appointment which contain a three-month notice period.

FRANCESCA TIRITIELLO
COMMITTEE CHAIR
1 MAY 2024

Nomination Committee Report

On behalf of the Board, I am pleased to present the Nomination Committee report for the period ended 31 December 2023.

Membership, role and responsibilities

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required by a particular appointment and identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee will meet, as required.

The Committee met three times during 2023 and its members are:

- Emma Woods (Chair)
- Keith Down (appointed on 24 August 2023)
- Brandon Stephens
- Francesca Tiritiello

Activities during the year

- Identifying a new Non-Executive Director, Senior Independent Director and Audit Committee chair to replace Laurence Keen
- Executive Director succession planning (recruitment of new CFO and appointment of Andy Naylor as CEO to succeed Richard Morris)
- Annual review of Non-Executive Director independence and time commitment

Search for a new senior independent director ("SID") and audit committee chair

Following Laurence Keen's decision to step down from the Board, the Committee agreed the need to recruit an independent Non-Executive Director to replace him, and to take on the roles of SID and Audit Committee Chair. In order to manage costs, it was decided that initially the search would be led by Emma Woods and that we would not appoint an external search agency. Keith Down was identified as a potential candidate through the search led by Emma Woods, and was met by all members of the Committee who unanimously recommended his appointment to the Board (and as SID and Audit Committee Chair) on 24 August 2023. Keith brings a wealth of leadership experience gained across a broad range of consumer-focused businesses, and has already contributed significantly to the Board and Audit Committee in the time since his appointment.

Executive director changes

We announced in November that Andy Naylor had been promoted to the role of Managing Director. In order to strengthen senior financial experience in the business, we also initiated search for a new Group Finance Director which resulted in the appointment of Maria Denny who we were delighted to welcome into the business in mid-February 2024.

Subsequent to those changes, Richard Morris indicated his intention to step down as Chief Executive Officer at the end of March 2024 after ten years at the Company. The Committee therefore reviewed its Executive Director succession plans, as well as available candidates in the market. Ultimately, the Committee (and Board) determined that Andy Naylor's deep expertise across the Group's operations and his innovative approach to growth positioned him as a natural successor to Richard, and therefore unanimously agreed that Andy would be appointed as Chief Executive Officer when Richard stepped down. It was also agreed that Maria would be appointed to the role as Chief Financial Officer and as an Executive Director of the Company, Maria having been identified as a potential CFO candidate in the process leading to her appointment as Group Finance Director.

EMMA WOODS
COMMITTEE CHAIR
1 MAY 2024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Directors' report

The Directors present the Directors' report on the affairs of Tortilla Mexican Grill plc (the "Company"), together with the audited consolidated financial statements, for the period ended 31 December 2023.

The following information is provided in other sections as noted below and is incorporated by reference into this report:

Strategic Report	Pages 2 to 33
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 2.22 to the Financial Statements - page 71
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Strategic Report - pages 30 to 33 and note 2.22 to the Financial Statements
Climate-related Financial Disclosures	Pages 18 to 29
Corporate Governance Report	Pages 34 to 59
Statement of Directors' Responsibilities	Page 55
Going Concern Statement	Page 66
Future business development	Details can be found in the Strategic Report on pages 4 to 8

The Company is a public limited company, registered in England and Wales, with registered number 13511888, and is listed on the AIM segment of the London Stock Exchange. The Company has been permanently domiciled in the UK since incorporation and is the ultimate parent company of the Tortilla group of companies (the "Group"). Details of the companies in the Group are included in note 25 to the audited financial statements on page 84.

Review of the business

The Strategic report on pages 2 to 33 provide an operating and financial review of the business and the Group's trading for the year ended 31 December 2023 as well as risk management.

Dividends

The Directors' current intention is to retain the Group's earnings for re-investment in the rollout of new sites.

Accordingly, the Directors are not proposing the payment of a final dividend for the financial period ended 31 December 2023.

Directors

The Directors of the Company who held office during the year were as follows:

Executive Directors	Non-Executive Directors
Richard Morris (stepped down 31 March 2024)	Emma Woods
Andy Naylor	Brandon Stephens
Maria Denny (appointed as a Director with effect from 8 March 2024)	Loeïz Lagadec
	Laurence Keen (stepped down 17 May 2023)
	Francesca Tiritiello
	Keith Down (appointed as a Director with effect from 24 August 2023)

Maria Denny, having been appointed since the last AGM, will be standing for election by shareholders at the forthcoming AGM in accordance with the Company's Articles of Association ("Articles").

In accordance with our established approach to good corporate governance practice, the Board has voluntarily adopted the policy that all continuing Directors will stand for re-election on an annual basis. Biographical details of the Directors are set out on pages 35 to 36.

Directors' remuneration, share options, long-term executive plans, pension contributions, benefits and interests are set out in the Annual Remuneration report on pages 46 to 49.

The Company's Articles provide, subject to the provisions of UK legislation, an indemnity for Directors and Officers of the Group and Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers. Directors' and Officers' liability insurance cover is maintained by the Company and is in place in respect of all the Company's Directors at the date of this Annual Report. The Company will review its level of cover on an annual basis.

Share capital and substantial shareholders

As at 31 December 2023, the issued share capital of the Company was £386,640.31 divided into 38,664,031 ordinary shares of £0.01 (1 January 2023: 38,664,031) which are admitted to trading on AIM.

The holders of the ordinary shares are entitled to one vote per share at the Company's general meetings. The Directors are not aware of any agreements between the holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying special rights or controls over the Company's share capital.

Authority to purchase own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the Company's AGM held on 17 May 2023, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 3,886,403 of its ordinary shares. The Company has not repurchased any of its shares under this authority, which is due to expire at the AGM to be held on 11 June 2024, and accordingly has an unexpired authority to purchase up to 3,886,403 ordinary shares with a nominal value of £38,864.03.

Significant Shareholders

As at 29 April 2024, the Company had been notified of the following interests amounting to 3% or more of the voting rights attaching to the Company's issued share capital:

	Number of Ordinary Shares of £0.01 each	% of Total Voting Rights
Quilvest	7,892,928	20.4
Canaccord Genuity Inc	5,394,623	14.0
Brandon Stephens	3,210,000	8.3
Hanover Investors Management LLP	2,181,832	5.6
Patel family holding	1,673,837	4.3
Nadine Benchaffai	1,540,500	4.0
River Global Investors	1,410,830	3.6
Luke Johnson	1,400,000	3.6
Richard Morris	1,374,750	3.6
Francisco Javier Otegui Orensan	1,268,781	3.3
Fredrik Siebke	1,186,548	3.1

Streamlined energy & cardon reporting ("SECR") / energy consumption

The SECR reporting requirement has been fulfilled in the Climate-related Financial Disclosures, detailed on page 29.

Related Party Transactions

There are no related party transactions to be disclosed under the AIM Rules. Information on other related party transactions is detailed in note 25 of the financial statements on page 84.

Political donations

The Group made no political donations during the period ending 31 December 2023.

Branches

The Company does not have any branches outside the UK.

Employee policies

The Group's employment policy includes that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. Should any employee of the Group become disabled during their employment, we will retrain that employee and make necessary adjustments to their working environment where possible to keep the employee with the Group.

Auditor

Haysmacintyre LLP has indicated its willingness to continue in office as auditor and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

So far as each of the Directors who held office at the date of this Director's Report is aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Annual general meeting

The Group's next AGM will be held at the offices of Liberum Capital Limited, 25 Ropemaker Street, London, EC2Y 9LY on 11 June 2024. Details of the business to be transacted at the AGM are set out in the Notice of AGM which is available on the Group's website and, where appropriate, by an announcement via a RNS, if any changes are required to the AGM arrangements.

The Directors' report was approved by the Board on 1 May 2024.

MARIA DENNY
CHIEF FINANCIAL OFFICER
1 MAY 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. .

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards. The Directors have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with the legislation in the UK governing the preparation and dissemination of financial statements, which may differ from legislation in other jurisdictions.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and parent Company's auditors are aware of that information.

This Responsibility Statement was approved by the Board on 1 May 2024 and is signed on its behalf by:

MARIA DENNY
CHIEF FINANCIAL OFFICER
1 MAY 2024

Independent auditors' report to the members of Tortilla Mexican Grill plc

Opinion

We have audited the financial statements of Tortilla Mexican Grill Plc (the 'parent Company') and its subsidiaries (the 'Group') for the period ended 31 December 2023, which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated Statement of Cash Flows, Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the United Kingdom and in accordance with the requirements of the Companies Act 2006; and
- the parent company financial statements have been property prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

For the 52 week period ended 31 December 2023, the Group undertook all its trading activities through it's wholly-owned owned subsidiaries. The scope of our audit work was therefore the audit of the Group, which included the parent Company and its subsidiaries. All audit work to respond to the risks of material misstatement of both the Group and parent Company was performed directly by the audit engagement team. The scope of the audit and our audit strategy was developed by using our audit planning process to obtain and update our understanding of the Group, its activities, internal control environment, and likely future developments. Our audit testing was informed by this understanding of the Group and accordingly was designed to focus on areas where we assessed there to be the most significant risks of material misstatement.

Audit work to respond to the assessed risks was performed directly by the audit engagement team who performed full scope audit procedures on the two material subsidiaries, being Mexican Grill Limited and Chilango Limited. Reduced scope audit procedures were performed on the remaining subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of property, plant and equipment (including right of use assets and allocated goodwill)

As at 31 December 2023, the Group recognised non-current assets with a carrying value of £46.3m. These assets are material to the Group and there is a risk that they are materially overstated if impaired.

For the period ended 31 December 2023 Management assessed each cash generating unit (CGU), which are each of its operating sites, for indicators of impairment. This incorporated the allocation of goodwill and right of use asset values to leasehold property in full.

The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 "Impairment of Assets" is complex and highly judgemental.

Significant management judgement and estimation uncertainty is involved in this area.

Our audit work included, but was not restricted to the following:

- The assessment of Management's impairment review process and the consideration and challenge of Management's assumptions.
- The review of each cash generating unit for indicators of impairment and assessment of whether all sites showing risk indicators were considered in the impairment assessment.
- The verification of the arithmetic accuracy and integrity of the value in use model prepared by Management.
- The review and assessment of cashflows as forecast by Management and as used in their calculations of the value in use of the CGUs.
- The assessment and challenge of assumptions used in the impairment calculation with reference to data such as historical results, market trends and future expectations.
- Consideration of the appropriateness of the discount rate used in Management's impairment assessment, which was based on the Group's weighted average cost of capital.
- The assessment of whether disclosures made in the financial statements relating to impairments are appropriate.

Our application of materiality

The materiality for the Group financial statements as a whole was set at £657,000. This was determined as being 1% of Group revenue. Revenue has been selected as a benchmark because it is a Key Performance Indicator of the Group and stakeholders are principally interested in the underlying performance of the Group. On the basis of our risk assessment and review of the Group's control environment, performance materiality was set at 75% of materiality, being £493,000. The reporting threshold to the audit committee was set at 5% of materiality, being £32,800. If in our opinion, differences below this level warranted reporting on qualitative grounds, these would also be reported.

We have determined Parent Company materiality to be £84,100. This was determined as being 2% of gross assets. Gross assets has been selected as the benchmark as the parent Company is a holding company and does not trade. Therefore the gross asset position is deemed to be the area of principle interest for the stakeholders. Because of our risk assessment and review of the Parent's control environment, performance materiality was set at 75% of materiality, being £63,000. The reporting threshold to the audit committee was set at 5% of materiality, being £4,200. If in our opinion, differences below this level warranted reporting on qualitative grounds, these would also be reported.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included but was not limited to:

- The review of Management's going concern assessment, which incorporates scrutiny of working capital projections for a period of at least twelve months from the date of approval of the financial statements;
- The review and consideration of the appropriateness of sensitivity analysis of trading performance and cash flow forecasts prepared by Management;
- Review and consideration of compliance with bank loan covenants during the period ended 31 December 2023 and as prospectively forecast;
- Challenging and assessing the underlying assumptions of the cashflow forecasts and considering whether the period of the forecast is appropriate and;
- The review of post balance sheet trading performance and cash flow to assess the reasonableness of managements forecasting.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the company and trade regulations, such as minimum wage regulation and food standards requirements and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated Management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CHRISTOPHER CORK
(SENIOR STATUTORY AUDITOR)

FOR AND ON BEHALF OF HAYSMACINTYRE LLP, STATUTORY AUDITORS

10 QUEEN STREET PLACE
LONDON
EC4R 1AG

1 MAY 2024

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income
For the 52 weeks ended 31 December 2023

	Note	52 weeks ended 31 December 2023 £	52 weeks ended 1 January 2023 £
Revenue	4	**65,674,965**	57,698,487
Cost of sales		**(14,883,204)**	(13,605,825)
Gross profit		**50,791,761**	44,092,662
Administrative expenses		**(50,107,651)**	(43,556,533)
Operating profit	5	**684,110**	536,129
Finance income	9	**31,900**	1,384
Finance expense	10	**(1,801,176)**	(1,466,062)
Loss before taxation		**(1,085,166)**	(928,549)
Tax on loss	11	**(7,377)**	290,327
Loss for the period and comprehensive income attributable to equity holders of the parent company		**(1,092,543)**	(638,222)
(Loss)/earnings per share for profit attributable to the owners of the parent during the period			
Basic and diluted (pence)	12	**(2.8)**	(1.7)

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

The notes on pages 65 to 84 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2023

	Note		31 December 2023 £		1 January 2023 £
Non-current assets					
Intangible assets	14		**2,627,039**		2,632,205
Tangible assets	15		**14,119,801**		13,721,101
Right-of-use assets	13		**29,520,494**		31,035,358
			46,267,334		47,388,664
Current assets					
Inventories	16	**358,861**		397,083	
Trade and other receivables	17	**3,135,075**		2,193,877	
Cash at bank and in hand	18	**1,644,674**		2,375,800	
		5,138,610		4,966,760	
Current liabilities					
Trade and other payables	19	**(9,749,505)**		(9,110,069)	
Lease liabilities	13	**(5,670,902)**		(5,614,340)	
Net current liabilities			**(10,281,797)**		(9,757,649)
Total assets less current liabilities			**35,985,537**		37,631,015
Non-current liabilities					
Loans and borrowings	20		**(2,949,021)**		(2,930,481)
Lease liabilities	13		**(29,532,937)**		(31,109,551)
Deferred taxation	21	**(617,696)**		-	
			(617,696)		-
Net assets			**2,885,883**		3,590,983
Equity attributable to equity holders of the company					
Called up share capital	22		**386,640**		386,640
Share premium account	23		**4,433,250**		4,433,250
Share based payment reserve	23		**839,978**		452,535
Merger reserve	23		**4,793,170**		4,793,170
Profit and loss account	23		**(7,567,155)**		(6,474,612)
Total equity			**2,885,883**		3,590,983

The accompanying notes on pages 65 to 84 form an integral part of these financial statements.

The Company statement of financial position can be found on page 87.

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

Maria Denny
CHIEF FINANCIAL OFFICER
1 MAY 2024

Consolidated statement of changes in equity
For the 52 weeks ended 31 December 2023

	Called up share capital	Share premium account	Share-based payment reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 3 January 2022	**386,640**	**4,433,250**	**90,507**	**4,793,170**	**(5,836,390)**	**3,867,177**
Loss for the period	-	-	-	-	(638,222)	**(638,222)**
Share-based payments	-	-	362,028	-	-	**362,028**
At 2 January 2023	**386,640**	**4,433,250**	**452,535**	**4,793,170**	**(6,474,612)**	**3,590,983**
Loss for the period	-	-	-	-	(1,092,543)	**(1,092,543)**
Share-based payments	-	-	387,443	-	-	**387,443**
At 31 December 2023	**386,640**	**4,433,250**	**839,978**	**4,793,170**	**(7,567,155)**	**2,885,883**

The notes on pages 65 to 84 form part of these financial statements.

Consolidated statement of cash flows
For the 52 weeks ended 31 December 2023

	52 weeks ended 31 December 2023	52 weeks ended 1 January 2023
	£	£
Cash flows from operating activities		
Loss for the financial period	(1,092,543)	(638,222)
Adjustments for:		
Amortisation of intangible assets	5,166	10,456
Depreciation of right-to-use asset	4,344,878	3,657,710
Depreciation of property, plant and equipment	3,805,769	2,501,433
Loss on disposal of tangible assets	40,746	17,780
Net finance expense	269,491	183,939
Taxation charge/(credit)	7,377	(290,327)
Decrease/(Increase) in inventories	38,222	(19,178)
(Increase)/Decrease in trade and other receivables	(327,477)	196,503
Increase in trade and other payables	639,436	762,249
Impairment of property, plant and equipment	289,901	160,930
Reversal of impairment of property, plant and equipment	-	(368,953)
Impairment of right-to-use asset	-	380,673
Corporation tax paid	(3,402)	(610,363)
Share based payments	387,443	362,028
Finance cost on lease liabilities	1,531,685	1,280,739
Net cash generated from operating activities	9,936,692	7,587,397
Cash flows from investing activities		
Purchase of tangible fixed assets	(4,535,117)	(6,643,962)
Interest received	31,900	1,384
Acquisitions, net of cash acquired	-	(1,687,365)
Net cash from investing activities	(4,503,217)	(8,329,943)
Cash flows from financing activities		
Interest paid	(282,849)	(181,759)
Payments made in respect of lease liabilities	(5,881,752)	(6,353,067)
Net cash used in financing activities	(6,164,601)	(6,534,826)
Net (decrease) in cash and cash equivalents	(731,126)	(7,277,372)
Cash and cash equivalents at beginning of period	2,375,800	9,653,172
Cash and cash equivalents at the end of period	1,644,674	2,375,800

Notes to the consolidated financial statements

1. General information

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

The registered address of Tortilla Mexican Grill plc and all subsidiaries is 142-144 New Cavendish Street, London, W1W 6YF, United Kingdom. A list of the Company's subsidiaries is presented in note 25.

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

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

2. Accounting policies

2.1 Statement of compliance

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

Tortilla Mexican Grill plc has taken advantage of the exemption under section 408 of the Companies Act 2006 to not present its own statement of comprehensive income. The loss for the single entity Tortilla Mexican Grill plc for the 52 weeks ended 31 December 2023 was £5,479 (1 January 2023: £206,060).

2.2 Basis of preparation of financial statements

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

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

2.3 New standards, amendments and interpretations adopted

The Directors do not consider that there are any new standards or amendments applicable for the 52 weeks ending 31 December 2023 that would have a material impact on the Group's accounting treatment.

2.4 Standards issued but not yet effective

The following standards are applicable for financial years beginning on/after 1 January 2024:

- IFRS 10 - Sale or contribution of assets between an investor and its associate or joint venture
- IFRS 16 - Leases on sale and leaseback
- IAS 1 - Classification of liabilities as current or non-current
- IAS 1 - Non-current liabilities with covenants
- IAS 7 and IFRS 7 - Supplier finance arrangements

The following standards are applicable for financial years beginning on/after 1 January 2025:

- IAS 21 - Lack of exchangeability

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

2. Accounting policies (continued)

2.5 Basis of consolidation

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

The statement of financial position as at 31 December 2023 incorporates the results of Tortilla Mexican Grill plc and its subsidiaries for all periods, as set out in the basis of preparation.

2.6 Going concern

In assessing the going concern position of the Group for the consolidated financial statements for the 52 weeks ended 31 December 2023, the Directors have considered the Group's cash flow, liquidity and business activities.

During 2023 the Group did not draw down any further on the debt facilities meaning it has access to a further £7.0m of financing and this remained undrawn on 31 December 2023. The Group had cash balances of £1.6m on 31 December 2023 which translated to a net debt position of £1.3m, and a net current liability position of £10.3m. The Directors do not consider the net current liability position to be of concern given the negative working capital cycle which is common across the industry, and are therefore satisfied that this doesn't impact the going concern position.

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

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

2.7 Revenue

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

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

The Group's revenue comprises of:

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

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

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

2. Accounting policies (continued)

2.8 Employee benefits

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

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

2.9 Share-based payments

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

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

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

The vesting is dependent on achievement of specific performance conditions for the 2023, 2024 and 2025 financial years. The share-based payment expense will be modified if it is determined that these performance conditions will not be met.

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

2.10 Current and deferred tax

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

2.11 Alternative performance measures ("APMs")

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

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

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

2.12 Intangible assets

Goodwill

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

Other intangible assets

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

2.13 Property, plant and equipment

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

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

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

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

2. Accounting policies (continued)

2.14 Leases

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Where the Group expects to extend the leases covered by the Landlord and Tenant Act 1985, the extension period is not included within the lease term as the termination date cannot be determined and these are not reasonably certain.

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

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

2.15 Impairment

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

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

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

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

2.16 Inventories

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

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

2.17 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. Accounting policies (continued)

2.18 Valuation of investments

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

2.19 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 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.

2.20 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 Financial instruments

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

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

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

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

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

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

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

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

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

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

2. Accounting policies (continued)

2.22 Financial risk

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

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

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

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

Credit risk
The Group's credit risk is attributable to trade and other receivables and cash with the carrying amount best representing the maximum exposure to credit risk. The Group places its cash only with banks with high-quality credit standings. Trade and other receivables relate to day-to-day activities which are entered into with creditworthy counterparties.

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

The Group has access to a £10m revolving credit facility held with Santander UK plc, of which £7m is undrawn at the year end. Of this undrawn amount, £2.5m has been allocated to an ancillary facility, an overdraft, which was not utilised at 31 December 2023.

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

Maturity analysis

	Within 1 year £	1 to 2 years £	2 to 5 years £	More than 5 years £	Total £
31 December 2023					
Trade and other payables	9,749,505	-	-	-	**9,749,505**
Lease liabilities	5,804,285	5,548,013	13,630,276	18,373,748	**43,356,322**
Borrowings	-	-	2,949,021	-	**2,949,021**
	15,553,790	**5,548,013**	**16,579,297**	**18,373,748**	**56,054,848**
1 January 2023					
Trade and other payables	9,110,069	-	-	-	**9,110,069**
Lease liabilities	5,740,772	5,469,318	13,870,702	19,454,295	**44,535,087**
Borrowings	-	-	2,930,481	-	**2,930,481**
	14,850,841	**5,469,318**	**16,801,183**	**19,454,295**	**56,575,637**

2. Accounting policies (continued)

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

3. Critical accounting estimates and judgements

The Group makes certain judgements, estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. Judgements that have been made by the directors in the application of these accounting policies that fall within the scope of IAS 1 paragraph 125 have been discussed below.

Determining the discount rate for IFRS 16

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

The Directors carried out a review of the historic borrowing rates of the Group and historic bond rates together with analysis of the lease terms. They concluded that the use of a single discount rate applied to all leases signed prior to 2 January 2022 is a reasonable approach. Based on this analysis a discount rate of 3.4 percent has been applied. Subsequently, discount rates have been applied on a lease-by-lease basis, in order to reflect the increasing risk-free rate during this period. These discount rates range from 4.9 percent to 7.3 percent.

For the lease liabilities at 31 December 2023 a 0.1 percent increase in the discount rate would reduce the total liabilities by £11,000 (1 January 2023: £83,000), which is not considered to be material. Therefore this is not considered to be a key source of estimation uncertainty.

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

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

The key assumptions in the value-in-use calculations include the growth rates of revenue and expenses, together with the Group's weighted average cost of capital (WACC), which is used as a discount rate. Projected cash flows are based on financial budgets approved by the Board covering a five year period. Beyond this five year period, projected cash flows have been based on a 3.0% growth rate until the end of the lease terms. The value-in-use calculations also factor in the cost of maintaining the assets, set at £25,500 per annum for each site based on historic averages, and the impact of direct overhead costs.

For the leases held in Chilango Ltd, a further key assumption in the value-in-use calculations was that the leases with terms ending in less than five years would be able to be renewed with terms of 10-15 years, in line with the term lengths of leases held by Mexican Grill Ltd. If this assumption was incorrect, the maximum potential impact on the impairment charge for the 52 weeks ended 31 Decemer 2023 is an increase of £1,605,818.

An independent external consultancy was engaged to calculate the Group's post-tax WACC. As at 31 December 2023, the pre-tax WACC was determined to be 15.1% (1 January 2023: 13.1%). An increase in the discount rate of 1.0 percent would increase the impairment charge for the 52 weeks ended 31 December 2023 by £nil, which is not considered to be material.

In the 52 weeks ended 31 December 2023, property, plant and equipment assets of £14,119,801 and right-of-use assets of £2,624,886 have been tested for impairment. Detailed impairment testing resulted in the recognition of an impairment charge of £289,901 (52 weeks ended 1 January 2023: £160,930) and an impairment reversal of £nil (52 weeks ended 1 January 2023: £368,953) against property, plant and equipment assets (note 15) and an impairment charge of £nil (52 weeks ended 1 January 2023: £380,673) against right-of-use assets (note 13).

As these assumptions have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, these are considered to be key sources of estimation uncertainty.

3. Critical accounting estimates and judgements (continued)

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 £346,000 decrease in depreciation in the 52 weeks ended 31 December 2023 (1 January 2023: £229,000). This is not considered to be material and therefore this judgement is not deemed to be a key source of estimation uncertainty.

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.

The vesting of certain share-based payments is dependent on the achievement of specific performance and expansion targets over the three financial years 2023, 2024 and 2025. Assumptions have been made regarding the likelihood of these criteria being met. A 25% increase in likelihood would result in a £21,175 increase in share-based payment charge in the 52 weeks ended 31 December 2023 (1 January 2023: £nil). This is not considered to be material and therefore this judgement is not deemed to be a key source of estimation uncertainty.

4. Revenue

	52 weeks ended 31 December 2023	52 weeks ended 1 January 2023
	£	£
Sale of goods	**64,848,049**	57,050,636
Franchise income	**826,916**	647,851
	65,674,965	57,698,487

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 and the Chief Financial Officer.

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

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

5. Operating profit

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

	52 weeks ended 31 December 2023	52 weeks ended 1 January 2023
	£	£
Depreciation and amortisation	8,155,814	6,194,997
Impairment of right-of-use assets	-	380,673
Loss on disposal of fixed assets	40,746	17,780
Impairment of fixed assets	289,901	160,930
Reversal of impairment of fixed assets	-	(368,953)
Variable lease payments	692,886	969,880
Inventories - amounts charged as an expense	14,883,204	13,605,825
Share option expense	387,443	362,028
Pre-opening costs**	344,570	813,154
Exceptional items*	437,756	542,140
Bank arrangement fee amortisation	18,540	18,538
Auditors' remuneration:		
Audit fees	133,000	120,000
Other assurance services	9,700	14,000

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

	52 weeks ended 31 December 2023	52 weeks ended 1 January 2023
	£	£
Pre-opening costs	344,570	813,154
Number of site openings in period	6	18

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

6. Employees

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

	31 December 2023 No.	1 January 2023 No.
Operations staff	1,094	1,093
Head office staff	52	51
	1,146	1,144

6. Employees (continued)

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

	31 December 2023 £	1 January 2023 £
Wages and salaries	19,634,665	16,998,678
Social security costs	1,164,438	1,007,144
Pension costs	220,650	190,987
Share based payments (note 8)	387,443	362,028
	21,407,196	18,558,837

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

	31 December 2023 £	1 January 2023 £
Short-term employee benefits	585,205	511,677
Post-employment benefits	2,643	3,485
	587,848	515,162

7. Director's remuneration and key management information

The highest paid director received remuneration of £231,000 (2022: £215,000).

The number of Directors receiving pension contributions was 2 (2022: 2).

The share-based payment expense arising from the Directors' participation in the Company's LTIP scheme was £219,000 (2022: £240,984).

There are no Key Management Personnel other than the Directors. Further information about the remuneration of individual Directors is provided in the Annual Remuneration report on pages 46 to 49.

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

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

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

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

8. Share based payments (continued)

In the 52 weeks ended 31 December 2023, 600,387 nil cost options were awarded under the LTIP to Directors and members of the senior management team which will vest on 10 May 2026. The vesting of the awards made to Directors is dependent on achievement of specific performance and expansion targets over the three financial years 2023, 2024 and 2025, as well as the Directors' continous employment. The vesting of the awards made to members of the senior management team is dependent on continous employement only.

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:

	31 December 2023 Number of share options #	31 December 2023 Weighted average exercise price £	1 January 2023 Number of share options #	1 January 2023 Weighted average exercise price £
Outstanding at beginning of the period	**1,946,046**	**1.6**	1,809,393	1.8
Granted during the period	**600,387**	**-**	205,714	-
Exercised during the period	**-**	**-**	-	-
Forfeited during the period	**(300,442)**	**1.8**	(69,061)	1.8
Outstanding at the end of the period	**2,245,991**	**1.2**	1,946,046	1.6

The awards outstanding at the end of 31 December 2023 have a remaining weighted average contractual life of ninteen monthss (1 January 2023: two years) and an exercise price of £1.16 (1 January 2023: £1.62). No awards were exercisable at the end of the period (1 January 2023: none).

The Group recognised total expenses related to the above equity-settled share-based payment transactions in the form of options during the 52 weeks ended 31 December 2023 of £369,021 (1 January 2023: £362,028) and related employer National Insurance of £18,422 (1 January 2023: £9,988).

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

	31 December 2023	1 January 2023
Share price at grant date (pence)	**107p**	87p
Exercise price (pence)	**-**	-
Expected volatility (%)	**56%**	90%
Option life (years)	**3.0**	2.0
Risk free interest rate (%)	**3.88%**	3.57%

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. Interest receivable

	52 weeks ended 31 December 2023 £	52 weeks ended 1 January 2023 £
Bank interest income	**31,900**	1,384

10. Interest payable and similar expenses

	52 weeks ended 31 December 2023	52 weeks ended 1 January 2023
	£	£
Bank interest payable	269,491	185,323
Finance cost on lease liabilities	1,531,685	1,280,739
	1,801,176	1,466,062

11. Taxation

	52 weeks ended 31 December 2023	52 weeks ended 1 January 2023
	£	£
Current tax		
Adjustments in respect of previous periods	(610,319)	(290,327)
Total current tax	(610,319)	(290,327)
Origination and reversal of timing differences	617,696	-

Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 25%. The differences are explained below:

	52 weeks ended 1 January 2023	52 weeks ended 1 January 2023
	£	£
Loss on ordinary activities before tax	(1,085,166)	(928,549)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2022 - 19%)	(271,292)	(176,424)
Effects of:		
Expenses not deductible for tax purposes	91,098	109,211
Capital allowances in excess of depreciation	608,059	721,889
Movement in tax losses	60,138	(683,653)
Other timing differences, primarily arising from operating lease accounting	129,693	28,977
Adjustments to tax charge in respect of prior periods	(610,319)	(290,327)
Total tax charge / (credit) for the period	7,377	(290,327)

At 31 December 2023, the Group had unused carried forward tax losses of £3,307,448 (1 January 2023: £3,548,435) which are expected to be fully utilised in future periods. From 1 April 2023, the UK corporation tax rate increased to 25%. Accordingly, the rate used to calculate the deferred tax balances at 31 December 2023 is 25% (1 January 2023: 25%).

12. 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.

	31 December 2023 £	1 January 2023 £
(Loss)/profit used in calculating basic and diluted profit	**(1,092,543)**	(638,222)
Weighted average number of shares for the purpose of basic and diluted earnings per share	**38,664,031**	38,664,031
Basic and diluted (loss)/earnings per share (pence)	**(2.8)**	(1.7)

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.

13. Leases

Right-of-use assets

	£
At 2 January 2022	**24,939,614**
Additions	8,459,288
Disposals	(996,353)
Impairment	(380,673)
Arising on acquisition	2,671,192
Depreciation	(3,657,710)
At 1 January 2023	**31,035,358**
Additions	3,682,001
Arising from acquisition	-
Disposals	(851,987)
Depreciation	(4,344,878)
At 31 December 2023	**29,520,494**

Lease liabilities

	£
At 2 January 2022	**(31,662,090)**
Additions	(8,459,288)
Arising on acquisition	(2,671,192)
Interest expense	(1,280,739)
Lease payments	6,353,067
Disposals	996,353
At 1 January 2023	**(36,723,889)**
Additions	(3,682,004)
Arising on acquisition	-
Interest expense	(1,531,685)
Lease payments	5,881,752
Disposals	851,987
At 31 December 2023	**(35,203,839)**

Carrying amount by maturity of the Group lease liabilities

	Within 1 year £	1 to 2 years £	2 to 5 years £	Over 5 years £	More than 1 year £	Total £
31 Dec 2023	5,670,902	5,195,183	11,769,439	12,568,315	**29,532,937**	**35,203,839**
1 Jan 2023	5,614,340	5,147,757	12,129,224	13,832,570	**31,109,551**	**36,723,891**

The maturity analysis for the undiscounted lease liabilities is detailed in note 2.22.

The Group has 33 (2022: 31) lease contracts that include variable lease payments in the form of revenue-based rent top-ups. The Group also has certain leases with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. In the 52 weeks ended 31 December 2023, the total expense arising from variable lease payments amounted to £692,886 (52 weeks ended 1 January 2023: £969,879).

The majority of leases are covered by the Landlord and Tenant Act 1985 which gives the right to extend the lease beyond the termination date. The Group expects to extend the leases covered by the Landlord and Tenant Act 1985, however this extension period is not included within the lease term for the purposes of calculating the above lease liabilities because the termination date cannot be determined and these are not reasonably certain.

14. Intangible assets

	Computer Software	Goodwill	Total
	£	£	£
Cost			
At 3 January 2022	-	-	-
Arising on acquisition	24,600	2,624,886	2,649,486
Disposals	(9,100)	-	(9,100)
At 1 January 2023	**15,500**	**2,624,886**	**2,640,386**
At 31 December 2023	**15,500**	**2,624,886**	**2,640,386**
Amortisation			
At 3 January 2022	-	-	-
Amortisation charge	10,456	-	10,456
On disposals	(2,275)	-	(2,275)
At 1 January 2023	**8,181**	**-**	**8,181**
Amortisation charge	5,166	-	5,166
At 31 December 2023	**13,347**	**-**	**13,347**
Net book value			
At 31 December 2023	**2,153**	**2,624,886**	**2,627,039**
At 1 January 2023	7,319	2,624,886	2,632,205

Goodwill

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

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

15. Tangible assets

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 3 January 2022	**14,295,429**	**3,621,556**	**3,671,580**	**21,588,565**
Additions	2,076,864	1,578,180	2,988,918	6,643,962
Arising from acquisition	104,019	43,047	194,143	341,209
Disposals	(427,046)	(114,138)	(162,234)	(703,418)
At 1 January 2023	**16,049,266**	**5,128,645**	**6,692,407**	**27,870,318**
Additions	1,995,101	960,842	1,579,174	4,535,117
Disposals	(51,995)	(860,302)	(765,619)	(1,677,916)
At 31 December 2023	**17,992,372**	**5,229,185**	**7,505,962**	**30,727,519**
Depreciation				
At 3 January 2022	**7,536,464**	**2,777,463**	**2,010,471**	**12,324,398**
Charge for the period	1,222,230	548,409	730,794	2,501,433
Arising from acquisition	37,176	24,089	171,321	232,586
Disposals	(518,938)	(79,971)	(102,268)	(701,177)
Impairment charge	160,930	-	-	160,930
Impairment losses written back	(368,953)	-	-	(368,953)
At 1 January 2023	**8,068,909**	**3,269,990**	**2,810,318**	**14,149,217**
Charge for the period	1,238,432	640,731	1,926,606	3,805,769
Disposals	(34,288)	(849,855)	(753,026)	(1,637,169)
Impairment charge	289,901	-	-	289,901
At 31 December 2023	**9,562,954**	**3,060,866**	**3,983,898**	**16,607,718**
Net book value				
At 31 December 2023	**8,429,418**	**2,168,319**	**3,522,064**	**14,119,801**
At 1 January 2023	7,980,357	1,858,655	3,882,089	13,721,101

16. Inventories

	31 December 2023 £	1 January 2023 £
Food and beverage for resale	**358,861**	397,083

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 £14,883,204 (52 weeks ended 1 January 2023: £13,605,825).

17. Trade and other receivables

	31 December 2023 £	1 January 2023 £
Trade receivables	**404,241**	573,832
Other receivables	**1,713,007**	1,129,420
Prepayments and accrued income	**1,017,827**	490,625
	3,135,075	2,193,877

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

Other receivables consists of deposits held by third parties, generally landlords, and franchise income accrued but not yet invoiced to third parties. Other receivables also includes amounts due from HMRC relating to corporation tax from a previous period adjustment.

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.

18. Cash and cash equivalents

	31 December 2023 £	1 January 2023 £
Cash at bank and in hand	**1,644,674**	2,375,800

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.

19. Trade and other payables

	31 December 2023 £	1 January 2023 £
Trade payables	**2,768,567**	2,496,200
Corporation tax	**-**	-
Other taxation and social security	**2,119,292**	2,265,394
Other payables	**940,674**	864,184
Accruals and deferred income	**3,920,972**	3,484,291
	9,749,505	9,110,069

20. Loans and borrowings

	31 December 2023 £	1 January 2023 £
Bank loans - falling due after one year	**3,000,000**	3,000,000
Amortised issue costs	**(50,979)**	(69,519)
	2,949,021	2,930,481

As part of the Group's IPO on 8 October 2021, the existing facilities were repaid and a new financing arrangement was signed with Santander UK plc. This is a £10m senior facility, repayable in full on 14 September 2026, with a drawn balance at 1 December 2023 of £3.0m (1 January 2023: £3.0m). The Group has allocated £2.5m of the remaining undrawn amount to an ancillary facility, an overdraft, which was not utilised at 31 December 2023 or 1 January 2023. Arrangement fees of £93,000 were incurred as part of the refinancing and this is being amortised to the Group consolidated statement of comprehensive income over the term of the facility. The loan balance is being recognised net of these arrangement fees.

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

21. Deferred taxation

	Deferred taxation asset / (liability) £
At 1 January 2023	-
Charged to profit or loss	(617,696)
At 31 December 2023	**(617,696)**

	31 December 2023 £	1 January 2023 £
Accelerated capital allowances	(1,444,558)	(887,109)
Tax losses carried forward	826,862	887,109
	(617,696)	-

No deferred tax assets or liabilities were recognised as at 2 January 2022 with no amount recognised in profit or loss in relation to deferred tax for the period ended 1 January 2023. Therefore no comparative information is presented.

22. Share capital

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

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

23. Reserves

Share premium account

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

Share based payment reserve

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

Merger Reserve

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

Profit and loss account

The accumulated net profits and losses of the Group.

24. Analysis of net debt

	At 2 January 2023	Cash flows	Additions and disposals of leases	Finance expense	At 31 December 2023
	£	£	£	£	£
Cash at bank and in hand	2,375,800	(731,126)	-	-	**1,644,674**
Bank loans	(2,930,481)	-	-	(18,540)	**(2,949,021)**
Lease liabilities	(36,723,889)	5,881,748	(2,830,013)	(1,531,685)	**(35,203,839)**
Net debt	**(37,278,570)**	**5,150,622**	**(2,830,013)**	**(1,550,225)**	**(36,508,186)**

25. Subsidiary undertakings

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

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

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

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

26. Related party transactions

Mexican Grill Ltd was charged monitoring fees of £30,000 for the 52 weeks ended 31 December 2023 (1 January 2023: £30,000) by QS Direct SI 2 S.à.r.l, in its capacity as General Partner of the Group's shareholder QS Direct SI 2 SCA SICAR.

Tortilla Mexican Grill plc was charged non-executive director fees of £9,000 for the 52 weeks ended 31 December 2023 (1 January 2023: £12,375) by Kikkirossi SARL, an entity incorporated in Switzerland which is wholly owned by a Director of Tortilla Mexican Grill plc.

27. Controlling party

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

28. Capital commitments

The Group had capital commitments of £nil at 31 December 2023 (1 January 2023: £nil).

29. Post-balance sheet events

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

30. IFRS comparison to UK GAAP

This is a non-GAAP note and does not form part of the financial statements.

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

	Pre-IFRS 16 52 weeks ended 31 Dec 2023 £	IFRS 16 adjustments £	IFRS 52 weeks ended 31 Dec 2023 £	Pre-IFRS 16 52 weeks ended 1 Jan 2023 £	IFRS 16 adjustments £	IFRS 52 weeks ended 1 Jan 2023 £
Revenue	65,674,965	-	65,674,965	57,698,487	-	57,698,487
Cost of sales	(14,883,204)	-	(14,883,204)	(13,605,825)	-	(13,605,825)
Gross profit	50,791,761	-	50,791,761	44,092,662	-	44,092,662
Administrative expenses	(51,657,149)	1,549,498	(50,107,651)	(44,377,113)	820,580	(43,556,533)
Profit/(loss) from operations	(865,388)	1,549,498	684,110	(284,451)	820,580	536,129
Adjusted EBITDA	4,565,275	5,793,606	10,358,881	3,972,471	4,684,946	8,657,417
Pre-opening costs	(478,911)	134,341	(344,570)	(978,457)	165,303	(813,154)
Share based payments	(387,443)	-	(387,443)	(362,028)	-	(362,028)
Depreciation and amortisation	(3,818,112)	(4,378,449)	(8,196,561)	(2,563,782)	(3,648,996)	(6,212,778)
Impairment (charge)/reversal	(289,901)	-	(289,901)	208,023	(380,673)	(172,650)
Non-trading costs	(18,540)	-	(18,540)	(18,538)	-	(18,538)
Exceptional items	(437,756)	-	(437,756)	(542,140)	-	(542,140)
Profit/(loss) from operations	(865,388)	1,549,498	684,110	(284,451)	820,580	536,129
Finance income	31,900	-	31,900	1,384	-	1,384
Finance expense	(269,491)	(1,531,685)	(1,801,176)	(185,323)	(1,280,739)	(1,466,062)
Profit/(loss) before tax	(1,102,979)	17,813	(1,085,166)	(468,390)	(460,159)	(928,549)
Tax (charge)/credit	(7,377)	-	(7,377)	290,327	-	290,327
Loss for the period	(1,110,356)	17,813	(1,092,543)	(178,063)	(460,159)	(638,222)

30. IFRS comparison to UK GAAP (continued)

	Pre-IFRS 16 52 weeks ended 31 Dec 2023 £	IFRS 16 adjustments £	IFRS 52 weeks ended 31 Dec 2023 £	Pre-IFRS 16 52 weeks ended 1 Jan 2023 £	IFRS 16 adjustments £	IFRS 52 weeks ended 1 Jan 2023 £
Fixed assets						
Intangible assets	**2,627,039**	**-**	**2,627,039**	2,632,205	-	2,632,205
Tangible assets	**13,573,308**	**546,493**	**14,119,801**	13,033,022	688,079	13,721,101
Right-of-use asset	**-**	**29,520,494**	**29,520,494**	-	31,035,358	31,035,358
Total fixed assets	**16,200,347**	**30,066,987**	**46,267,334**	15,665,227	31,723,437	47,388,664
Current assets						
Inventories	**358,861**	**-**	**358,861**	397,083	-	397,083
Trade and other receivables	**4,213,507**	**(1,078,432)**	**3,135,075**	3,563,818	(1,369,941)	2,193,877
Cash at bank and in hand	**1,644,674**	**-**	**1,644,674**	2,375,800	-	2,375,800
Total current assets	**6,217,042**	**(1,078,432)**	**5,138,610**	6,336,701	(1,369,941)	4,966,760
Current liabilities						
Trade and other payables	**(11,416,127)**	**1,666,622**	**(9,749,505)**	(10,913,989)	1,803,920	(9,110,069)
Lease liabilities	**-**	**(5,670,902)**	**(5,670,902)**	-	(5,614,340)	(5,614,340)
Total current liabilities	**(11,416,127)**	**(4,004,280)**	**(15,420,407)**	(10,913,989)	(3,810,420)	(14,724,409)
Non-current liabilities						
Loans and borrowings	**(2,949,021)**	**-**	**(2,949,021)**	(2,930,481)	-	(2,930,481)
Lease liabilities	**-**	**(29,532,937)**	**(29,532,937)**	-	(31,109,551)	(31,109,551)
Deferred taxation	**(617,696)**	**-**	**(617,696)**	-	-	-
Total non-current liabilities	**(3,566,717)**	**(29,532,937)**	**(33,099,654)**	(2,930,481)	(31,109,551)	(34,040,032)
Net assets	**7,434,545**	**(4,548,662)**	**2,885,883**	8,157,458	(4,566,475)	3,590,983
Equity attributable to equity holders of the company						
Called up share capital	**386,640**	**-**	**386,640**	386,640	-	386,640
Share premium account	**4,433,250**	**-**	**4,433,250**	4,433,250	-	4,433,250
Share based payment reserve	**839,978**	**-**	**839,978**	452,535	-	452,535
Merger reserve	**4,793,170**	**-**	**4,793,170**	4,793,170	-	4,793,170
Profit and loss account	**(3,018,493)**	**(4,548,662)**	**(7,567,155)**	(1,908,137)	(4,566,475)	(6,474,612)
Total equity	**7,434,545**	**(4,548,662)**	**2,885,883**	8,157,458	(4,566,475)	3,590,983

Company statement of financial position as at 31 December 2023

	Note		31 December 2023 £		1 January 2023 £
Fixed assets					
Investments	3		**1,549,526**		1,162,083
Current assets					
Debtors: amounts falling due within one year	4	**2,608,115**		2,613,594	
Creditors: amounts falling due within one year	5	**(343,386)**		(343,386)	
Net current assets			**2,264,729**		2,270,208
Total assets less current liabilities			**3,814,255**		3,432,291
Net assets			**3,814,255**		3,432,291
Capital and reserves					
Called up share capital	6		**386,640**		386,640
Share premium account	7		**4,433,250**		4,433,250
Share based payment reserve	7		**839,978**		452,535
Profit and loss account	7		**(1,845,613)**		(1,840,134)
			3,814,255		3,432,291

The accompanying notes on pages 89 to 91 form an integral part of these financial statements.

As permitted by section 408(3) of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The loss for the period was £5,479 (2022: £206,060).

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

Maria Denny
CHIEF FINANCIAL OFFICER
1 MAY 2024

Company statement of changes in equity for the period ended 31 December 2023

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 2 January 2022	386,640	4,433,250	90,507	(1,634,074)	3,276,323
Loss for the period	-	-	-	(206,060)	(206,060)
Share based payments	-	-	362,028	-	362,028
At 1 January 2023	386,640	4,433,250	452,535	(1,840,134)	3,432,291
Loss for the period	-	-	-	(5,479)	(5,479)
Share based payments	-	-	387,443	-	387,443
At 31 December 2023	386,640	4,433,250	839,978	(1,845,613)	3,814,255

The notes on pages 89 to 91 form part of these financial statements.

Notes to the financial statements for the period ended 31 December 2023

1. General information

Tortilla Mexican Grill plc, the "Company", is incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered address of Tortilla Mexican Grill plc is 142-144 New Cavendish Street, London, W1W 6YF, United Kingdom.

The Company was incorporated on 15 July 2021 and was admitted to trading on AIM on 8 October 2021.

The Company is a public limited company limited by shares whose shares are publicly traded on the Alternative Investment Market of the London Stock Exchange.

The principal activity of the Company and the nature of the Company's operations are as a holding entity.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

As permitted by FRS 102, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a Company statement of comprehensive income and Company statement of cash flows, standards not yet effective, impairment of assets, related party transactions and remuneration of key management personnel.

The financial statements are presented in GBP. The financial statements present information about the Company as an individual entity and not about the Group.

The following principal accounting policies have been applied:

2.2 Investments

Investments held as non-current assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Shares issued in a paper for paper exchange to which local merger relief applies are booked at their nominal value.

2.3 Financial instruments

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans from banks and other parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. Debt instruments that are payable within one year, typically trade debtors and credit, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence is found, an impairment loss is recognised in the statement of comprehensive income.

Financial assets and liabilities are offset and the net amount reported in the 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.

3. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 2 January 2023	**1,162,083**
Additions - Mexican Grill Ltd	**387,443**
At 31 December 2023	**1,549,526**

The investment additions in Mexican Grill Ltd relates wholly to the shared based payment for the 52 weeks ended 31 December 2023 (1 January 2023: £362,028).

The Company's subsidiary undertakings are shown in note 25 to the consolidated financial statements.

4. Debtors

	31 December 2023 £	1 January 2023 £
Amounts owed by group undertakings	**2,584,414**	2,589,893
Other debtors	**23,701**	23,701
	2,608,115	2,613,594

Amounts owed by Group undertakings are repayable on demand and are non-interest bearing.

5. Creditors: Amounts falling due within one year

	31 December 2023 £	1 January 2023 £
Other creditors	**250,000**	250,000
Accruals and deferred income	**93,386**	93,386
	343,386	343,386

Other creditors relate wholly to amounts payable to RDCP Group Limited as contingent consideration for the acquisition of Chilango Ltd.

6. Share capital

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

In addition to the table above, please refer to note 22 of the consolidated financial statements, which provides information on the Company's called up share capital.

7. Reserves

Share premium account

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

Share based payment reserve

The Company 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.

Profit and loss account

The accumulated net profits and losses of the Company.

8. Controlling party

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

Company information

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