Annual Report 2021

A whole world of *more.*

Hostmore®

The new home of

FRIDAYS

Contents

At a glance

Who are we?

Hostmore is a growing hospitality business with its current operations focused on the American-themed casual dining brand, "Fridays", and the cocktail-led bar and restaurant brand, "63rd+1st".

While Fridays has been trading for over three decades in the UK, the Group was established in 2021 with a core strategy of providing a platform for the development of hospitality brands under the leadership of an experienced management team that has a track record of building businesses in the hospitality and leisure sectors.

The Group offers quality casual dining experiences at its restaurants and through its takeaway and delivery services.

Our vision and strategic focus

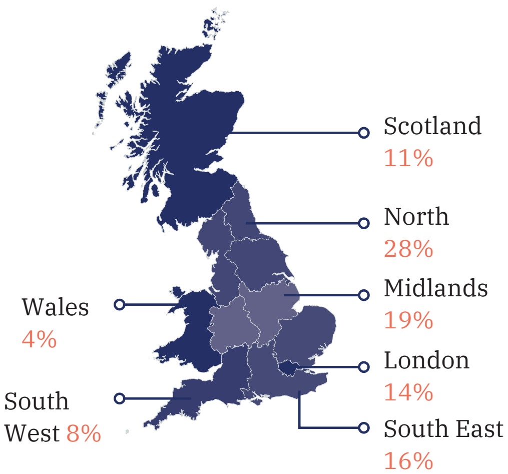
Our vision is to make every customer experience engaging and relevant, celebrating the unique heritage and character of our brands, creating environments where our customers feel welcomed, relaxed and enlivened by their experience.

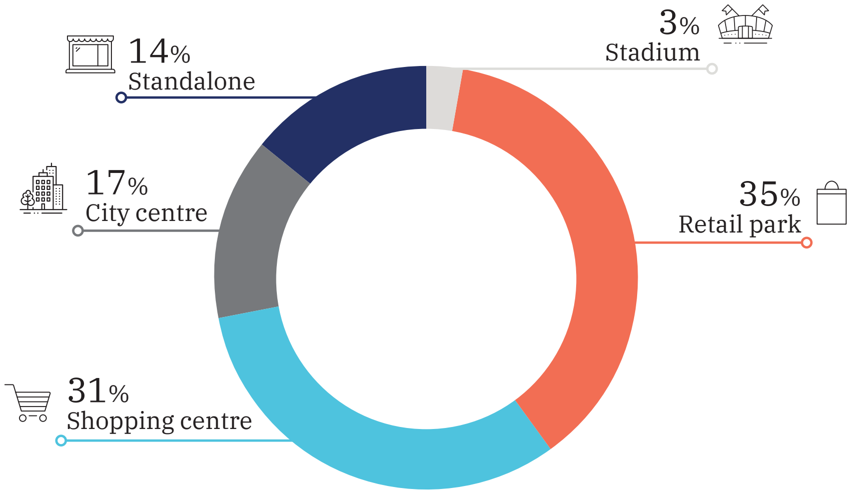
Providing a platform for the development of hospitality brands, our strategic focus is to optimise their performance through focused alignment. Meeting evolving customer demands and delivering personalised customer engagement are key to achieving this, supported by a redesigned and innovative digital platform.

A whole world of *more.*

Our restaurants and bars

Our portfolio features a balanced and diversified estate across regions and location types.

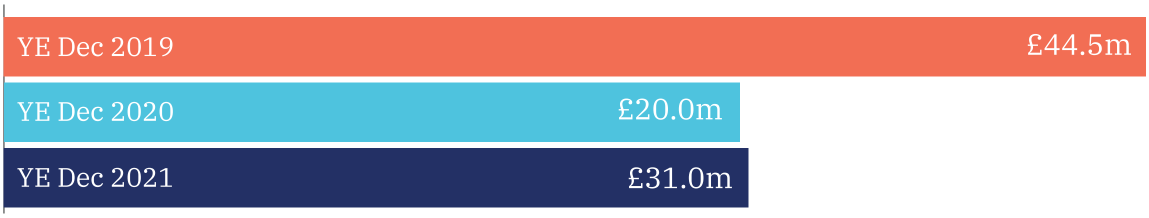




Financial highlights

EBITDA

Free cash flow



Operational highlights

The introduction of the Hostmore brand to act as a platform for development and build-out of hospitality brands has delivered operationally in 2021.

A refreshed brand strategy for Fridays has created an integrated, multi-channel offering. Improving our relevance to our customers and bringing back “That Fridays Feeling” has enabled growth of the Fridays brand across important channels, such as our dine-in, takeaway and delivery offerings.

In addition, Fridays has launched its branded retail drinks range and has opened a key new venue in Lincoln.

We have also launched our 63rd+1st brand, with new venue openings in Cobham, Glasgow and Harrogate, matching our strategic focus on affluent and high footfall areas.

Business model

Our business model

Our inputs

- Our iconic brands which are synonymous with quality, fun and flair
- Our passion for providing a unique customer experience with a genuine personal touch
- Our heritage and expertise in creating authentic American food & legendary drinks
- The unique look and feel to our dining environments in strategically chosen locations
- High energy and dynamic environments with a wide demographic appeal
- Our highly engaged and talented people

The value we create

- Maximising revenue returns for our shareholders
- Memorable and unique experiences for our customers
- Employment and advancement opportunities for our people
- Opportunities through partnerships in the communities we serve and operate
- Investment back into the brand, its reputation and its future

Bringing back that Fridays feeling

Our 4D strategy will re-energise the Fridays offering and brings a relevant engagement approach to our customer relationships.

1 Dine in

2 Delivery

3 Digital to home

4 Drive to

Pillar 1	Pillar 2	Pillar 3
Quality	Relevance	Simplification

Our 4D strategy is underpinned by three key pillars, providing a critical assessment basis for their performance.

For more information on our 4D strategy, please go to page 6.

Business strategy

Our 4D approach

FRIDAYS

	Dine in	Delivery	Digital to Home	Drive to
Core brand estate	FRIDAYS	FRIDAYS DELIVERED	FRIDAYS AT HOME	FRIDAYS AND GO
Service offering	American themed, drinks-led restaurants with dedicated cocktail bars, providing a fun and quality experience in a casual dining environment.	Prepared food and drinks delivered by Fridays or through third party aggregators, such as Just Eat and Deliveroo.	Launched in Q1 2021 Fridays getting fit for the future. High quality 'to home' comfort offering for pre packaged food and branded drinks. Implemented via Click & Collect and delivery of Cocktails at Home, Butcher's Pack and DIY Meal Kits.	New fast casual concept on a 'grab and go' basis, using click and collect ordering. First site opened in Dundee on 16 March 2022, the first Fridays in the world with this offering. If successful, longer-term strategy to roll out up to 30 venues over the next three years.

Rewards

FRIDAYS REWARDS

Loyalty programme for customers through the Fridays App, which provides loyalty rewards, exclusive offers and birthday offers

Hostmore: A Development Platform

Opportunity for listed business platform to expand: A restaurant business with Fridays at its centre, looking for smart, disruptive brands ready to go with founders in place.

Key targets

9

new Fridays
by the end of 2024

1

business/brand
acquisition – target
activity for 2022

Strategy

63rd+1st

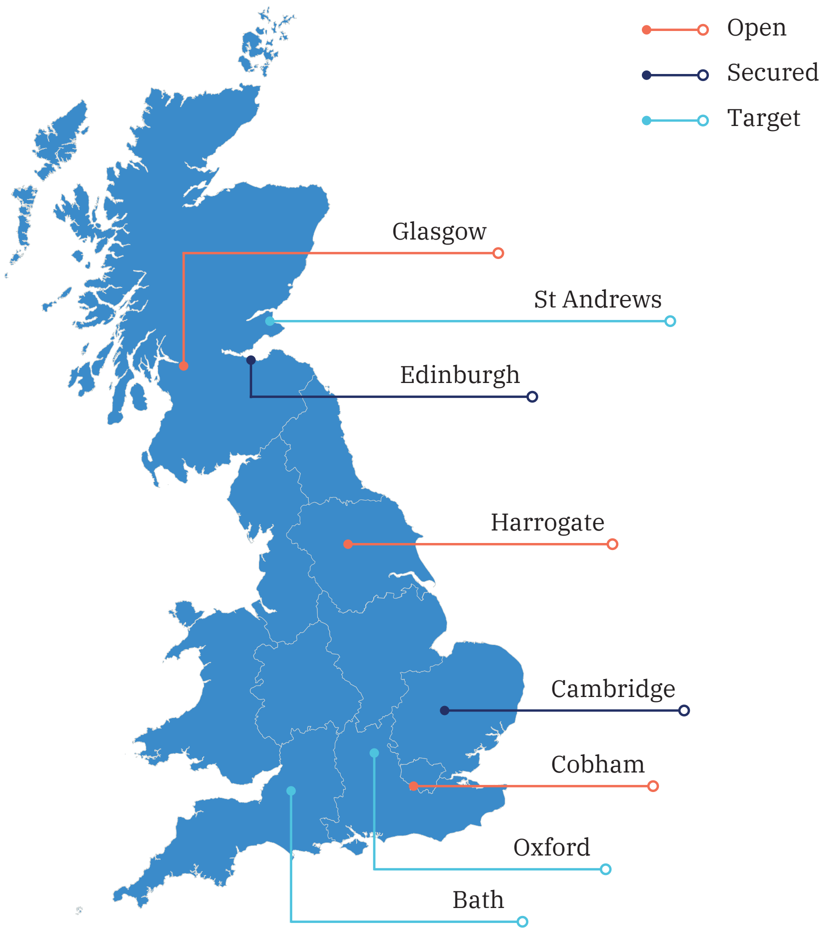
Our city-based cocktail bar which delivers a more sophisticated view of the Fridays personality.

+ Returning to our bar heritage offering a large selection of iconic cocktails, spirits, beers and wines.
+ An all day bar and dining experience serving light breakfast, coffee, through to lunch and dinner. With an emphasis on an ambient atmosphere in culturally sophisticated decor and furnishings. Music, both live and recorded, features across the venues.
+ The 63rd+1st brand targets affluent young professionals and university students with a more sophisticated tone than the Fridays restaurants.

Secured sites and target destinations

Target destinations are university towns and secondary affluent cities.

Three open stores with scope for 20 to 25 sites by the end of 2025.



Key targets

10

sites to open or to be acquired by the end of 2022

Broaden the Group's demographic appeal

Chair's statement

> "The results for 2021 reported today demonstrate clearly that Hostmore is a profitable and cash generative business delivering industry leading returns"

Having had responsibility for the stewardship of the TGI Fridays brand over the last five years as Chairman of Electra Private Equity PLC, I am now delighted to present the inaugural Chair's Statement of Hostmore plc as an independent listed business. In any circumstances the listing process is not one to be undertaken lightly and it is to the great credit of the Hostmore leadership team that this was accomplished as we emerged from what we hope will prove to be the worst phases of the coronavirus pandemic whilst delivering the trading performance reported today.

The successful demerger of Hostmore in November 2021 marked a pivotal moment in the long and successful history of the Fridays brand in the UK. Having initially transformed the UK casual dining market following its launch in 1986, the TGI Fridays brand has now traded successfully in the UK for over 35 years, consistently growing whilst generating profit and cash. Evolving consumer requirements led to a relaunch of the brand under the leadership of our new CEO Robert B. Cook in 2020. With the brand simplified to Fridays, and with a renewed mantra of quality, relevance and simplicity through all aspects of customer experience and operations, the core Fridays proposition is in good health and well positioned for growth in a market that has seen a significant and much needed reset driven by the COVID-19 pandemic.

Neil Johnson
Chair

Prior to joining the company in December 2019, Robert worked with the Electra team to conduct a thorough review of the Fridays business and the market opportunity. This work formed the foundation of the Fridays '4D strategy' for growth (further explained on pages 5 and 6), and demonstrated the scale of the opportunity not only for Fridays but for other well managed and focused brands that may be added in the future. Whilst the emergence of the pandemic produced many challenges, Robert and the evolving leadership team performed exceptionally well.

The transformation of the Fridays brand, the development of the '63rd+1st' brand and proposition and the definition of what is now the Hostmore strategy were all accomplished whilst managing the business through the pandemic and outperforming the market at every stage. Robert and the team worked, and continue to work, closely with our landlords, our suppliers and our superb people to ensure that Fridays emerged from the pandemic much stronger than it went in, with a strong foundation for growth and now accentuated by the exciting new '63rd+1st' business.

Prior to the emergence of the pandemic the casual dining market was suffering from significant oversupply characterised by discounting and widespread brand erosion. With the combination of the permanent closure of somewhere between 15-20% of restaurants as a result of the pandemic and a growing acceptance from consumers that pricing has to reflect value, there is an opportunity for well managed businesses in the hospitality industry to generate sustainable value. The results for 2021 reported today demonstrate clearly that Hostmore is a profitable and cash generative business delivering industry leading returns. Our strategy for growth is robust and with Robert, Alan Clark and their team in place the Board is confident in the ability of the Group to successfully navigate the undoubted challenges ahead and generate value through building a truly attractive and sustainable business.

With a robust balance sheet and a strongly cash generative business, it is the intention of the Board that Hostmore will instigate a dividend policy when it is prudent to do so after taking account of exceptional and material pandemic, macro-economic or geopolitical market disruption.

As indicated in the listing documents, my role as Chair of Hostmore was to ensure the successful transition to an independent listed business. It is therefore my intention to step down as planned at the Annual General Meeting in May. As a newly listed business, the Board believes continuity of stewardship is particularly important and I am therefore delighted that, subject to his election as a Director of the Company, Gavin Manson will succeed me as Chair. I would like to thank the Board, Robert and his management team and all the Fridays and 63rd+1st teams for their efforts and dedication in getting to where we are now, and look forward to the continued successful development of Hostmore with great confidence.

Neil Johnson
Chair
5 April 2022

A Peacock Welcome

Our 'family pride' dates back to 1965 New York. We still share the belief that the experience we offer and the service we provide is the best there is. Present in every Fridays, the peacock symbolises pride in our brand and is a reminder to our teams to put the best of Fridays on 'show'. From our classic red and white stripes to our traditional memorabilia, Fridays is an authentic and unique place to share fun, enjoyment and great times together.

Chief Executive Officer's statement

Robert B. Cook
Chief Executive Officer

> "Our loyal customers remain, new customers are joining and we have a healthy pipeline of growth"

After a year of constant challenge and difficulties for our business, our venues and the wider hospitality sector as a whole, I must open with a statement of thanks to our entire team and community; a community which is the lifeblood of the business, within a culture of engagement and reward. These are the USPs of the Fridays' brand and have been since its inception in 1965.

Similarly, the support from our stakeholders in the early stages of plc life has been invaluable. Our in-store teams and in particular our General Managers, on a daily basis at the sharp end of the COVID-19 disruptions, have been professional and hardworking throughout. On behalf of the Hostmore Board, we are truly grateful to the entire team for their resilience and efforts in this very difficult period.

In the early part of 2021 our focus was on reopening whilst preserving cash, halting our capital programme and managing our outgoings as effectively as possible. We worked closely with our landlords on pandemic related rent concessions and our supply chain, who all collaborated with us in achieving a positive trading outcome for the year, for which we are grateful.

Our customers have remained loyal and came back in droves as we moved out of lockdown and welcomed "Freedom Day" with open doors. Trading since mid-May has been strong and the evident pent-up demand for friends and families to get out and socialise came back to near normality.

As we entered the final quarter of the year, we could see the gathering storm of the Omicron variant and inflationary headwinds approaching. Whilst trading was challenging in the fourth quarter due to Omicron, we were able to successfully mitigate these pressures and restored our balance sheet to a healthy level as we entered 2022.

Despite the challenges faced by our sector, our business is in a position of strength and we have positive momentum. I share this positivity for our near-term future and beyond.

Our loyal customers remain, new customers are joining and we have a healthy pipeline of growth for both the Fridays and 63rd+1st brands. Demand for our well-loved brands continued with like-for-like revenue growth of 4%, when compared to FY19, since restrictions were lifted in May to the end of the reporting period.

Regardless of the pandemic and its challenges, we have been developing our sustainability strategy and have set ourselves ambitious goals as we move towards Net Zero with regards to carbon neutrality. The focus has also been on our wider ESG strategy, with particular attention on our supply chain compliance, energy consumption through our "Fridays Green Mission", and on our new menu and nutritional objectives to reduce the calorie count across both our brands. We have made good progress on these key focus areas within our ESG strategy and are maintaining good momentum as we go forward.

Whilst we recognise the significance of the evolving impact that the Ukraine crisis may have on consumer demand and inflation, our stronger balance sheet and liquidity nevertheless place us in the enviable position of looking forward to the opportunities ahead, including building our brands and optimising their potential and presence in the UK market.

We continue to work towards and beyond this ambition.

Robert B. Cook
Chief Executive Officer
5 April 2022

Chief Executive Q&A

After the unprecedented trading period that has been the COVID-19 pandemic, what key opportunities lie ahead for Hostmore's brands in 2022/23?

We're looking ahead at the coming year with an optimism built on financial strength. Significantly, the existing moratorium for rent arrears expired in March 2022. Hostmore has engaged constructively with its landlords and the vast majority of its sites are either fully paid up with no rent arrears or are the subject of a rent concession agreement with the relevant landlord – which we suspect is not the case for much of our sector.

Market casualties may offer up site or business acquisition opportunities.

Excitingly, our full strategic transition to our 4D model (see pages 5 and 6 for more information) will consolidate our brands' offerings into a relevant, forward looking experience for our customers, providing growth through multi-channel revenue generation.

Fridays is a brand and experience that has certain characteristics connected to it. What's changing and what's staying in 2022 and beyond?

It's impossible to ignore the iconic nature of the Friday's brand, synonymous with quality, fun and flair. Many brands can only dream of this level of recognition, so we are of course very proud of it. These values remain at the heart of what our customers will experience. We want to recapture the sense of "that Fridays feeling", where our bars are a go-to choice for our customers.

And we're achieving this. Our per head spend has increased in 2021 and we sit very comfortably in the UK's casual dining marketplace which is only growing post COVID-19.

Our growth will be underpinned by a diverse demographic of customers. We remain strongly identified with the young adult market, whilst our menu development and delivery products are also bringing the family and older adult market to our brand.

Let's also not ignore our venue portfolio, the breadth and spread of which is a vital feature of our brand's penetration and reach. We have 88 venues nationally, with supply chains well established to serve our 4D strategy across all regions. With almost 600 casual dining sector site closures anticipated in the post COVID-19 fallout, our ability to augment our presence in new towns and locations is very real.

And we're carefully plotting our new site openings for 63rd+1st across the UK, as we focus on affluent, university-led urban markets to grow the business for this exciting and differentiated casual dining and bar experience.

As Hostmore likes to state "a whole lot more" indeed...

£10.7 billion
value of UK casual dining market

£25,000
UK average weekly spend per venue

£49,000
Fridays average weekly spend per venue

51%
of UK consumers using takeaway and delivery services on a frequent basis

What is your assessment of the casual dining market in the UK and how will Fridays stand out from the pack?

Well, let's look at some numbers and metrics to paint a picture here.

The UK casual dining market size in 2019 was £10.7 billion. The average weekly customer spend across the market was £25,000 per venue. At Fridays it was £49,000 per venue. We're already spend generative and, as previously stated, this is growing on a per head basis.

Yet it's no longer only about in-store spend. The takeaway and delivery market has seen 51% of the UK's consumers actively starting to use these services, or continuing to do so more frequently. Venues now understand that their brand has to be digitally active and their products physically transportable. We're no different and in fact, we're taking a lead in delivery partnerships, digital consumer loyalty programmes and online retails sales of some of our most iconic products such as our drinks and menu favourites.

This is how the sector is evolving. Our brands, notably Fridays, are at the heart of this change.

I must close with reference to what underpins our success, past and future.

Our three key pillars of **quality**, **relevance** and **simplification**, applied by an outstanding management and executive team supporting all our venues and staff, will ensure the passion and brand pride that has been so hard earned in the UK since 1986, means our restaurants are the go-to venue for quality.

We continue to work towards and beyond this ambition.

Sustainability

Claire Hussey
Risk & Compliance Director

Please note that Claire Hussey is an operational director (rather than a statutory director).

Environmental, Social and Governance (ESG)

The journey so far... at Hostmore we are committed to embracing our environmental, social and governance responsibilities, with a particular focus on our brands becoming leaders in sourcing responsibly, and developing and maintaining supply chains founded on sustainability. In 2021 we have delivered a step change in the commitment from our suppliers with 91% of our suppliers becoming members of the Supplier Ethical Data Exchange (SEDEX) which facilitates the measurement and improvement in ethical business practices across the supply chain.

To protect our teams and our guests we have reviewed and updated all our policies and procedures to mitigate risk and ensured compliance with COVID-19 Government legislation and guidance. We have worked hard throughout the year to achieve by year end 100% 5* food hygiene ratings in England and Wales or pass ratings in Scotland. We continue to invest significant time and resources in health and safety matters across the Group to ensure and further enhance a clean and safe environment for our guests and team members.

Sustainability Q&A

What are the key sustainability issues for Hostmore and its Fridays and 63rd+1st brands?

If we were to identify three specific issues, our focus is especially sharp on nutritional standards and ingredient provenance, key supplier sustainability in the supply chain and our green activity and emission commitments.

Operating volume casual dining venues as we do means that, quite rightly, scrutiny will always be on our food standards and our sourcing ethics. We welcome this as it forms a critical aspect of our ESG behaviour and reporting.

How are nutritional standards and provenance expectations changing for the sector and what implications do they have on sourcing ingredients?

From 2022, clear labelling and signposting of nutritional values will be required on our customer facing materials, such as menus, by new legislation. Our offering must be balanced and nutritious for today's marketplace. We are taking a lead in aligning our menus with the National Food Strategy, Childhood Obesity Strategy and Public Health England guidance.

Provenance is key. Where and how we source our ingredients must be researched, consistent and of the highest possible standard for our marketplace. An example of this is our beef suppliers now all supplying Quality Assured British and/or Irish beef. We've moved away from cheaper, lower quality international suppliers, which has had a positive impact on our carbon footprint, and underpins our commitment in this area and demonstrates that sustainability is core to our business model. We have applied the same approach to our chicken sourcing and signed up to the Better Chicken Commitment in 2021, as well as working with independently approved fisheries. Fridays achieved the Good Egg Award in 2019 for removing all caged hen eggs from all Fridays produced products.

Our ESG focus

Environmental

- Net zero roadmap
- Energy consumption
- Waste reduction & recycling
- Plastics & packaging reduction
- Water consumption
- Sustainability in supply chain
- Animal welfare

Social

- Fridays values and culture
- Employee engagement / wellbeing
- Labour standards / H&S
- Community engagement
- Charity contribution
- Health & nutrition

Governance

- Business ethics & conduct
- Risk management
- Remuneration / gender pay gap
- Equality & diversity
- Anti bribery & corruption
- GDPR
- Tax transparency
- Certifications / accreditations

Supplier and supply chain sustainability challenges every B2C and high street operator. How are Hostmore and its brands making a difference on this issue?

As you can imagine, our supply chains are multi-channel and complex. Our sustainability programme looks at every angle of procurement and delivery. From staff uniforms (produced from recycled plastic), waste cooking oil (recycled into bio diesel) to transportation carbon footprint (reduced dramatically by committing to British-only food suppliers where possible), we are always vigilant and proactive where improving our supply chains' impact is concerned.

In addition, we have a rigorous supplier onboarding process and our suppliers are actively engaged with our policies, with agreement and adherence to them a mandatory requirement.

Our alignment with the Supplier Ethical Data Exchange (SEDEX) is a key factor in ensuring that we have a recognised barometer against which to measure our ethical compliance across the supply chain. SEDEX is a virtual platform for companies to share their ethical data including audit results against legislation requirements on modern slavery, human trafficking, labour standards, health and safety and business ethics. We also have regular and continued engagement with our suppliers, including site visits where appropriate.

Ultimately, we are a food and beverage operator and this means some ingredients and products being sourced internationally. Those such as palm oil, soy, cocoa and sugar meet the same 'responsibly sourced' criteria as our other food and drink products.

And how are your venues going "green", or should that be even "greener"?

Yes, indeed, as a participant in a sector with significant energy and resource requirements, this is vitally important to us.

We work only with accredited green energy suppliers. What this means for us is the launch of our Green Mission, a programme of "green" initiatives to be rolled out across our estate. We have kick started this project with education and support at site-level to reduce energy usage in the first instance and reduce our carbon emissions by over 600 tonnes per year.

In our newer restaurants we have converted from neon to LED signage, with all other restaurants' signage also being converted as they are refurbished. Internal lights in new stores are all LED and we have plans in place to update the rest of our restaurants to LED too. We also have timers on all internal and external lighting – to ensure we are conserving power through using only what we need.

Significantly, we have joined the hospitality sector's Carbon Zero Forum to help support our emissions roadmap through to 2050. In terms of other key green activity, our water consumption is planned to reduce by 10% through the use of sensor taps and our 100% zero waste to landfill achievement is a result of anaerobic digesters processing all of our food waste.

Our work is never complete in reducing impact and augmenting our green credentials, but we are in an excellent position as an operator in this sector. We continue to strive for better.

Our Green Mission

We have been actively engaging our teams to change the culture and behaviour in our restaurants to drive down our energy usage across the board. This has positive effects for the environment and financially, particularly given the high utility prices.

To date we have introduced three campaigns:

- Save while you sleep – turning off equipment that does not need to be left on overnight.
- A perfect set up – ensuring equipment is only turned on as and when it is required.
- Trading slow, keep it low – turning off equipment that is not being used in slower periods.

We have developed comprehensive start-up/close down checklists which we are using on our online tool to support this and monitor compliance. This has resulted in a reduction in our carbon emissions during non-trading periods. We have utilised our consumption data to highlight anomalies and we are working with our restaurant teams to target compliance.

Case study

Using the data for our Brighton restaurant from 2021 we were able to identify that not all equipment was turned off correctly during non-trading hours. By working with the local team to ensure all equipment is turned off overnight and not turned on until needed during the day, this year they should manage to save £3,432 and approximately six tonnes of carbon from being emitted. With this targeted approach, we have been able to deliver some significant savings across the estate.

All used cooking oil at Fridays is recycled and as a result we saved a further 599,591kg of CO_2 in 2021.

Our ecolayer polo shirts for the front of house team are made from recycled plastics.

Energy usage/saving and cost in week 30 of 2021 compared to week 5 of 2022

					Per week		Per year**	
	Week 30 (kW)	Week 30 (£)	Week 5 (kW)	Week 5 (£)	Financial Difference (£)	Carbon Difference (tonnes)	Financial Difference (£)	Carbon Difference (tonnes)
Overall*	590,465	88,570	498,773	74,816	-13,754	-21.3	-715,208	-1,107.6
Trading	358,430	53,765	308,494	46,274	-7,491	-11.6	-389,532	-603.2
Non-trading	232,035	34,805	190,279	28,542	-6,263	-9.7	-325,676	-504.4

*Overall comprises the Trading and Non-trading hours.

- From week 30 in 2021 (which was the week the Group launched the Green Mission campaign) to week 5 in 2022, our weekly electricity usage has reduced by £13,754 a week and will amount to a saving of 1,108 tonnes of carbon a year if we continue the way we are going. This is a 15% reduction in electricity usage.
- The key driver has come in non-trading hours, where energy usage has come down by £6,263 per week in the period, of which £3,468 per week was from the overnight "Save While You Sleep (SWYS)" hours. This also indicates the "perfect set up" campaign has delivered a saving of £2,795 per week within preparatory hours. A lot of this is down to extraction systems and equipment being turned on later.

Food & Drink

Allergens – We have categorised the 14 allergens as detailed in legislation and have comprehensive allergen processes in place to manage this key food safety issue. Allergen information is available in our restaurants and online allowing guests to view dishes that are suitable for them, based on individual allergies and intolerances.

Suppliers – The Supplier Ethical Data Exchange (SEDEX) facilitates the measurement and improvement in ethical business practices across our supply chain. Since September 2020, we have been working with our food and drink suppliers to ensure that they are registered and risk assessed with SEDEX. We have improved the SEDEX compliance rate of our food and drink suppliers (by number of suppliers) from circa 20% in February 2021 to over 90% by January 2022. We are targeting all of our food and drink suppliers being SEDEX compliant by the end of April 2022.

In addition to our suppliers being SEDEX compliant, all suppliers must meet the requirements of over 15 of our policies and procedures as outlined in our supplier onboarding pack. Our food and drink suppliers must also be accredited to British Retail Consortium standard or an equivalent Global Food Safety Initiative standard.

Animal welfare requirements – Hostmore is committed to adopting high animal welfare standards and practices and will only source meat from suppliers who share our commitment. As such, we require suppliers to demonstrate management of animal welfare from farm to fork and at any given time be able to provide the relevant information on request. As a minimum, we require our suppliers to ensure that their farmers and producers comply with all UK and, if applicable, EU animal welfare legislation for each species. We support the "Five Freedoms" principle proposed by the Farm Animal Welfare Council on the protection of animals kept for farming purposes.

The five freedoms are: freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury and disease; freedom to express normal behaviours and freedom from fear and distress.

Best aquaculture practices – We fully support responsible fishing and the long-term sustainability of our global fish stocks. Our suppliers are required to source from sustainable fisheries, which are independently approved by universally recognised certification bodies, such as the Marine Stewardship Council for wild caught fish and the Global Aquaculture Alliance, Best Aquaculture Practice or Aquaculture Stewardship Council for farmed fish and seafood.

Waste – We sent zero waste to landfill and, of the waste managed for us by Circom (which is approximately 65% of the Group's waste), over 55% of total waste was recycled last year. The remaining c.45% of our waste managed by Circom was used in energy recovery processes. We are actively working with our teams to increase this further this year.

**Assumes the saving in the relevant week is replicated across the year. This data is based on 79 of our restaurants.

Streamlined Energy and Carbon Reporting

As a "large" company, as defined by Companies Act 2006, the Group is required to report on its energy usage and related carbon information. Consumption in kWh and emissions in tonnes of CO_2e for the calendar year ended 31 December 2021 are provided.

For the calendar year ended 31 December 2021, the Group has purchased Renewable Energy Guarantees of Origin (REGO) certified renewable electricity for 100% of its physical estate.

Furthermore, the Company notes the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and intends to expand disclosure against the TCFD framework in future annual reports from its effective date.

Carbon Emissions and Energy Consumption

		Current reporting year	Benchmark year
		1st January 2021 - 31st December 2021	1st January 2020 - 31st December 2020
Energy consumption used to calculate emissions (kWh)		Gas - 25,684,068 kWh Electricity - 23,116,898 kWh	Gas - 28,966,126 kWh Electricity - 23,202,946 kWh
i)	Emissions from combustion of Gas (Scope 1, location based) (tCO_2e)	4,704	5,326
ii)	Emissions from combustion of vehicle fuels (Scope 1) (tCO_2e)	41	123
iii)	Emissions from purchased Electricity (Scope 2, location based) (tCO_2e)	4,908	5,410
iv)	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing for fuel (Scope 3) (tCO_2e)	Not Recorded for Reporting Period	Not Recorded for Reporting Period
	Total gross CO_2e based on above (tCO_2e)	9,653	10,859
v)	Intensity ratio: tCO_2e gross figure based from mandatory fields (tCO_2e/£million gross revenue)	59.524	82.106

Methodology

The Group calculates its intensive ratio with reference to tonnes of CO2e per £1,000,000 of Revenue Sales. The intensity ratio for the calendar year ended 31 December 2021 was 59.524 tCO2e/£million Revenue.

BEIS Conversion Factors 2021 have been used to convert electricity and gas consumption in kWh to tonnes CO2e.

Methodology		
i) Emissions from combustion of gas tCO2e (Scope 1)	tCO2e calculated from the invoiced gas consumption in kWh during the reporting period converted using the 2021 UK Government GHG Conversion Factors for Company Reporting (version 1.0) for 'Natural Gas' at Gross CV.	tCO2e calculated from the invoiced gas consumption in kWh during the reporting period converted using the 2020 UK Government GHG Conversion Factors for Company Reporting (version 1.0) for 'Natural Gas' at Gross CV.
ii) Emissions from combustion of vehicle fuels (Scope 1) (tCO2e)	Emissions are based on pro-rated contract mileage for the 2021 year. Vehicles are all owned and operated by the Group. The fuel type was identified for each vehicle and the mileage converted using UKGov CO2e for 2021 to give tonnes of CO2e.	Emissions are based on pro-rated contract mileage for the 2020 year. Vehicles are all owned and operated by the Group. The fuel type was identified for each vehicle and the mileage converted using UKGov CO2e for 2020 to give tonnes of CO2e.
iii) Emissions from purchased electricity tCO2e (Scope 2, location based)	tCO2e calculated from the product of the above stated electricity consumption in kWh during the reporting period and the 2021 UK Government GHG Conversion Factors for Company Reporting (version 1.0) for 'Electricity Generated/Electricity: UK'	tCO2e calculated from the product of the above stated electricity consumption in kWh during the reporting period and the 2020 UK Government GHG Conversion Factors for Company Reporting (version 1.0) for `Electricity Generated/Electricity: UK'
iv) Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing for fuel tCO2e (Scope 3)	Not Recorded for 2021 Reporting Period	Not Recorded for 2020 Reporting Period
v) Intensity ratio: tCO2e gross figure based from mandatory fields	The intensity ratio stated above has been calculated as tonnes of CO2e per £million revenue (£162.19 million), provided by the Company's Finance Team	The intensity ratio stated above has been calculated as tonnes of CO2e per £million revenue (£132.24 million), provided by the Company's Finance Team

Stakeholder engagement

Compliance with s.172 of the Companies Act 2006

In compliance with our duties under s.172 of the Companies Act 2006, we take the interests of all our stakeholders into consideration when making decisions about our strategy and operations. Engaging with our stakeholders is integral to how we succeed as a business – actively seeking to understand what matters to them and ensuring that we take their interests into account to promote the success of the company as a whole.

The table below sets out our key stakeholder groups, how we engage with each, what's important to them, and how we've responded during the year. Further information on each can be found in the Strategic and Governance reports as itemised on the pages shown.

Key stakeholder	How do we engage with the stakeholder?
Shareholders	
We rely on the continued support of our shareholders, so we work hard to ensure they understand our strategy and goals and can monitor our performance via our thorough corporate governance processes.	Our intended principal means of engaging with our shareholders are through: • Investor roadshows • Capital markets days • One-to-one meetings • Shareholder general meetings • Annual report and financial statements • Half year and full year trading and results announcements
Employees	
We recognise our employees as our greatest assets: they work hard to provide a unique experience for the customer and our continued growth can only be achieved through their hard work and dedication.	We engage with all our employees on a regular basis, through regular employee forums, appraisal processes, annual performance and development reviews and employee surveys, and more informally through a variety of social and team building events. We measure employee engagement through our annual employee engagement survey, the results of which are shared with and acted on by the Board.

The Propeller

The propeller at the bar reminds us that the bar was the start-up of the Fridays® engine. It was what made us famous and propelled us to success. On the opening day of a Fridays store any visiting VIPs will sign a dollar bill and tape it to the propeller as a sign of good luck. There is one in every restaurant.

What's important to the stakeholder?	Key metrics for 2021
• Financial performance • Dividends • Share price appreciation • Strategy • Business Model • ESG	• The demerger of the Company and listing of its shares. • Taking actions to grow the Group's business in line with its strategy and taking measures to mitigate costs, such as utility costs. • Continuing to implement the Group's ESG strategy, with particular attention on supply chain compliance, energy consumption through the "Fridays Green Mission", and on the Group's new menu and nutritional objectives to reduce the calorie count across both our brands.
• An engaging and rewarding culture and work environment • Opportunity to share in the Group's success • Competitive remuneration and benefits package • Opportunities for learning and career development	• 100% of tips provided to the employees in our restaurants. • A bonus scheme was implemented for the restaurant general managers which rewarded success in the relevant general manager's restaurant. • The introduction of the Company's long-term incentive plan which employees in the Group down to and including restaurant manager level are entitled to participate in. • Over 111,660 hours of training provided to employees in our stores.

Key stakeholder	How do we engage with the stakeholder?
Customers	
Our customers are paramount to the success of our business and our continuing growth.	We engage with our customers when they visit our restaurants; via digital channels including the Group's websites and social media channels; and advertising across multiple media, including social media, print media, sponsorship deals and in-restaurant promotions. We also undertake surveys and market-research to better understand our customers' needs.
Franchiser	
We rely on the Franchiser to permit us to use the Fridays and 63rd+1st brands, and certain trademarks, designs and other intellectual property relating to the brands. The Group's continued success and ability to compete depends on the strength of its brands. The Group relies on the intellectual property rights owned by the Franchiser and relies on it to protect such rights. We work with the Franchiser to ensure that the brands and associated intellectual property rights are used in a mutually beneficial manner so that our business can continue to grow and thrive.	We have entered into new franchise arrangements with the Franchiser which reflect the Group's requirements in relation to the Fridays and 63rd+1st brands. We participate in regular dialogue with the Franchiser to discuss key developments and ways in which the Franchiser may be able to assist us (for example, where we are encountering supply chain issues).

What's important to the stakeholder?	Key metrics for 2021

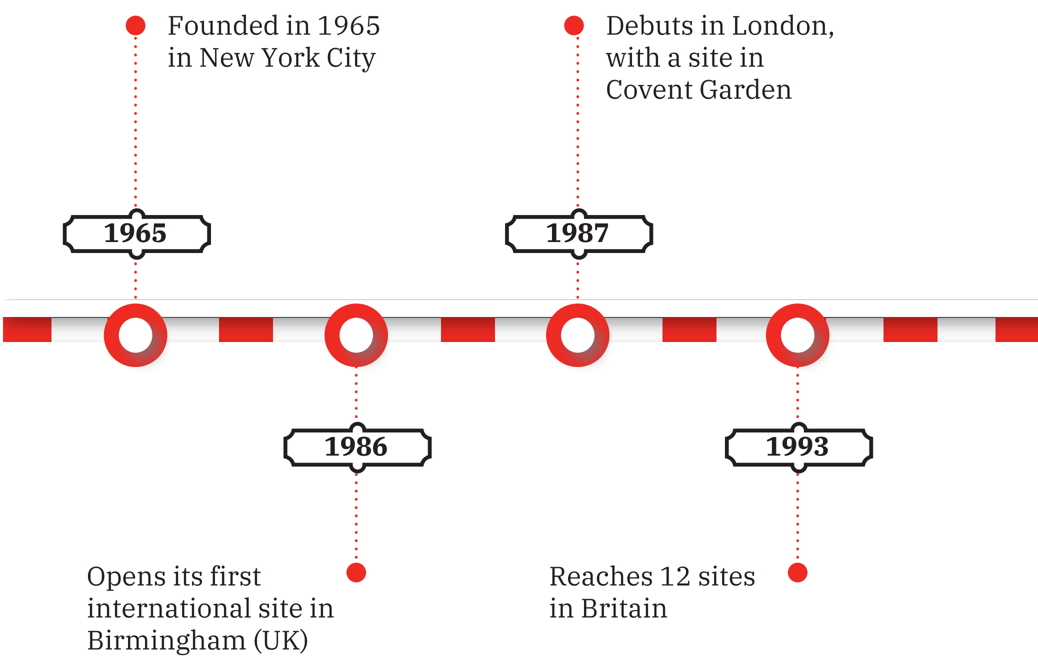
• To have an enjoyable and memorable dining experience
• Quality and relevance
• Value for money
• Health and safety
• ESG
	• As at 31 December 2021, a Net Promoter Score (measured from -100 to 100) of 45 for 63rd+1st (which is classified as "Great") and of 18 for Fridays (which is classified as "Good").
	• Our Guest Option Score for Fridays, which is an aggregated score using net promoter score, Facebook ratings, Google ratings, Trip Advisor ratings and in-house guest, appears to be on a general upward trend for all our regions.
	• We received 136k pieces of feedback from guests during 2021. Of those:
	  • The majority of our customer feedback comes from our post dining survey programme managed in collaboration with FeedItBack, and directly via our website and call centre.
	  • These direct feedback channels accounted for 86% of feedback received and we received an average rating of 77%.
	• By year end, all of the Group's restaurants had achieved either a 5* food hygiene rating in England and Wales or a pass food hygiene rating in Scotland.

• Mutually beneficial partnership • Growth of our business • Collaborative approach • Fair payment terms	• All of the Group's sales channels operate under the Fridays or 63rd+1st brand. • Four new restaurants opened by the Group (three 63rd+1st restaurants and one Fridays restaurant). Taking into account restaurant closures, this resulted in a net increase in the number of restaurants operated by the Group.

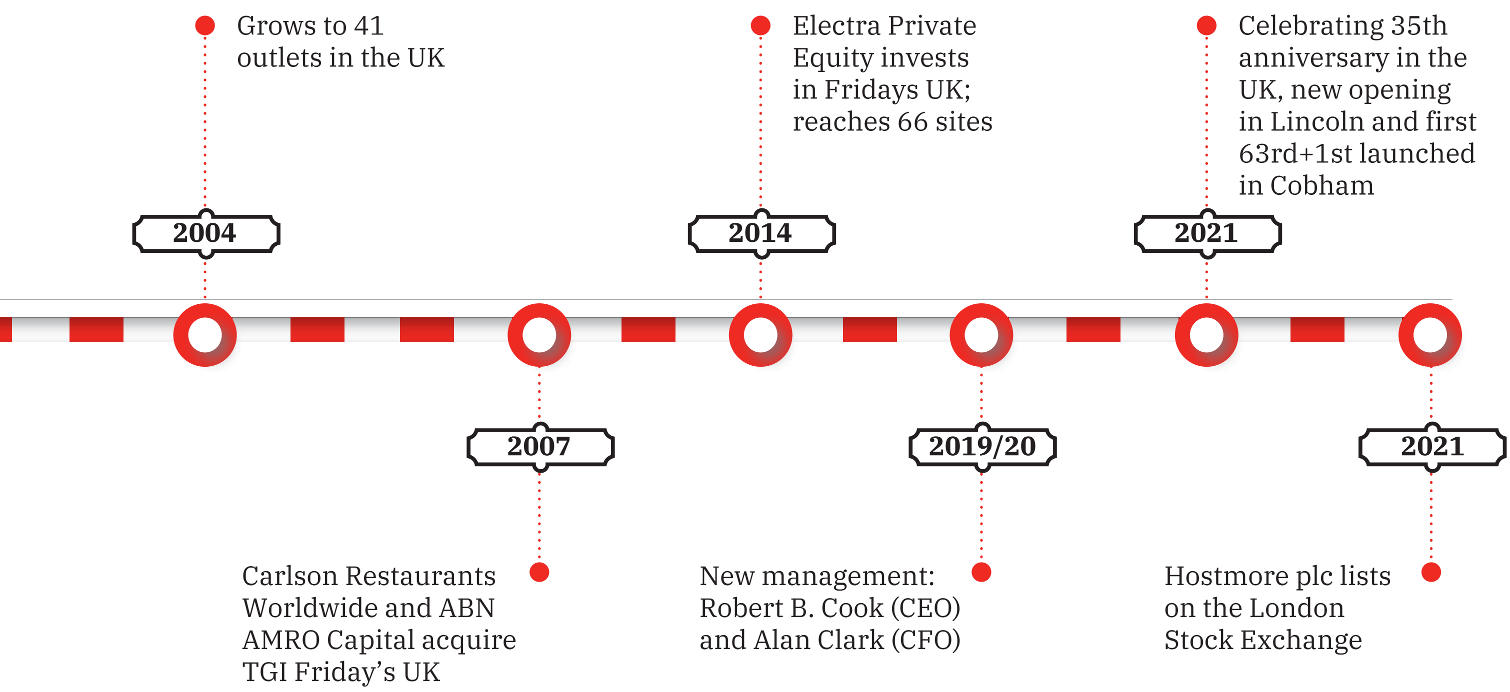
Key stakeholder	How do we engage with the stakeholder?
Suppliers	
We rely on our suppliers, distributors and outsourcing partners to provide critical supplies and services, in areas such as food and drink, IT and marketing. We work with them to ensure mutually beneficial, sustainable partnerships so that our business can continue to grow and thrive.	We hold regular meetings with key suppliers throughout the year, to review their performance and address any issues or concerns we and/or they may have. We are committed to paying our suppliers in line with agreed payment terms.
Local communities	
We aim to ensure that as many people as possible can benefit both from employment opportunities and from our desire to make a difference in our sector and local communities.	We provide support for our sector and local communities through a variety of initiatives, from fundraising to providing time and expertise.

History and key milestones of Fridays

Fridays offers authentic American food and legendary drinks, served with genuine personal service. Bringing people together to socialise and celebrate the liberating spirit of 'Friday'.



What’s important to the stakeholder?	Key metrics for 2021
• Mutually beneficial partnerships • Collaborative approach • Balanced contractual terms • Fair payment terms • Growth of our business	• £31.3m cost of sales spend. • £50.2m spend with suppliers, in aggregate
• Employment opportunities • Contributions to Hospitality Action, a charity • Participation as an active member of the local business community	• Employment opportunities • Charitable donations to Hospitality Action by participating in the “invisible chips” campaign • Hosting a local business networking event for Birmingham City Football Club as part of our partnership with the women’s team



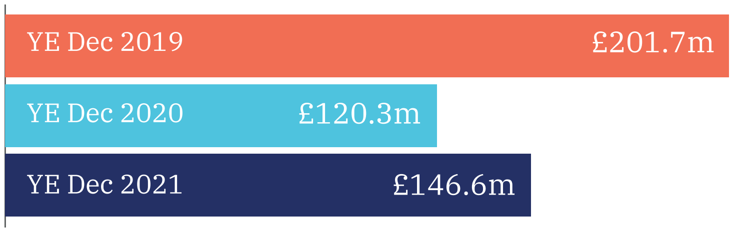
How we create value

Key performance indicators

The Hostmore Board of Directors monitors the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Financial performance is assessed against strategy, budgets and forecasts, while non-financial metrics help us to measure our overall performance.

Like-for-like sales

Like-for-like sales enables the performance of the Group to be measured on a consistent year-on-year basis and is an important metric to understand customer engagement; This only includes sites that were open for all of 2019 for comparability and doesn't include any sites opened since or disposed of.

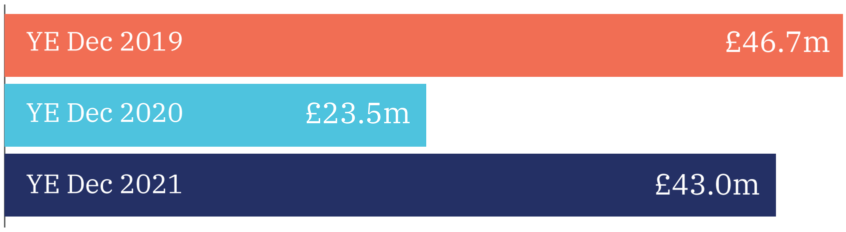


EBITDA

EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and impairment.

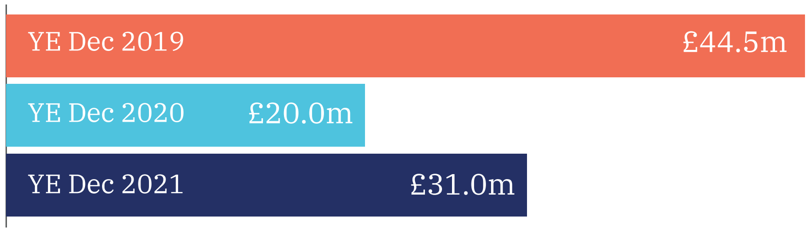
Adjusted EBITDA

Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation impairment and exceptional items.



Free cash flow

Free cash flow is calculated as the profit/(loss) for the period adjusted for depreciation, non-cash items, changes in working capital, tax paid and maintenance capex, and excludes cash used in financing activities.



Net debt

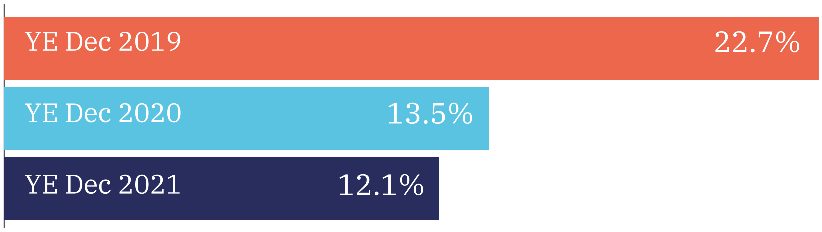
Net debt is calculated as the net of the Group's long-term borrowings and finance lease obligations less cash and cash equivalents.

Per cent cash conversion

Per cent cash conversion is calculated as free cash flow divided by EBITDA

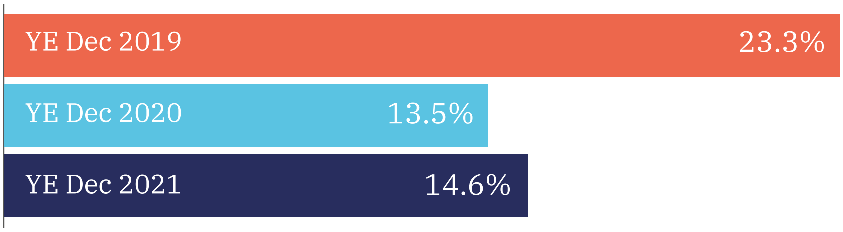
Return on capital employed (ROCE)

Return on capital employed is calculated as EBITDA divided by total assets less current liabilities.



Adjusted ROCE

Adjusted ROCE is calculated as adjusted EBITDA divided by total assets less current liabilities.



Fridays offers authentic American food, an **innovative** cocktail list and a high level of **personal** service.

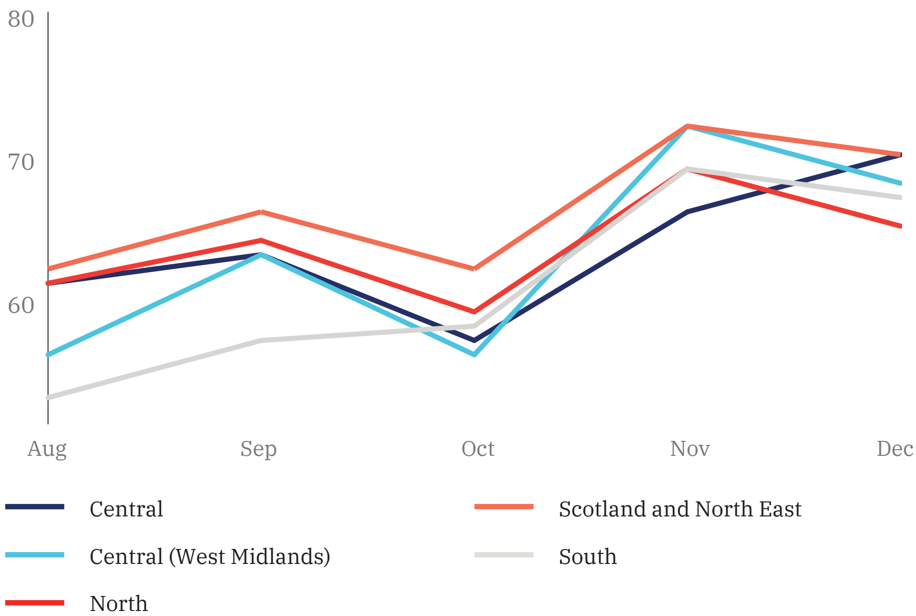
Net promoter score (YTD)

Measuring how our customers value their experiences with us helps us to compare our year-on-year performance and deliver brand growth.

Performance on 31 December 2021

Guest opinion score (GOS) by region

Guest opinion score by region, with all regions on a general upward trend.



The GOS is an aggregated score using net promoter score, Facebook ratings, Google ratings, Trip Advisor ratings and in-house guest feedback forms.

Chief Financial Officer's **review**

Alan Clark
Chief Financial Officer

Introduction

The financial year under review included a number of substantial events that are exceptional to a normal reporting period:

- The formation of Hostmore plc, and its subsequent demerger from Electra Private Equity PLC ("Electra") and the listing of its shares on the London Stock Exchange on 2 November 2021;
- Refinancing of the lending bank facilities in advance of the listing, completed on 8 July 2021;
- Transition of our consolidated reporting to meet IFRS guidelines, including the restatement of the prior years for 2018, 2019 and 2020; and
- A strong financial result relative to the trading challenges and restrictions arising from the enduring COVID-19 pandemic.

Formation and Listing

The creation of Hostmore plc had the primary purpose for Electra, its parent, of enabling Electra to realise value for its shareholders by disposing of its casual dining business, whilst creating a platform for the development of hospitality brands under the leadership of an experienced management team that has a track record of building businesses in the hospitality and leisure sectors.

For Hostmore plc, this was finally completed by the listing of the Company's shares on the London Stock Exchange on 2 November 2021 with existing shareholders of Electra each receiving three Hostmore plc shares for every Electra share held immediately prior to the demerger.

The effect of the demerger resulted in the Fridays and 63rd+1st group of companies, now the major operating division of the Group, becoming wholly independent of Electra.

Hostmore plc is now well positioned to undertake a strategic process of expansion through both organic means as well as via the acquisition or creation of fledgling brands that operate within the wider hospitality sector.

Refinancing

On 8 July 2021 a subsidiary of the Group signed a new debt package with its principal borrowing banks to replace the existing term loan facility with a more appropriate combination of a £40m term loan and a £25m revolving credit facility ("RCF").

Both the term loan and the RCF were subsequently fully drawn down on 8 July 2021 to settle the expiring facility obligations.

The new agreement, using FRS102 reporting standards as a guide, includes financial covenants which are tested on a quarterly basis, including among others, that the Group total net debt to adjusted EBITDA, calculated according to FRS 102 guidelines, shall not exceed (i) 3.0 times between September 2022 and December 2022 and (ii) 2.5 times from March 2023.

The remaining debt is repayable in quarterly instalments of £500k for March 2022, increasing to £1.5m from June 2022. The balance is repayable in full on the termination date of 1 October 2023, subject to there being no further extension by another 12 months to 1 October 2024 by agreement with the lenders.

Cash Flow and Net Debt

Cash generated from operations was very strong at £31.6m, which also included the partial unwinding of trade creditors and HMRC obligations which had been deferred because of pandemic trading conditions.

To protect the business, capital expenditure was reduced throughout the year as the Group focused on rebuilding its balance sheet and cash reserves. New stores were limited to the development and opening of the 63rd+1st stores at Cobham, Glasgow and Harrogate and the Fridays store in Lincoln.

In advance of the listing date an amount of £13.1m was raised by way of an issuance of ordinary shares to Electra to fund costs incurred, both absolute and contingent, because of the listing process. The financial advisers' performance fee, due to the contingent nature of its value computation, has neither been accrued for nor paid at the reporting date and will not be payable due to the criteria for payment not being met.

The combination of strong trading and cash on hand at the beginning of the reporting period, enabled £20m of the previously drawn RCF facility to be repaid by the reporting date to reduce the gross interest cost to the Group.

Net debt (being cash and cash equivalents less borrowings from bank facilities excluding the unamortised portion of loan arrangement fees) has reduced from £28.6m to £12.2m which represents a Net Debt/Adjusted EBITDA ratio of 0.3 times. The Group has a target leverage range of between 0.75x and 1.50x Adjusted EBITDA.

Under the terms of the facility agreement the Group had available cash and undrawn facilities of £42.2m at the year-end which was more than the minimum liquidity requirement of £10.0m.

The increase in liquidity headroom is intended to provide the Group with the ability to pursue opportunistic acquisitions which may become available in the year ahead.

Trading Results

The revenue generation of the Group for the financial year was significantly affected by the impact of the COVID-19 pandemic and the legislative measures taken to restrict its spread. This resulted in a material reduction in revenues compared to financial year 2019 as the stores in England were reduced to dine-out and collection operations, and other online revenue channels, until 12 April when outdoor dining was again permitted. From 17 May restrictions were further eased to allow for dine-in operations with social distancing requirements, with all restrictions finally being discontinued from 19 July. Varying levels of trading restrictions were also introduced in Scotland, Wales and Jersey, where the regional governments also acted to contain the spread of the virus.

However, whilst the revenues for the full year therefore remained substantially lower than normal, I was pleased with the trading performance during the period post-reopening with revenues being ahead of the comparable financial year 2019. This had a consequential positive impact on cash flow.

The Group also took action to mitigate the reduction in revenue through a program of Government support measures, and cost and efficiency actions. These included, amongst others, the following:

- **Government support**: This included benefits from the introduction of a combination of schemes made available to the hospitality sector by the Government:
  - The Coronavirus Job Retention Scheme (CJRS). This was available until 30 September albeit the Group substantially reduced its reliance on the Scheme from May onwards as full employment again became possible with the opening of restaurants for dine-in. This program also ensured the ongoing employment of many valuable colleagues during the lockdown trading periods;
  - Reduced VAT rates. The reduction in the output VAT rates from 20% to 5% until 30 September 2021 provided an important opportunity for hospitality sector businesses to rebuild their balance sheets and settle accrued liabilities. A reduced level of 12.5% was in effect from 1 October 2021 until 31 March 2022 at which time it reverted to 20%; and
  - Reduced business rates and grants. The waiver of business rates until the end of the first quarter of 2021, followed by a reduced level from then until March 2022, also contributed to improving the financial standing of the Group.
- **Landlord concessions**: Ongoing from the prior financial period, the Group has continued to engage in a proactive manner with its landlords to determine a fair treatment of any arrear obligations. The value of concessions contracted have been accounted for in the current period unless they are enduring by nature which has resulted in such concessions being recognised over the term of the benefit.

The return of more normalised trading demand from June brought with it supply chain challenges in logistics as well as staffing. I am very appreciative of the teams at both the restaurant level and our central support centre who worked tirelessly to address these in a manner that resulted in our restaurants being materially unaffected for any significant periods.

Cost mitigation measures included successfully hedging our gas and electricity demand for the duration of the period at prices determined in September 2020 when retail prices were substantially lower than current levels. Such hedging, based on financial year 2019 volumes has recently been increased to reflect the following:

- Gas – 100% until December 2022;
- Electricity – 100% until March 2022, then 80% until September 2022, then 70% until March 2023, and then 35% until December 2023.

The costs of the demerger from Electra and subsequent listing of the Company's shares on the London Stock Exchange have been accounted for as an exceptional item.

The Group measured its business performance in 2021 on the FRS 102 approach to lease accounting which is consistent with prior years but does not include the impact of IFRS 16. On this basis, an Adjusted EBITDA of £21.5m (2020: £1.5m profit) is reported which includes the impact of the pandemic measures highlighted above.

By including the impact of IFRS 16, the Adjusted EBITDA was £43.0m (2020: £23.5m profit). The basic loss per share is (0.5p) (2020: (14.8p)), and the adjusted basic earnings per share (being the loss after tax plus exceptional items) is 6.4p (2020: loss of (14.8p)).

Going Concern

The directors have adopted the going concern basis in preparing the Annual Report after assessing the Group's principal risks, primarily those attributable to the enduring COVID-19 virus which has had a significant impact on the hospitality sector. Consideration has been given to the possibility of future restrictions again being imposed, the impact that such restrictions may have on revenues using historical evidence, the more recent macro-economic and geopolitical factors that may change consumer demand, and the financing arrangements in place to mitigate negative cash flows.

The consideration by the directors included the assumptions made for the preparation of the underlying annual budget, as well as a more challenging stress case which assumes a reduction in consumer demand arising from the combination of events highlighted above and/or the social consequences on consumer demand arising therefrom.

In both the budget and the stress case, the Group has sufficient liquidity via its existing facilities to finance its operations for the next twelve months to the end of March 2023, including the requisite compliance of the Group with the banking covenants and the debt amortisation as they come due. Both models, beyond the period of assessment for going concern purposes, anticipate either the extension of the current facility agreement, as provided therein, beyond its current scheduled repayment date of 1 October 2023, or by concluding the refinancing of the debt prior to that date.

Accordingly, as the directors continue to adopt the going concern basis in preparing these financial statements, they do not include any adjustments to the carrying amounts or classification of assets and liabilities that would result if the Group was unable to continue as a going concern.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code (July 2018), the directors have assessed the viability of the Group over a three-year period to December 2024.

The directors believe that three years is the appropriate period over which to evaluate the medium-term viability and is not dissimilar to the period used for purposes of the preparation of the audit and viability assessments undertaken to enable the listing of the Company's shares. An internal model is extended for a further 24 months to provide additional clarity on strategic options available to the Group should trading and economic events not be materially different to the assumptions therein.

The board has considered two scenarios for purposes of viability:

- A 'base case' is represented by the budget for the 2022 financial period. The projections therein were initially approved by the board in December 2021 and were considered the main economic factors reasonably known at that time. Specifically, it considers that consumer demand, particularly in the first two quarters of the year, are likely to be behind the financial year 2019 comparable period with a strengthening in demand only occurring towards the second half of the financial period. It considers that business support measures already enacted, including the reduced rate of output VAT at 12.5% and the reduced level of business rates, will continue until 31 March 2022.
- A 'stress case', considered as including the application of a severe but plausible sensitivity to the cash flow projections based on experience, then adjusts the trading assumptions more conservatively by assuming that the financial year 2022 trading revenues are reduced by almost 10%, with an emphasis on the near term. A further 25% of the economic value expected

from the opening of new restaurants during the year is also factored in. Mitigating actions to address the impact of these assumptions include a change in the ratio of payroll to a more flexible cost base, and a deferral of non-critical expenditures, which would not be expected to negatively impact on the customer experience.

The budget already includes measures undertaken prior to the reporting date to protect the business and restrict the quantum of negative cash outflows. These include the hedging of the utility pricing, mentioned above, and improvements in the measurement of payroll to improve the efficiency of the team at the restaurant level.

The new bank lending facility also recognises the medium-term risk of the pandemic by waiving both the leverage and the fixed cost cover ratio covenants until September 2022. Instead, a minimum liquidity cash equivalence, comprising cash on hand plus the value of any undrawn RCF balance, is required which was set at £11.5m until 31 March 2022, and is set at £13.0m until 30 June 2022, and £15.0m until 31 August 2022.

After careful consideration of the forecasts and the risks facing the business, including those presented within the stress case, and the various mitigating actions that could be taken by the Group to offset the impact of such risks, the board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

Tax

The Tax credit for the year was £1.0m (2020: tax credit of £2.9m), summarised as follows:

	2021	2020
Corporation tax	(689)	710
Deferred tax	1,706	2,168
Total	1,017	2,878

The loss in the year has resulted in a tax credit, in addition to an adjustment to the tax charge in respect of prior years which relates to carrying back 2020 losses against the tax paid in relation to 2019 profits.

The deferred tax credit in FY21 includes recognition of the change in the corporation tax rate from 19% to 25% from 1 April 2023.

The amount of tax carried forward is lower than the UK corporation tax rate of 19% due to restrictions in the amount of interest that can be deducted and other costs not deductible for tax purposes.

IFRS 16

The Group has adopted IFRS 16 in its accounts in line with the format of presentation of its restated historic accounts for purposes of the listing of the Company's shares on the London Stock Exchange. The Group, at that time, decided to adopt the standard with effect from 1 January 2019 to enable an appropriate level of comparability of the financial data presented within this report.

The impact of IFRS 16 is two-fold:

- Firstly, to create a lease liability for rental costs and corresponding right of use asset in the balance sheet; and
- Secondly, to remove the rental charge from the income statement and replace it with a depreciation charge in respect of the right of use asset and a finance charge in respect of the unwinding of the lease liability.

Conclusion

During the year ended 2 January 2022, the Group delivered strong business operations and greatly enhanced its financial results. Macro-economic concerns continue to exist, including the risk of variations to the COVID-19 virus and changes to consumer demand from pressures on household incomes. Nevertheless, the Group has used the past two years productively and is prepared for any negative factors whilst being ready to take advantage of expansionary opportunities which may come to the fore.

Alan Clark
Chief Financial Officer
5 April 2022

Risk management

Risk

The Board carries out, on an ongoing basis, robust assessments of the principal risks facing the Group, including emerging risks, and those that may threaten its business model, future performance, solvency and/or liquidity.

The impact of the COVID-19 crisis

The COVID-19 crisis has impacted the Group's performance and strategy in the year and so has been looked at and addressed through all areas including our strategy and risk management processes.

The following table outlines the principal risks faced by the Group, including the impact of the COVID-19 pandemic, and outlines what the impact of each may mean for the Group and steps the Board has taken to mitigate each risk.

Change during year:

- ↔ No change in risk
- ↓ Decrease in risk
- ↑ Increase in risk

Risk summary
Brand usage
• Loss of ability to use the Fridays and/or 63rd+1st brands • Brand perception and reputational risk >> Impact on our business and ability to deliver our growth plans thus potentially affecting some or all of our financial and non-financial KPIs

Fridays 'Flip It' campaign with Charlotte Worthington, Olympic gold medalist

Impact	Our response
Change during year: ↔	
The continued success of the Fridays business is dependent on the Group's ability to use the Fridays and 63rd+1st brands, which it uses pursuant to the Franchise Agreements (in the case of the Fridays brand) and the 63rd+1st Licence Agreement (in the case of the 63rd+1st brand) entered into with the Franchiser. The Group's continued success and ability to compete depends on the strength of its brands. The Group relies on the intellectual property rights owned by the Franchiser and relies on it to protect such rights. The Group's reputation and the quality of the Fridays and 63rd+1st brands are critical to its business and success and the Group's business could be materially and adversely affected if the perception of the brands is damaged.	The Board has signed the Franchise Agreements and the 63rd+1st Licence Agreement with the Franchiser and seeks to maintain a strong relationship with the Franchiser. The Franchiser's business model depends on the strength of its brands and it, therefore, operates and adheres to, and requires its franchisees to operate and adhere to, systems and standards which seek to safeguard its brands. The Group adopts and maintains these systems and standards, and, in certain circumstances, goes beyond these standards.

Risk summary

COVID-19

- The COVID-19 virus has had and is likely to continue to have a significant impact on the Group, its staff and its customers, restricting the Group's ability to trade, decreasing customer demand and increasing costs in the supply chain, as well as affecting the wider economy.

>> Impact on sales, costs, availability of staff and supplies

Operational risk

- Deterioration of assets over time
- Loss of key personnel/an inability to attract appropriate personnel

>> Impact on sales, costs and customer experience

Impact	Our response
Change during year: ↑	
Another lockdown or pandemic could have a material effect on the business if the UK Government forced restaurants to close again or if the UK Government introduced or reintroduced safety measures (such as social distancing).	The Group is focussed on ensuring the safety and wellbeing of the Group's customers and employees. The Group took measures to reduce costs. The Group took measures/actions to access Government support, and address debts (such as landlord rent arrears) and working capital issues. The Group ensured it was in a position to reopen rapidly where the operational environment enabled the Group do so. The Group's strategy has been adapted to ensure the Group was in the strongest position it could be. For example, promoting delivery and click and collect services and seeking to maximise the Group' external dining capacity. The Group has sought to take advantage of the COVID-19 pandemic by seeking to secure new sites on advantageous terms.
Change during year: ↔	
The Group's restaurants have high footfall and high usage, in particular at peak times. There is a risk that without the right level of ongoing investment or if the Group ceased to be able to attract sufficient appropriately skilled staff the quality of the customer experience would decline, impacting the customer experience and likelihood of return visits.	The Group ensures that it reinvests in an ongoing maintenance and refurbishment programme across its restaurants. The Group is committed to fairness in the way that it pays all employees in relation to their skills, experience and performance. Additionally, the Group has a training programme in place to develop its staff and to promote staff retention.

The Rowing Scull

Every Fridays® has a rowing scull. It is there to signify teamwork and the importance of working together to accomplish goals. Sometimes the rowing scull is bigger than the space within the restaurant and therefore walls are removed to get the boat in – it takes precedence! Each rowing scull has a name too. It is named by the team who open the restaurant.

Risk summary

Economic climate

- Change in economic conditions, in particular due to COVID-19 and/or Brexit
- Increases in interest rates/inflation
- Food inflation, and rising transport and energy costs
- A decrease in the availability of staff
- A decrease in consumer disposable income and/or spending
- A prolonged period of uncertainty due to the COVID-19 pandemic and/or Brexit

>> Impact on sales and ability to deliver our growth plans thus affecting some or all of our financial and non-financial KPIs

Regulatory changes

- The introduction of new laws and/or regulations could adversely impact the Group's business
- The Group could fail to obtain required regulatory approvals or licences.

>> Impact on sales, costs and reputation

Business interruption

- Risk of cyber-attack/terrorism
- Failure or unavailability of operational and/or IT infrastructure
- GDPR risk

>> Impact on sales, costs and reputation

Impact	Our response
Change during year: ↑	
The Group's business is based exclusively in the UK, save for one restaurant in Jersey, and so is almost exclusively exposed to UK economic conditions and consumer confidence. Leisure activities may be affected by the performance of the economy, the level of consumer disposable income and customer confidence to meet in social settings. These factors have been and may continue to be impacted upon by COVID-19 and Brexit, as well as other matters.	As long as our restaurants are able to open, the Board believes that dining out should withstand any short-term economic downturn. The Board is in the process of implementing a strategy that has seen the Group adopt a multi-channel offering, which enables the Group to earn revenue from various sources. The Group continually reviews its offering including its value proposition and the quality of its venues to improve the customer experience. A wide range of measures were implemented across the restaurants to make them COVID secure and to provide a safe environment for all stakeholders. These measures have been regularly reviewed and revised as the landscape in relation to COVID-19 has evolved.
Change during year: ↔	
The introduction of new laws or regulations could have a significant impact on our strategic objectives and result in damage to our brands, reputational loss, litigation, revocation of licences, inability to acquire or build sites and fines leading to financial loss.	The Board regularly considers legal, risk and compliance issues affecting the Group, including horizon scanning for changes in the legal and/or regulatory environment. Where required, the Group obtains external specialist advice to assess, scope and plan our responses to changes in laws or regulations. In addition to complying with applicable laws and regulations, consideration is taken to ensure that the Group is behaving in a socially responsible manner.
Change during year: ↔	
A major incident could impact the Group's ability to keep trading. More bookings are being taken online increasing risk and there has been an increase in the level of high-profile cyber-attacks in recent years, including on providers of IT services which increases the risk that business information could be accessed via these providers.	The Board manages this risk by maintaining and testing business continuity plans and establishing remote IT disaster recovery capabilities. Cyber-security is of great importance to the Group given the level of customer data it holds. The Group adopts a multi-faceted approach to protection through internal and external sources that regularly review the level of monitoring and threat protection systems that are in place. The providers of IT solutions are vetted and reviewed regularly.

Risk summary

Key supplier issues

Limitations and/or issues faced by the Group's key suppliers, including supplier failure.

>> Impact on sales, costs and customer experience

Operational – allergens

Incidents related to allergies to food products offered, especially when there are changes to the menu.

>> Impact on sales, costs and reputation

Impact	Our response
Change during year: ↑	
The Group has a number of key suppliers that provide its food and beverage products and limitations and/or issues faced by these suppliers, such as driver, employee, goods or fuel shortages, escalating costs and/or capacity constraints, could impact the Group's ability to offer its customers the level of experience they expect.	Regular meetings are held between the Group and its key suppliers to discuss operational issues and mitigating actions. The Group requires certain of its food and beverage suppliers to adhere to KPIs and, whilst failure may lead to short-term disruption, alternative suppliers could be introduced at short notice. The Group also seeks to take mitigating actions, itself, such as ensuring that it has adequate stock levels and transferring stock between restaurants.
Change during year: ↔	
There have been a number of high-profile incidents across the restaurant sector related to allergens in food products. The incidents have arisen due to inadequate awareness, training, communication and flagging of allergen items included in menus.	The Group reviews all menus and menu changes for allergen-related products and wording is included on the menus to reflect these items. We have robust assured advice from our primary authority partner in place for allergen management process and procedures which translates into comprehensive operating practices in our restaurants to manage this risk and ensure we serve our guests safely. Allergen awareness is part of the staff training programme and an online allergen tool is available on the Fridays and 63rd+1st websites so that customers can ascertain which items on the relevant menu they are able to safely consume.

Non-financial information **statement**

The Group complies with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table outlines the Group's position on non-financial matters and provides signposts to where the information required is included in the report.

Reporting requirement	Policies and standards which govern the Group's approach	Additional information and risk management
Description of business model	• N/A	• See the Business Model section of the Strategic Report (see page 4)
Non-financial KPIs	• N/A	• See the Non-Financial KPIs in the Strategic Report (see page 29)
Stakeholders	• Data Protection Policy	• See: • the stakeholder engagement section of the Strategic Report (see pages 20 to 25); • the environmental, social and governance disclosure in the Sustainability section of the Strategic Report (see page 15); • the Board activities in the Corporate Governance Report (see page 55); and • the Audit and Risk Committee report in the Corporate Governance Report (see pages 61 to 64).
Environmental	• N/A	• See the Sustainability section of the Strategic Report (see pages 14 to 17)
Employees	• Equal Opportunities Policy • Flexible Working Policy • Whistleblowing Policy	• See: • the environmental, social and governance disclosure in the Sustainability section of the Strategic Report (see page 15); and • the section 172 statement in the Strategic Report (see pages 20 to 25)
Human rights	• Modern Slavery and Human Trafficking Policy	• See the environmental, social and governance disclosure in the Sustainability section of the Strategic Report (see page 15)
Social matters	• Modern Slavery and Human Trafficking Policy	• See the environmental, social and governance disclosure in the Sustainability section of the Strategic Report (see page 15)
Anti-corruption and bribery	• Anti-Bribery and Corruption Policy (which includes hospitality and gifts provisions) • Conflicts of Interest Policy	• See the Chair's governance introduction in the Corporate Governance Report (see page 50)
Principal risks and impact	• N/A	• See the risk management section of the Strategic Report (see pages 34 to 41)

Across the Group, policies are in place to ensure consistent governance on a range of issues. For the purposes of the Non-Financial Reporting requirements, these include, but are not limited to:

People

The Group understands that its behaviour, operations and how it treats employees all have an impact on the environment and society. It recognises the importance of health and safety and the positive benefits to the Group. The Group has a commitment to:

- behave ethically;
- comply with relevant laws and regulations; and
- do the right thing.

Disclosure concerning employment of disabled persons

We give full and fair consideration to applications for employment by the Group made by disabled persons, having regard to their particular aptitudes and abilities. We are also committed to continuing employment of, and for arranging appropriate training for, employees of the Group who have become disabled persons during the period for which they were employed by the Group. Training, development and promotion opportunities are provided for all employees.

Human rights

The Group has a Modern Slavery and Human Trafficking Policy which applies to both suppliers and employees. The Group is committed to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its own business or in its supply chains. The Group's Procurement team requires all food and drink suppliers to become registered with SEDEX. SEDEX is a virtual platform for companies to share their ethical data including audit results against legislation requirements on modern slavery, human trafficking, labour standards, health and safety and business ethics. The Group publishes its Modern Slavery Act Transparency Statement annually and this can be viewed at https://www.tgifridays.co.uk.

Data protection

The Group is committed to respecting and protecting privacy and security of personal information. The Group's data protection policies govern how it collects, handles, stores, shares, uses and disposes of information about people, whether they are customers, employees or people in the Group's supply chain. The data protection policies are a key element of corporate governance within the Group.

Anti-corruption and anti-bribery

The Group has an Anti-Bribery and Anti-Corruption Policy and a Conflict of Interest Policy, each of which incorporates the Group's key principles and standards, governing business conduct towards key stakeholder groups. The Anti-Bribery and Anti-Corruption Policy includes clear guidelines and processes for giving and accepting gifts and hospitality from third parties.

Whistleblowing

The Group's Whistleblowing Policy is supported by an external, confidential reporting hotline which enables employees to raise concerns in confidence. Any reported issues will be reported to the full Board and handled in the first instance by the Audit and Risk Committee and, where appropriate, remedial actions taken.

Environmental policy

Whilst the Group does not have a formal, written environmental policy, it does have multiple initiatives which it has implemented across its entire estate and which are aimed at reducing the Group's environmental footprint. See pages 14 to 17 for examples of these initiatives.

Tax strategy

The Group is committed to acting with integrity and transparency in all tax matters. The Group undertakes tax planning only where it supports genuine commercial activity and in doing so is committed to remaining compliant with all relevant tax laws and practices. The Group seeks external advice on tax matters, where it is appropriate to do so.

Dividend policy

As set out in the Prospectus, the Company's current dividend policy is not to pay any dividends. It is the intention of the Board that Hostmore will instigate a dividend policy when it is prudent to do so after taking account of exceptional and material pandemic, macro-economic or geopolitical market disruption.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

Robert B. Cook
Chief Executive Officer
5 April 2022

Governance report

Board of Directors

Neil Johnson
Non-Executive Chair

Date joined Hostmore plc: 23 August 2021

Career and experience
Neil Johnson was appointed Chair of the Company on 23 August 2021. Neil is Chairman of Unbound Group PLC (formerly Electra Private Equity PLC), a position he was appointed to in March 2018 after joining as Non-Executive Chairman and Director in May 2016. Neil has extensive experience in leadership roles and is currently Chairman of QinetiQ Group plc and Deputy Chair and Senior Independent Director of the Business Growth Fund. After a career in the British Army, Neil worked at Director level at Lex Service Group, British Leyland and Jaguar, where he was worldwide Sales and Marketing Director. He was CEO of the RAC from 1994 to 2000. Neil has held several non-executive appointments, including as former Chairman of Synthomer Plc, Motability Operations Group Plc, Tenon Group, Hornby, Umeco and Centaur Media plc. He was Chairman of Cybit Plc and steered the business through its IPO and eventual sale to a US private equity firm in 2010.

Neil is Chair of the Nominations Committee and a member of the Disclosure Committee.

External appointments:
Chairman of each of Unbound Group PLC and QinetiQ Group plc, and Director of each of BGF Group plc, Electra Investments Limited and Hotter MIPCO Limited.

Robert B. Cook
Chief Executive Officer

Date joined Hostmore plc: 14 April 2021

Career and experience
Robert B. Cook was appointed Chief Executive Officer of the Company on 14 April 2021 and has been Chief Executive Officer of Thursdays (UK) Limited (trading as Fridays) since December 2019. Robert has 30 years' experience in the hospitality and leisure industries, with expertise in driving brand value and growth and bringing cross-sector ideas from his 13 years of hotelier experience to other environments. From 2004 to 2012, Robert was Chief Executive Officer of Malmaison and Hotel du Vin and spent three years as Chief Executive Officer of De Vere Hotels and Resorts. He served as Chief Operating Officer of Macdonald Hotels & Resorts, before moving away from hotels and becoming Chief Executive Officer of Virgin Active UK in 2016. Robert is a director of Cookie Jar (Alnwick) Ltd, the principal activity of which is operating The Cookie Jar, a small luxury boutique hotel in Alnwick, Northumberland. Robert was awarded the Freedom of the City of London and is a Master Innholder. He was recognised as Manager of the Year by The Catey Awards in 2006 and holds an Honorary Doctorate from Robert Gordon University for his contribution to the hotel industry.

Robert is Chair of the Disclosure Committee.

External appointments:
Director of each of Cookie Jar (Alnwick) Limited, Cookie Jar Hospitality (Consultancy) Limited and The Cookie Jar (Bailiffgate) Ltd.

Alan Clark
Chief Financial Officer

Date joined Hostmore plc: 8 September 2021

Career and experience
Alan Clark was appointed Chief Financial Officer of the Company on 8 September 2021. Alan joined Thursdays (UK) Limited (trading as Fridays) as Chief Financial Officer in March 2020. Alan has spent the majority of his career in the hotel industry in financial leadership roles, with national and international exposure across boutique and all-inclusive luxury brands, and experience in driving customer engagement from a financial and operational perspective. Alan joined Fridays from his previous role as Chief Financial Officer at D&D London. Alan spent several years abroad, serving as Chief Financial Officer at the publicly listed Hongkong and Shanghai Hotels from 2014 to 2015, and then at Sandals Resorts in Jamaica from 2015 to 2018. Prior to that, he was Finance Director at Rocco Forte Hotels and Malmaison and Hotel du Vin for four years each respectively, and Deputy VP Finance, Europe, at Le Méridien Hotels & Resorts.

Alan is a member of the Disclosure Committee.

External appointments:
None.

David Lis
Senior Independent Director

Date joined Hostmore plc: 18 August 2021

Career and experience
David Lis was appointed Senior Independent Director of the Company on 18 August 2021. David is a Non-Executive Director of Melrose Industries PLC and Dowgate Capital Limited and has previously held Non-Executive Director positions at Electra Private Equity PLC (where he was the Senior Independent Director), BCA Marketplace plc and the Multifamily Housing REIT plc. David has held several senior executive roles at Aviva Investors, including Chief Investment Officer of Equities and Multi Assets. Prior to Aviva, David spent a number of years as Head of Investor Relations at Ludgate Communications. Earlier in his career, he co-founded Windsor Investment Management, and spent a number of years as a fund manager at both Morgan Grenfell and J Rothschild Investment Management.

David is a member of the Audit and Risk Committee and a member of the Nominations Committee.

External appointments:
Director of each of Melrose Industries PLC, Dowgate Capital Limited and York Minster Fund Limited, and Member of Finance Committee York Minster Fund.

Board of Directors continued

Gavin Manson
Non-Executive Director

Date joined Hostmore plc: 14 April 2021

Career and experience
Gavin Manson was appointed as a Non-Executive Director of the Company on 14 April 2021. Gavin is currently a Non-Executive Director of Unbound Group PLC (formerly Electra Private Equity PLC) and became a Director of Mondays (Topco) Limited, the then holding company of Thursdays (UK) Limited, in March 2017. Prior to Electra Private Equity PLC being renamed as Unbound Group PLC, Gavin held the role of Chief Financial and Operating Officer at Electra, which Gavin joined in 2016. Prior to Electra, Gavin was the Finance Director of Thomas Cook Group's tour operator and hotels and resorts division for three years. He was the Finance Director at Premier Farnell Plc, the FTSE 250 international electronic component distribution and software business, for five years. Prior to that, Gavin worked at Merck GmbH group as the Finance Director for Seven Seas Ltd before becoming Finance Director of the Merck Consumer Healthcare division in UK and Ireland, and latterly leading the consolidation of the back-office activities of Merck's four operating divisions across the UK and Ireland. Gavin began his career with KPMG and is a chartered accountant.

Gavin is a member of the Audit and Risk Committee and a member of the Remuneration Committee.

External appointments
Director of each of Electra Investments Limited, Hotter MIPCO Limited, Larbeg Limited, Mondays (Topco) Limited, Tuesdays (Midco) Limited, Unbound Group PLC and Unbound Holdco Limited.

Andrew Blurton
Non-Executive Director

Date joined Hostmore plc: 17 August 2021

Career and experience
Andrew Blurton was appointed as an Independent Non-Executive Director of the Company on 17 August 2021. Andrew is currently the Finance Director of Advanced Living Limited. Andrew also holds positions as the Chair of the Governing Body of Longacre School in Surrey and as the Chair of the Liberty Defined Benefit Pension Scheme. Previously, Andrew has held positions as Finance Director of MWB Group Plc, the Chief Financial Officer of Landmark Limited and as the Chairman of Manroy Plc. Andrew has been a Fellow of the Institute of Chartered Accountants in England & Wales for over 38 years, having previously qualified as a Chartered Accountant in 1975.

Andrew is Chair of the Audit and Risk Committee, a member of the Nominations Committee and a member of the Remuneration Committee.

External appointments:
Director of each of Advanced Living Limited, Advanced Living (Kingston) Limited, Andrew Blurton Consultancy Limited and RG Property Asset Management Limited, Trustee of Liberty Retail Pension Scheme, and Chair of the Governing Body of Longacre School.

Louise Stonier
Non-Executive Director

Date joined Hostmore plc: 20 August 2021

Career and experience
Louise Stonier was appointed as an Independent Non-Executive Director of the Company on 20 August 2021. Louise is currently Chief People and Culture Officer of the Pets at Home Group. Louise joined Pets at Home in 2004 as Group Legal Director and Company Secretary, and also held the role of Chief People and Legal Officer and Company Secretary from 2017 to 2019. During her time with the Pets at Home Group, Louise has been being extensively involved with the Remuneration Committee. Louise is also the Chair and a Trustee of the charity, the Pets at Home Foundation. Louise is a qualified solicitor having graduated from Nottingham University with an LLB (Hons) Law and started her legal career at CMS Cameron McKenna as a trainee solicitor in 1997. After qualifying as a Corporate solicitor in 1999, Louise later moved to DLA Piper LLP and held the role of associate in the Corporate Team.

Louise is Chair of the Remuneration Committee, a member of the Audit and Risk Committee and a member of the Nominations Committee.

External appointments:
Director of each of Companion Care Management Services Limited, Companion Care (Services) Limited, Pets at Home Vet Group Limited, Pet City Resources Limited, Pah Financial Services Limited, Pets at Home Superstores Limited, Pets at Home No.1 Limited, Pets at Home (ESOT) Limited, Pet City Limited, Pet City Holdings Limited, Pets at Home Holdings Limited, Pets at Home Ltd, Pet Advisory Services Limited, VetsDirect LTD and Palfour Holdings Limited.

Jane Bednall
Non-Executive Director

Date joined Hostmore plc: 20 September 2021

Career and experience
Jane Bednall was appointed as an Independent Non-Executive Director of the Company on 20 September 2021. Jane is currently a Non-Executive Director of each of DFS Furniture Plc and, pursuant to a consulting role she holds with AustralianSuper Pty Ltd, King's Cross Central General Partnership Limited, and has served previously as a Non-Executive Director of EI Group, the UK's largest pub company, and of Smart Energy GB, a role elected by the Retail Energy Industry. Jane has a strong customer background spanning marketing, commercial, digital and people leadership in FTSE 50 companies. During her executive career, Jane spent over 30 years in global positions with British Airways, InterContinental Hotels Group and Centrica and most recently served as Chief Marketing Officer for Scottish and Southern Energy (SSE) plc and as a Marketing Advisor in private equity.

Jane is a member of the Audit and Risk Committee, a member of the Nominations Committee and a member of the Remuneration Committee.

External Appointments
Director of each of DFS Furniture Plc, CMCO Consulting Ltd and King's Cross Central General Partnership Limited.

Chair’s Governance Introduction

Dear shareholder,

On behalf of the Board, I am pleased to introduce our first Corporate Governance Report for the 53 week period ended 2 January 2022

The Company was only admitted to the main market of the London Stock Exchange on 2 November 2021 and so the UK Corporate Governance Code has only applied to the Company for a number of weeks during the 53 week period ended 2 January 2022. Nevertheless, the Board is committed to the highest standards of corporate governance and will continue to fully comply with the UK Corporate Governance Code, save in relation to the Chair of the Board and temporary exceptions concerning the compositions of the Audit and Risk Committee and Remuneration Committee as detailed further in the Corporate Governance Report below.

From a governance perspective, this year has been one of putting in place governance structures and policies and gearing up to operating as a listed company, which I cover in more detail on the subsequent pages of my report.

Hostmore’s governance framework principally comprises of the Board and the Board Committees, policies and procedures, the promotion and adoption of a culture of accountability, transparency and ‘speaking up’, communications, training provided to all employees, whistleblowing channels and reporting.

Three areas of key focus are addressed within the governance framework: business ethics and conduct, risk management and anti-bribery and corruption.

1. **Business Ethics & Conduct** – Hostmore’s moral and ethical beliefs guide the values, behaviours and decisions of its businesses – and encompasses the individuals working within the businesses.
2. **Risk Management** – Hostmore’s businesses have defined management systems within each organisation, which are reviewed on a regular basis to ensure integrity and legal compliance.
3. **Anti-Bribery & Corruption** – Hostmore operates a zero-tolerance approach to bribery and corruption. Hostmore’s governance framework, including its Anti-Bribery & Corruption Policy, seeks to minimise the risk of bribery and corruption occurring within its businesses.

The Company’s first Annual General Meeting (“AGM”) will be held on 27 May 2022 and it is intended that the meeting will be held in person at the offices of Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF. Further details will be set out in the Notice of Annual General Meeting which will be distributed to shareholders and made available on the Company’s website.

In the meantime, the Board is grateful for the continued support of shareholders, and the Non-Executive Directors and I are available to engage with shareholders as we progress through our first full year as a listed company.

Neil Johnson
Chair
5 April 2022

Corporate Governance Report

UK Corporate Governance Code – Compliance Statement

The Board is committed to the highest standards of corporate governance. From 2 November 2021, the UK Corporate Governance Code applied to the Company. The Company has complied and intends to comply with the UK Corporate Governance Code, save as set out below in relation to the Chair of the Board and temporary exemptions in relation to the compositions of the Audit and Risk Committee and the Remuneration Committee.

The UK Corporate Governance Code recommends, in relation to a company with a premium listing on the Official List of the FCA, that the chair on appointment should be independent within the meaning of the UK Corporate Governance Code. Neil Johnson was appointed Chair of the Board on admission of the Company's ordinary shares to the premium listing segment of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities ("Admission"). Neil was the chairman of Electra Private Equity PLC ("Electra") (now renamed Unbound Group PLC), which the Company was demerged (the "Demerger") from, and accordingly is not considered independent within the meaning of the UK Corporate Governance Code. However, the Board considered that appointing Neil would be beneficial to the Company and its shareholders in the short-term following completion of the Demerger and Admission given his existing close familiarity with the Group through his role as chairman of Electra. Neil Johnson will retire at the end of the AGM and, subject to being elected as a director at the AGM, Gavin Manson will step up into the role of the Chair in his place. Gavin held the role of Chief Financial and Operating Officer of Electra and, therefore, is also not considered independent within the meaning of the UK Corporate Governance Code. In selecting Gavin, the Board saw continuity of stewardship as being a particularly important factor. Gavin led the execution of the Electra strategy and, with the new Fridays team, created Hostmore. The Board believes that Gavin brings both broad commercial and governance experience, significant knowledge of the Company, its strategy, management and stakeholders, and, therefore, provides the continuity of leadership that the Company needs as a newly listed business. Consequently, neither open advertising nor an external search consultancy were used for the appointment of Gavin to the role of the Chair.

The UK Corporate Governance Code recommends that at least half of the board of directors of a company with a premium listing on the Official List of the FCA, excluding the chair, should comprise non-executive directors determined by the board of directors to be independent and free from circumstances which may impair, or could appear to impair, the director's independence. As of the date of this report, the Board consists of six Non-Executive Directors (including the non-executive Chair) and two Executive Directors. The Company regards David Lis, Andrew Blurton, Louise Stonier and Jane Bednall as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any circumstances that could materially interfere with the exercise of their independent judgement and accordingly will comply with this requirement. While the Board recognises that David Lis, immediately prior to Admission, stepped down from a position at Electra; the Board considers David to be "independent" within the meaning of the UK Corporate Governance Code on the basis that his role at Electra as senior independent non-executive director was also one that was considered "independent" within the meaning of the UK Corporate Governance Code and therefore should not prejudice his ability to act as an "independent" director for the Company.

In assembling the Board an assessment of David Lis's independence was performed and it was determined he was independent. The rationale for this was that David's role at Electra was, and at the Company is, to act as the Senior Independent Director of the relevant company with a particular emphasis on providing insight as an experienced institutional investor and no involvement in the Executive Team or day-to-day activities.

The UK Corporate Governance Code also recommends that the board of directors of a company with a premium listing on the Official List of the FCA should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders when necessary. The senior independent director should be available to shareholders if they have concerns for which contact through the normal channels of the chief executive officer, chair or other executive directors has failed to resolve or for which such contact is inappropriate. David Lis has been appointed Senior Independent Director of the Company.

In addition, the UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should establish an audit committee of independent non-executive directors with a minimum membership of three. The committee as a whole should also have competence relevant to the sector in which the Company operates. Gavin Manson, despite not being an

Corporate Governance Report continued

independent Non-Executive Director, sits on the Company's Audit and Risk Committee. Whilst the inclusion of Gavin Manson is not consistent with the recommendations of the UK Corporate Governance Code (i.e. that all members of the Audit and Risk Committee be independent), the board of directors considers that the financial experience that Gavin brings, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merits his inclusion on the Audit and Risk Committee. The UK Corporate Governance Code states that the chair of the board should not be a member of the audit committee. In line with the UK Corporate Governance Code, Gavin intends to step down as a member of the Audit and Risk Committee when he becomes Chair of the Board. This will also bring the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Audit and Risk Committee be independent.

Further, the UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should establish a remuneration committee of independent non-executive directors with a minimum membership of three. The chair of such committee should have previously served on a remuneration committee for at least 12 months. Louise Stonier is the chair of the Remuneration Committee, notwithstanding that Louise has not previously served on a remuneration committee for a period of at least 12 months. Louise has previously been extensively involved with the remuneration committee of Pets at Home Group PLC as Chief People and Culture Officer and previously as Group Legal Director and Company Secretary and hence the Company believes she has sufficient relevant experience to perform this role. Gavin Manson, despite not being an independent Non-Executive Director, sits on the Company's Remuneration Committee. Whilst the inclusion of Gavin Manson is not consistent with the recommendations of the UK Corporate Governance Code (i.e. that all members of the Remuneration Committee be independent), the board of directors considers that, as with his role on the Audit and Risk Committee, the financial experience that Gavin brings, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merits his inclusion on the Remuneration Committee. The UK Corporate Governance Code also provides that the chair of the board can only be a member of the remuneration committee if they were independent on appointment. Gavin Manson will not be independent on appointment as Chair of the Board and, accordingly, intends to step down as a member of the Remuneration Committee upon assuming the role of Chair of the Board. This will also bring the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Remuneration Committee be independent.

Finally, the UK Corporate Governance Code recommends that the board of directors of a company with a premium listing on the Official List of the FCA should also utilise one, or a combination of, the following methods to engage with the Company's workforce: (i) a director appointed from the workforce; (ii) a formal workforce advisory panel; or (iii) a designated non-executive director. As such, to meet this requirement the chair of the Remuneration Committee also acts as the designated non-executive director for engagement with the Company's workforce.

Governance structure

Board

In accordance with the UK Corporate Governance Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and contribute to wider society.

Role of the Board and how it operates

The Board's role is to provide overall leadership, setting the Group's strategy, purpose, value and culture, and supporting the Executive Directors in the delivery of that strategy. The Board's role is to promote the long-term sustainable success of the Company, and it does so by establishing and aligning itself with the culture and purpose of Hostmore plc.

The Board will meet at least nine times per year, and its activity at each meeting is planned at the end of each year and set out in a formal Annual Board Activity Calendar which is approved by the Board. The Board and Committee meetings are planned around key events in the corporate calendar, which ensures that the Board then receives appropriate information at the appropriate time, and that all key operational, financial reporting and governance matters are discussed during the year.

A detailed pack is prepared and circulated in advance of each meeting which includes updates from the CEO, CFO and other Executive Team members. The General Counsel and Company Secretary also prepares a report for each Board meeting covering matters such as the latest governance and litigation updates.

Roles and responsibilities

The UK Corporate Governance Code requires there to be a clear division of responsibilities between the Chair and the Chief Executive Officer set out in writing and agreed by the Board. This document, 'Division of Responsibilities' was approved by the Board on 5 October 2021 and is available on the Company's website.

The Board feels that it is important to highlight that although they agree with the approach set out in the UK Corporate Governance Code, they recognise that overly prescribing the responsibilities of the Chair and the Chief Executive Officer may reduce their flexibility to act in unforeseen circumstances. Accordingly, the document sets out a clear division of responsibilities, but does not intend to provide a definitive list of the individual responsibilities of the Chair or the Chief Executive Officer.

Chair and CEO

The Chair (Neil Johnson) is responsible for leadership of the Board and for ensuring its effectiveness in directing the Company and promoting the highest standards of integrity, probity and corporate governance. Throughout the year, at appropriate intervals, the Chair holds meetings with the Non-Executive Directors without the Executive Directors present. Neil Johnson will retire at the end of the AGM and, subject to being elected as a Director at the AGM, Gavin Manson will step up into the role of the Chair in his place.

The Chief Executive Officer (Robert B. Cook) leads the team with executive responsibility for running the businesses of the Company and any other subsidiaries the Company may have from time to time. The CEO reports to the Board and is responsible for all executive management matters of the Group.

Non-Executives

The Non-Executive Directors (Neil Johnson, David Lis, Jane Bednall, Andrew Blurton, Gavin Manson and Louise Stonier) provide constructive challenge to management, helping to develop proposals on strategy, and providing advice and support based on their experience in both executive and non-executive roles throughout their careers. David Lis, Jane Bednall, Andrew Blurton and Louise Stonier are considered to be independent. Neil Johnson and Gavin Manson are not considered to be independent, however the Board considers Neil to be beneficial to the Company and its shareholders in the short term given his existing familiarity with the Group through his role as chairman of Electra, whereas Gavin brings financial experience, including in the hospitality and travel sectors.

Senior Independent Director

David Lis has been appointed as Senior Independent Director, and in that role acts as a sounding board for the Chair, serves as an intermediary for the other directors and shareholders and is available to shareholders if they have concerns which contact through the normal channels of the CEO, Chair or the other Executive Director has failed to resolve.

Corporate Governance Report continued

Company Secretary

Robert Henry was appointed General Counsel and Company Secretary of the Company in 2021. The Company Secretary supports the Board and each of the four Board Committees, and is in attendance at all meetings. All Directors have access to the services of the Company Secretary who is available to advise on company law, governance and best practice, whilst assisting the Board in ensuring that the correct policies, processes and information are tabled for discussion, noting or approval at the correct point in time throughout the year. The Company Secretary works with the Chair to ensure that Board meeting packs are circulated to Directors in a timely manner and that the information contained in them is clear and accurate.

Composition, independence and attendance in 2021

During the year, the Board comprised eight directors (including the Chair). Having considered circumstances which are likely to impair a Non-Executive Directors' independence, it has been determined that not all of the Non-Executive Directors can be considered to be independent. Nevertheless, the Company has complied with Provision 11 of the UK Corporate Governance Code throughout the year, with at least half of the Board (excluding the Chair) comprising independent Non-Executive Directors.

It is the Board's policy that appointments to the Board will always be based solely on merit without any discrimination relating to age, gender or any other matter that has no bearing on an individual's ability to fulfil the role of Director. This principle of Board diversity is strongly supported by the Board, recognising that diversity of thought, approach and experience is an important consideration as part of the selection criteria used to assess candidates to achieve a balanced Board.

The table below sets out the position of the Group on a gender basis as at 2 January 2022:

	Male	**Female**
Main Board	6 (75%)	2 (25%)
Group Executive Team	6 (60%)	4 (40%)
Direct reports to Executive Directors	7 (64%)	4 (36%)
Group employees	2,281 (47%)	2,573 (53%)

Notes:

1. The Group Executive Team figures include the two Executive Directors.
2. The Group employee figures include all employees of the Group.

The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Board has at least nine formally scheduled meetings per year, with ad hoc meetings or calls convened to deal with various matters in between. Meetings are held in person or, where COVID-19 restrictions are in place, via video conference calls. The Audit and Risk Committee, the Nominations Committee, the Remuneration Committee and the Disclosure Committee were each formally established on 5 October 2021. The table below shows the attendance of each Director at the formally scheduled meetings of the Board and Committees of which they are a member since Admission:

Director	Board meetings held/attended	Audit and Risk Committee meetings held/attended	Nominations Committee meetings held/attended	Remuneration Committee meetings held/attended	Disclosure Committee meetings held/attended
Independent					
David Lis	2/2	0/0	0/0	N/A	N/A
Jane Bednall	2/2	0/0	0/0	1/1	N/A
Andrew Blurton	2/2	0/0	0/0	1/1	N/A
Louise Stonier	2/2	0/0	0/0	1/1	N/A
Non-Independent					
Neil Johnson	2/2	N/A	0/0	N/A	1/0
Robert B. Cook	2/2	N/A	N/A	N/A	1/1
Alan Clark	2/2	N/A	N/A	N/A	1/1
Gavin Manson	2/2	0/0	N/A	1/1	N/A

Where Directors are unable to attend a meeting, they are encouraged to submit any comments on papers or matters to be discussed to the Chair in advance to ensure that their views are recorded and taken into account during the meeting. A strategy session will also be held once a year to which all Directors will attend.

Key activities during the year

The annual Board Activity Calendar setting out agenda items for each scheduled Board meeting will be drafted and approved by the Board each year. The calendar will take into account key points in the regulatory and financial cycle, including, amongst other things, updates from the CEO, the CFO on financial performance, investor relations updates and updates from the Company Secretary.

During the year, the Board has, as part of its annual governance programme (and noting that some of these activities took place before Admission to prepare the Company for listing):

- Reviewed and approved the FY22 budget and FY22 strategy.
- Reviewed its Schedule of Matters Reserved and the Terms of Reference of the Board Committees.
- Reviewed various governance documents, including the Division of Responsibilities between the Chair and CEO.
- Received people updates and an update on workforce engagement.
- Received risk and compliance updates covering areas such as health and safety and ESG matters.
- Received business solutions updates covering areas such as cyber security and guest experience.

Training and development

A full, formal and tailored induction programme is provided for any new Directors joining the Board. The Company Secretary provides regular updates to the Board and Committees on regulatory and corporate governance matters. The Directors are expected to keep themselves appraised of developments relevant to the Company's business.

Corporate Governance Report continued

Performance Evaluation and effectiveness

A formal internal performance evaluation will be conducted for the Board and each of its Committees towards the end of 2022 and will be reported on in the 2022 Annual Report and Financial Statements.

Information and support

An agenda and accompanying papers are distributed to the Board or Committee members in advance of each Board or Committee meeting. Where necessary, separate papers are prepared to support specific matters requiring Board decision or approval and the Non-Executive Directors provide ongoing feedback to the CEO, CFO and Company Secretary on the content of papers to ensure they continue to support effective debate and decision-making by the Board.

Minutes of all Board and Committee meetings are taken by a delegate of the Company Secretary and circulated to the Board or the relevant Committee for approval as soon as practicable following the meetings. Specific actions arising from meetings are recorded both in the minutes and, from 2022, on a separate action log, thereby facilitating the effective communication of actions to those responsible and allowing the Board or the relevant Committee to monitor progress.

Any Director may instigate an agreed procedure whereby independent professional advice may be sought at the Company's expense. No such advice was sought by any Director during the year.

Appointment and election

In accordance with the Company's articles of association, all members of the Board will be offering themselves for election at the Company's Annual General Meeting (AGM) on 27 May 2022, this being the first AGM since their appointment, apart from Neil Johnson, who will be standing down at the AGM.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out below.

Executive Director service agreements

Name	Position	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Robert B. Cook	CEO	15 October 2021	6	6
Alan Clark	CFO	15 October 2021	6	6

The Non-Executive Directors (including the Chair) do not have service agreements but are instead appointed by letters of appointment. Each of the Non-Executive Directors and the Chair were appointed for a three-year term, subject to their annual reappointment by shareholders.

Non-Executive Director appointment

Name	Date of appointment	Commencement date of current term	Unexpired term at 2 January 2022
Neil Johnson	23 August 2021	23 August 2021	2 years 8 months
David Lis	18 August 2021	18 August 2021	2 years 8 months
Jane Bednall	20 September 2021	20 September 2021	2 years 9 months
Andrew Blurton	17 August 2021	17 August 2021	2 years 8 months
Gavin Manson	14 April 2021	17 August 2021	2 years 8 months
Louise Stonier	20 August 2021	20 August 2021	2 years 8 months

Conflicts of interest

Rules concerning Directors' conflicts of interests are set out in the Company's Articles of Association and Conflicts of Interest Policy. Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest in accordance with sections 175, 177 and 182 of the Companies Act 2006. All Directors have confirmed that they did not have any conflicts of interest during the reporting period.

Risk management and internal controls

The Board accepts responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and monitors and reviews the effectiveness of the Company's risk management and internal control systems. Further details can be found in the Audit and Risk Committee Report and in the Risk Management section of the Strategic Report. The Group insures against risks, but certain risks remain difficult to insure, due to the breadth and cost of cover. In some cases, external insurance is not available at all, or not at an economical price. In such cases the Group identifies and agrees to accept such risk. The Group regularly reviews both the type and amount of external insurance that it buys.

Whistleblowing

The Company has a Whistleblowing Policy which enables employees to raise concerns in confidence relating to suspected wrongdoing and/or dangers at work, including, without limitation, financial fraud or mismanagement, failure to comply with any legal or professional obligation and breach of the Company's internal policies and procedures. The Company also provides a confidential whistleblowing helpline run by an independent third party so employees are able to report a concern using an external forum. The Board will review the Whistleblowing Policy on an annual basis and will review any reports which have been received on a quarterly basis.

Stakeholder engagement

The Board places a strong emphasis on the standards of good corporate governance and maintaining effective engagement with its shareholders and key stakeholders, which it considers to be integral to the Company's longer term growth and success. Further information on how we engage with stakeholders is set out in the Strategic Report on pages 2 to 43 and, in particular, the Section 172 statement on pages 20 to 25. The Directors recognise their duty under Section 172 of the Companies Act 2006 to consider the interests of stakeholders, and the nature of our business means that the interests of our shareholders, employees, customers, franchiser, suppliers and local communities are at the front of mind in the Board's decision-making process.

Engagement with the workforce

We engage with our employees on a regular basis, through employee forums, appraisal processes, annual performance and development reviews and a variety of social and team building events. We will also measure employee engagement through an annual employee engagement survey, which we will launch in 2022 and report on in our next Annual Report and Financial Statements. Further details about our Employees can be found in the Strategic Report on pages 2 to 43.

Relations with shareholders

Continued support of our shareholders is key so we work hard to ensure they understand our strategy and goals and can monitor our performance. We intend to engage with our shareholders through investor roadshows, capital market days, shareholder meetings and our half and full year financial reports.

The Board also welcomes any feedback from shareholders and is keen to establish a dialogue with its shareholders.

The Company's first AGM will take place at 11.00am on 27 May 2022 at the offices of Numis Securities Limited, 45 Gresham Street, London, EC2V 7BF. The Annual Report and Financial Statements and Notice of the AGM will be made available to shareholders in accordance with the required notice periods.

Corporate Governance Report continued

The Board has delegated a number of its responsibilities to the Audit and Risk Committee, Nominations Committee, Remuneration Committee and Disclosure Committee. The terms of reference of each of its Committees are available from www.hostmoregroup.com. These are reviewed annually by the Board and Committees to ensure that they remain appropriate to support effective governance. Details of the role, composition and activities of each Committee during the year are set out in their respective reports on the following pages within this report.

The members of each Committee are as follows:

Committee	Chair	Other Members
Audit and Risk	Andrew Blurton	David Lis Jane Bednall Gavin Manson Louise Stonier
Nominations	Neil Johnson	David Lis Jane Bednall Andrew Blurton Louise Stonier
Remuneration	Louise Stonier	Jane Bednall Andrew Blurton Gavin Manson
Disclosure	Robert B. Cook	Neil Johnson Alan Clark Robert Henry

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal controls, whistleblowing and fraud systems. The Audit and Risk Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Audit and Risk Committee will also be responsible for (i) advising the Board on the Company's risk strategy, risk policies and current risk exposures; (ii) overseeing the implementation and maintenance of the overall risk management framework and systems; and (iii) reviewing the Company's risk assessment processes and capability to identify and manage new risks. From Admission, the Chair of the Audit and Risk Committee will be available at annual general meetings of the Company to respond to questions from shareholders on the activities of the Audit and Risk Committee.

The UK Corporate Governance Code recommends that all members of the Audit and Risk Committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment, with a minimum membership of three, and that one such member has recent and relevant financial experience. The committee as a whole should have competence relevant to the sector.

The Audit and Risk Committee is comprised solely of Non-Executive Directors, chaired by Andrew Blurton and also includes David Lis, Jane Bednall, Gavin Manson and Louise Stonier. All members of the Committee are considered to be independent except for Gavin Manson. Whilst the inclusion of Gavin Manson is not consistent with the recommendations of the UK Corporate Governance Code (i.e. that all members of the Audit and Risk Committee be independent) the Board considers that the financial experience that Gavin brings, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merits his inclusion on the Committee. The UK Corporate Governance Code states that the chair of the board should not be a member of the audit committee. In line with the UK Corporate Governance Code, Gavin intends to step down as a member of the Audit and Risk Committee when he becomes Chair of the Board. This will also bring the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Audit and Risk Committee be independent.

The Audit and Risk Committee will meet as often as it deems necessary but in any case at least three times per year in line with the relevant dates within the financial reporting and audit calendar, at least one of which will be without management present. The instances where the Audit and Risk Committee shall meet will be at times when relevant documents, such as audit plans (be they internal or external), interim statements, preliminary announcements and the full Annual Report and Financial Statements are near to completion and available for review.

Nominations Committee

The Nominations Committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Company's Directors, including the Chair, the Chief Executive Officer, and other senior executives. It is intended that the Chair of the Nominations Committee will be available at annual general meetings of the Company to respond to questions from shareholders on the activities of the Nominations Committee.

The UK Corporate Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that the chair of the board should not chair the committee when it is dealing with the appointment of their successor.

The Nominations Committee is chaired by the Company's Chair, Neil Johnson, and its other members are David Lis, Jane Bednall, Andrew Blurton and Louise Stonier, all of whom, save for Neil, are independent Non-Executive Directors. Neil Johnson will retire as the Chair of the Nominations Committee at the AGM and be replaced by Gavin Manson, who, like Neil, is not viewed as being an independent Non-Executive Director.

The Nominations Committee will meet as often as it deems necessary but in any case at least twice per year to provide for the review of elements forming part of an annual cycle, such as directors who are subject to annual re-election or retiring by rotation; senior management succession; and to review the statement of the Committee's activities in the Annual Report and Financial Statements.

Remuneration Committee

The Remuneration Committee assists the Board in determining the Group's policy on executive remuneration, the levels of remuneration for Executive Directors, the Chair, the Company Secretary and members of the Company's senior management and prepares an annual remuneration report for approval by the Hostmore Shareholders at the annual general meeting. From Admission, it is intended that the Chair of the Remuneration Committee will be available at annual general meetings of the Company to respond to questions from shareholders on the activities of the Remuneration Committee.

The UK Corporate Governance Code recommends that all members of the Remuneration Committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment, with a minimum membership of three. The UK Corporate Governance Code also recommends that before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.

The Remuneration Committee is chaired by Louise Stonier, who is a Non-Executive Director. Whilst Louise Stonier has not previously served on a remuneration committee for at least 12 months, she has been extensively involved with the Remuneration Committee of Pets at Home Group PLC as Chief People and Culture Officer and previously as Group Legal Officer and Company Secretary and hence the Company believes she has sufficient relevant experience to perform this role. The other Non-Executive Directors on the Committee are Jane Bednall, Andrew Blurton and Gavin Manson. All members of the Committee are considered to be independent except for Gavin Manson. Whilst the inclusion of Gavin Manson is not consistent with the recommendations of the UK Corporate Governance Code (i.e. that all members of the Remuneration Committee be independent), as with his role on the Audit and Risk Committee, the Board considers that the financial experience that Gavin brings, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merits his inclusion on the Committee. The UK Corporate Governance Code also provides that the chair of the board can only be a member of the remuneration committee if they were independent on appointment. Gavin Manson will not be independent on appointment as Chair of the Board and, accordingly, intends to step down as a member of the Remuneration

Corporate Governance Report continued

Committee upon assuming the role of Chair of the Board. This will also bring the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Remuneration Committee be independent. The Chair of the Remuneration Committee shall also act as the designated non-executive director for engagement with the Company's workforce, in line with the requirements of the UK Corporate Governance Code that a designated non-executive director perform this role.

The Remuneration Committee will meet as often as it deems necessary but in any case at least twice per year, with the second meeting of the year to take place when relevant documents, such as the executive directors' remuneration policy and the directors' remuneration report, are available for review prior to submission for shareholder approval at the Company's annual general meeting.

Disclosure Committee

The Disclosure Committee assists and informs the decisions of the Board concerning the identification of inside information and makes recommendations about how and when the Company should disclose inside information in accordance with the Company's Inside Information and Disclosure Policy. The Disclosure Committee is responsible for, among other things, maintaining a record of the Company's public disclosures, and preparing and monitoring announcements. The Disclosure Committee will meet on an ad-hoc basis where necessary or appropriate to fulfil its responsibilities.

The Disclosure Committee is chaired by Robert B. Cook, and its other members are Neil Johnson, Alan Clark and Robert Henry.

Report of the Audit and Risk Committee

Chair Introduction

Dear Shareholders

Hostmore completed its listing on the Main Market of the London Stock Exchange on 2 November 2021 and all the directors were involved in this process. There were no meetings of the Audit and Risk Committee in the short period between listing and the Company's financial year end but there have been two formally scheduled meetings since the financial year end to enable the Committee to undertake its roles and responsibilities on behalf of the Board.

Whilst the Audit and Risk Committee did not meet in the 53 week period ended 2 January 2022, I am pleased to outline what the Committee will be focusing on during the current financial year.

Committee Members and Meeting Frequency

Andrew Blurton, David Lis, Jane Bednall, Gavin Manson and Louise Stonier were members of the Audit and Risk Committee from 5 October 2021 (full biographical details can be found on pages 47 to 49). The Committee must comprise of at least three members and, unless the Board approves otherwise, all members must be independent, Non-Executive Directors of the Company, at least one of whom must have recent and relevant financial experience with competence in accounting and/or auditing. The Committee has complied with this requirement, save that Gavin Manson, despite not being an independent Non-Executive Director, sits on the Company's Audit and Risk Committee. Whilst the inclusion of Gavin Manson is not consistent with the recommendations of the UK Corporate Governance Code (i.e. that all members of the Audit and Risk Committee be independent), the board of directors considers that the financial experience that Gavin brings, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merits his inclusion on the Audit and Risk Committee. The UK Corporate Governance Code states that the chair of the board should not be a member of the audit committee. In line with the UK Corporate Governance Code, Gavin intends to step down as a member of the Audit and Risk Committee when he becomes Chair of the Board. This will also bring the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Audit and Risk Committee be independent. Both Andrew Blurton and Gavin Manson have recent and relevant financial experience with competence in accounting and auditing.

Meetings will be held at least three times a year at appropriate times in the financial reporting and audit cycle, and otherwise as required. The Committee did not meet during 2021 with the first meeting being held in January 2022. In addition to the Committee members, other regular attendees are expected to include the external auditor, PricewaterhouseCoopers LLP.

Role and Responsibilities

The role of the Audit and Risk Committee is set out in its terms of reference, which were approved by the Board of the Company on 5 October 2021 and are available on the Company's website.

Duties of the Committee

The duties of the Committee include, amongst other things:

- To monitor the integrity of the financial statements of the Company and report to the Board on significant financial reporting issues and judgements
- Where requested by the Board, to review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, it is fair, balanced and understandable
- Oversee the relationship with the external auditor and make recommendations to the Board regarding the appointment, re-appointment and removal of the external auditor
- Review and approve the annual audit plan
- Assess the external auditor's independence and objectivity
- Assist the Board with the definition and execution of a risk management strategy, risk policies and current risk exposure

Report of the Audit and Risk Committee continued

- Review the adequacy and effectiveness of the Group's risk management and internal control system
- Review the adequacy and security of the Company's whistleblowing arrangements, and procedures related to fraud, bribery and money laundering
- Report to the Board after each meeting on all matters within the Committee's duties and responsibilities

Committee key activities and focus in 2022

Key activities in addition to the duties of the Committee referred to above:

- Review of Financial Statements and reports
- Review of risk management and internal controls
- External Audit – Receive the output of the external audit effectiveness review regarding the 2021 audit process and consider the external auditor's reappointment
- Internal Audit – Keep under review plans and progress around internal controls framework and whether there is need for an internal audit function.

The above key activities are commented on in further detail below.

Composition, Skills and Experience

An annual review of Board and Committee compositions, the independence of Non-Executive Directors and their time commitment, will take place in 2022.

Reporting

Financial Reporting

The Committee will review on an ongoing basis the Group's corporate reporting, including critical accounting policies, accounting transactions, short-term trading risks, reporting risks, fraud and management overrides and business continuity.

Significant Issues considered in relation to the financial statements

Significant issues and accounting judgements are identified by the Finance Team and the external auditor and are reviewed by the Committee. The key audit matters identified in auditing the Group's financial statements for the 53 week period 2 January 2022 included:

- the appropriateness of the going concern basis of preparation;
- the valuation of property, plant and equipment ("PP&E"), and right-of use ("RoU") assets; and
- the valuation of goodwill.

With regards to the appropriateness of the going concern basis of preparation of the financial statements, the Committee considered the degree to which the Group's Management can successfully operate its business and control its financial risks. In considering this, the Committee took into account the fact that over the two years ended 2 January 2022, the Group's business had been adversely disrupted by the effects of the COVID-19 pandemic. As part of this assessment, the Committee reviewed the results of Management's forecasts of expected operating performance and cash availability for the 18 months ending 30 September 2023. They considered possible adverse effects, including severe but plausible downside sensitivities of trading and a worsening rate of profit conversion. The Committee discussed these projections in detail with the Executive Directors and with the external auditor. The Committee noted that the severe but plausible downside sensitivities showed that there would continue to be headroom above the minimum covenant levels in the Group banking facilities and that there would be no breach of the covenant tests. The Committee combined this assessment with all other elements of its work and concluded that it was appropriate for the financial statements to be prepared on a going concern basis.

Each restaurant is considered as separate cash generating unit. Management, therefore, performed an assessment to consider whether there are impairments required over the PP&E and RoU assets at restaurant level. As agreed with the auditor, Management posted a further £545,000 impairment charge. Management provided further rationales for why no further impairment charge has been provided. The auditor agreed with Management that the relevant restaurants require close monitoring over the next 12 months.

In line with IAS 36, Management performed an impairment assessment of the goodwill held on the Group's consolidated statement of financial position. The goodwill is considered to be at an operating segment level and relates to the Fridays brand. Management compared the market capitalisation of the Company at year end to consider whether a goodwill impairment trigger was present. In addition, Management considered the future cash flows to ensure the carrying value of goodwill, PP&E and RoU assets. The auditor agreed with Management's assessment that there was no impairment required to the carrying value of goodwill.

After consideration, the Committee concluded that the final impairment charge posted was appropriate.

Fair, Balanced and Understandable

The Audit and Risk Committee supports the Board in ensuring that the Annual Report and Financial Statements is fair, balanced and understandable.

The Committee reviewed the Annual Report and Financial Statements as it was being written and updated, and provided detailed feedback throughout the process to the Finance Team. The Annual Report and Financial Statements is also shared with the external auditor at an early stage to obtain feedback.

Risk Management and Internal Controls

Risk Management

The Committee, along with the Board, review the Group consolidated management accounts, including the statement of comprehensive income, statement of financial position and cash flows. Results are compared to the latest budget and forecast, with narrative for variances from the Group's Executive Team, and actions agreed.

The Committee will assess the changes in corporate culture and risk appetite to the extent it has changed since listing and consider the impact of recent short term operational and financial risks and the methods by which resilience is built into the business.

Internal Audit

The Group does not currently have an internal audit function. The Committee reviews this position on an annual basis and provides an overview of the separate levels of assurance that are already in place and how these compliment the work of the external auditor.

Internal assurance is achieved through three distinct lines:

First line	**Second line:**	**Third line:**
Operational and management controls • An appropriate team structure and reporting lines. • Visible, championed values and expected behaviours. • Application of Group policies and procedures. • Employee induction, training and ongoing support. • Executive and leadership team oversight.	Risk and compliance monitoring • Operational internal audit activity. • Risk management framework, including multiple review levels. • External specialists engaged to monitor and report on compliance operations.	Independent and external review • External advisors engaged to review 1st and 2nd lines of assurance. • Open culture of challenge to existing processes and whistleblowing hotline.

Governance report

Report of the Audit and Risk Committee continued

Going Concern

The Committee considered the going concern basis of preparation for the Company's financial statements for the period ended 2 January 2022 and whether it was appropriate for the Company's financial statements to be prepared on a going concern basis.

Viability Assessment

The Committee considered the Company's viability assessment and the basis of calculation used in the viability statement.

External Audit

External Auditor Effectiveness

The current audit partner David Beer has been the Company's external auditor's audit partner since Admission on 2 November 2021. PricewaterhouseCoopers LLP have been the Company's auditors since its incorporation in April 2021.

Independence and Objectivity

The Committee will assess the independence and objectivity of the auditor on an annual basis. The Chair of the Committee will meet with the auditor in advance of Committee meetings to discuss if there are any matters of concern. The auditor will also periodically meet with the Committee without members of management present to ensure there is a forum for open discussion.

Non-Audit Services Policy

The auditor did provide certain non-audit services to the Group relating to the Company's listing process and the Group's bank facility agreement covenant reporting. Since the Company's ordinary shares have been listed, the auditor has not provided any non-audit services to the Group other than in relation to the Group's bank facility agreement covenant reporting which is a requirement of the facility. This is not expected to change. The Committee will regularly review this position.

Appointment of External Auditor

The Committee plans to recommend the appointment of PricewaterhouseCoopers LLP as auditor at the AGM to be held on 27 May 2022, this being the first AGM since Admission.

External Auditor Fee

Details of the fees paid to PricewaterhouseCoopers LLP during the year are shown in note 11 to the Financial Statements.

Compliance, speaking-up and fraud

The Committee will undertake an annual review of the Company's Anti-Bribery and Corruption Policy and the Whistleblowing Policy and make recommendations.

Committee Evaluation

An internal Board and Committee Evaluation will take place towards the end of 2022 and will be reported on in the 2022 Annual Report and Financial Statements

Andrew Blurton
Chair of the Audit and Risk Committee
5 April 2022

Report of the Nominations Committee

Chair Introduction

Dear Shareholders

Hostmore completed its listing on the Main Market of the London Stock Exchange on 2 November 2021 and all the directors were involved in this process. There were no meetings of the Nominations Committee in the short period between listing and the Company's financial year end but there have been two formally scheduled meetings since the financial year end to enable the Committee to undertake its roles and responsibilities on behalf of the Board, including to approve, subject to his being elected as a Director at the AGM, the appointment of Gavin Manson as a successor to Neil Johnson when he steps down from the Board at the end of the AGM on 27 May 2022.

Whilst the Nominations Committee did not meet in the 53 week period ended 2 January 2022, I am pleased to outline what the Committee will be focusing on during the current financial year.

Committee Members and Meeting Frequency

Neil Johnson, David Lis, Jane Bednall, Andrew Blurton and Louise Stonier were members of the Nominations Committee as at 2 January 2022 (full biographical details can be found on pages 46 to 49). The Committee must comprise of not less than three members, the majority of whom are to be chosen from amongst the independent Non-Executive Directors of the Company. Since Admission in November, the Committee has complied with this requirement. Neil Johnson will retire as the Chair of the Nominations Committee at the AGM and be replaced by Gavin Manson, who, like Neil, is not an independent Non-Executive Director.

Meetings will be held at least twice a year at appropriate times and otherwise as required.

Roles and Responsibilities

The role of the Nominations Committee is set out in its terms of reference, which were approved by the Board on 5 October 2021 and are available on the Company's website.

Duties of the Committee

The Nominations Committee is responsible for the following key activities:

- Regularly reviewing the structure, size and composition of the Board
- Putting in place and keeping Board and other senior management positions succession plans under review
- Reviewing the Company's policy on diversity and inclusion and its objectives and linkage to Company strategy
- Ensuring that appointments and succession plans are based on merit and objective criteria
- Making recommendations on the structure, size and composition of the Board Committees
- Review annually the time required from Non-Executive Directors
- Review the results of the Board evaluation process and review its own performance
- Ensure that new Directors receive a full, formal and tailored induction
- Make recommendations to the Board on any area within its remit where action or improvement is needed
- Report to the Board after each meeting on all matters within the Committee's duties and responsibilities

Report of the Nominations Committee continued

Focus for 2022

The Committee's key areas of focus for 2022 include:

- Board and management team updates
- Review of the Committee's terms of reference
- Review of the membership of the Board and its Committees and the Board succession plan
- Approval of the Committee's programme for 2022
- Review of time commitment from Non-Executive Directors
- Completion of internal Committee evaluation process
- Consideration of the Board induction programme

Diversity and Inclusion Policy

The Company is working on the introduction of a diversity and inclusion programme, including an appropriate policy. The Company has online Equality and Diversity training, which each new starter is required to complete as part of their induction.

Board Changes and Succession Planning

There have been no changes to the Board since Admission. Having agreed to Chair the Board through the demerger and transition of Hostmore, and as indicated in the Prospectus, I will be stepping down from the Board at the end of the AGM and will hand over the Chair to my successor, Gavin Manson, subject to Gavin being elected as a Director at the AGM.

Whilst Gavin is not considered to be independent, the Board saw continuity of stewardship as being a particularly important factor. Gavin led the execution of the Electra strategy and, with the new Fridays team, created Hostmore. The Board believes that Gavin brings both broad commercial and governance experience, significant knowledge of the Company, its strategy, management and stakeholders, and, therefore, provides the continuity of leadership that the Company needs as a newly listed business. Consequently, neither open advertising nor an external search consultancy were used for the appointment of Gavin to the role of the Chair.

All directors, excluding myself, will stand for election at the AGM in May, this being the first AGM since their appointment.

The Committee will receive and consider the Company's succession plan for the first time in 2022. It is anticipated that the plan will enable the Committee to identify any skills shortages on the Board and will consider diversity and the plans to develop talent internally to create a pipeline to the Board.

Committee Evaluation

An internal Board and Committee evaluation will take place towards the end of 2022 and will be reported on in the 2022 Annual Report and Financial Statements.

Neil Johnson
Chair of the Nominations Committee
5 April 2022

Annual Statement from the Chair of the Remuneration Committee

Dear Shareholder,

As the Chair of the Remuneration Committee, I am pleased to present, on behalf of the Board, our first Directors' Remuneration Report covering the period from 14 April 2021 (being the date of the Company's incorporation) to 2 January 2022.

This report is split into three sections:

1. This Annual Statement, which summarises the key activities and work of the Committee during the period under review.
2. Directors' Remuneration Policy (the "Policy") – this sets out the remuneration framework for the Directors. It is consistent with that set out in the Prospectus and will be put to a binding shareholder vote at the forthcoming AGM.
3. Annual Report on Remuneration – this sets out in detail the remuneration received by Directors for the period under review and how the Policy will be applied in 2022. The Annual Report on Remuneration, along with this statement, will be subject to an advisory shareholder vote at the AGM.

Remuneration in context

Hostmore was admitted to the official list of the London Stock Exchange shortly before the FY21 year end. Prior to Admission, we undertook a detailed review of our remuneration framework to ensure that post listing, it was aligned with best practice whilst at the same time preserving the core values of our business.

2021 was a challenging year for our sector, with the continued impact of COVID-19. The Company has delivered well in a challenging set of circumstances with an encouraging EBITDA performance in the period. Over the year, the management team has responded dynamically to the challenges presented, including but not limited to the various restrictions in place throughout the year. The management team has worked to ensure the continued operations of the business. Ensuring our customers' and our colleagues' safety and well-being has been critical to the Group and remains a key priority over this difficult time. Despite the challenges presented, the management team has continued to drive innovation and make strong progress in the delivery of the Company's strategy.

Remuneration for the period under review

The Remuneration Committee was established on 5 October 2021, shortly prior to Admission. The single figure of remuneration for the period under review reflects base salary and pension. As disclosed in the Prospectus (see pages 149 and 167 to 168 of the Prospectus), an annual bonus plan and a management incentive plan operated prior to Admission. The annual bonus plan for the 53 week period ended 2 January 2022 terminated on Admission with bonuses payable by reference to performance up to Admission. The management incentive plan crystallised upon the Company being demerged from Electra Private Equity PLC which ultimately resulted in certain members of management subscribing for shares in the Company.

The implementation and operation of the annual bonus plan was determined by the board of directors of Wednesdays (Bidco) Limited (a company that became a subsidiary of the Company as part of the Demerger process) and the management incentive plan was determined by the board of directors of Mondays (Topco) Limited, in each case in advance of Admission, rather than by the Remuneration Committee. Consequently, whilst the annual bonus plan and the management incentive plan fall under the period of review, neither are included for any purpose in the Directors' Remuneration Report as they do not form part of the Policy and the Remuneration Committee had no decision making or discretion in relation to these matters. No bonus was received by the Directors in the period from Admission to the year end date of 2 January 2022.

Shortly after Admission, long-term incentive awards in the form of Performance Shares Awards were granted to the CEO and CFO. These Initial Performance Share Awards will vest three years after grant and are subject to relative TSR, EPS and ROIC performance measures. These awards are subject to a two-year post-vesting holding period. Malus and clawback provisions also apply. The transition of Hostmore to a listed company has enabled us to broaden our colleague share ownership with awards under the scheme also granted to a significant number of other employees down to restaurant manager level with, in general terms, awards at executive management level being in the form of Performance Share Awards, awards at regional director level being in the form of a combination of Performance Share Awards and Restricted Share Awards and awards at heads of functional areas and other managers level generally being in the form of Restricted Share Awards.

Remuneration Policy and implementation for FY22

Our proposed Remuneration Policy (the "Policy") is based on information detailed in the Company's Prospectus. The Policy is structured to align executive remuneration with the shareholder experience and support the strategy of the Company, and its continued growth and success. It also recognises the importance of attracting and retaining high-quality talent. In developing the Policy, account was taken of prevailing market and best practices.

Implementation for FY22:

- The base salaries for the Executive Directors were set at Admission at £485,000 for the CEO and £340,000 for the CFO and will remain unchanged for the year ahead.
- Executive Directors receive a pension contribution of 3% of salary in line with the contribution percentage available to the majority of the UK workforce.
- The maximum annual bonus payable is 125% of the relevant Executive Director's salary. At least one-third of any Executive Director's annual bonus earned will be deferred into the Company's shares and must be held for three years if the Executive Director has not met a shareholding requirement of 300% of salary. This year, the bonus will be assessed against: EBITDA performance (70%) and strategic measures (30%) – see Annual Report on Remuneration for more details. The purposes of these metrics are detailed under the heading "Our performance measures" below on page 69 and they are aligned to our 4D strategy which is detailed on page 6. The Remuneration Committee has decided not to introduce a specific ESG metric at this time, however, the Committee will keep this under review and consider the introduction of such a metric for future years as the ESG strategy of the Company develops.
- Awards will be granted under the long-term incentive plan at 150% of salary, with three performance metrics equally weighted – relative TSR, EPS and ROIC. The purposes of these metrics are detailed under the heading "Our performance measures" below on page 69 and they are aligned to our 4D strategy which is detailed on page 6. A two-year post-vesting holding period applies.

Pay and benefits of the wider Company

We promote a fair and equal pay structure that enables us to attract, retain and incentivise high performing individuals to deliver our strategy. We also support the ambition to end low pay and champion a fair and transparent service charge / TRONC / gratuities system. The Company believes it implements a progressive pay structure to reflect career development.

During the period under review, the Committee did not directly consult shareholders on matters of remuneration. In advance of Admission, details of the Policy were included in the Prospectus. The Committee values feedback from its shareholders and looks forward to seeking a continued and open dialogue. Since Admission, I have been appointed as the designated NED for the wider workforce. The Group operates an Employee Forum which will be attended by myself (and the CEO) throughout 2022, where a range of topics will be discussed. The Company also listens to its employees' feedback and intends to conduct a colleague engagement survey in 2022. The results of this survey and the discussions at the Employee Forum will be considered by the Committee on a regular basis. The Company has also recently established a Diversity & Inclusion Committee as part of its ongoing commitment to provide a supportive environment for colleagues of all backgrounds.

The Committee's key activities

The Committee's key activities since formulation:

- agreement of the Committee's terms of reference;
- agreeing remuneration packages and arrangements for senior employees;
- formulation of the Company's first Remuneration Policy as a listed company; and
- implementing and making awards under the Company's new share plans.

Our performance measures

Performance measures are used to determine the extent of any awards made under the variable elements of the executive directors' remuneration, both annual bonus and LTIP. The performance measures are selected because of their alignment to our strategy, their use as Key Performance Indicators (KPIs) to assess the Company performance and to align the interests of the directors to those of the shareholders.

The measures currently used each fulfil a distinct purpose as set out below.

Measure	Used in	Purpose
EBITDA	Annual bonus	Maintain focus on annual profits and the Company's cash-generating ability
Expanding the business in line with the 4D business strategy through organic growth and M&A	Annual bonus	Maintain focus on growing and broadening the Group's business and revenue
Banking facility covenant compliance	Annual bonus	Maintain focus on financial discipline
Utility cost mitigation	Annual bonus	Maintain discipline on managing utility costs
Relative total shareholder return (TSR)	LTIP	Directly measures shareholder returns in the Company relative to the FTSE SmallCap (excluding Investment Trusts). It provides alignment between executives and shareholders
Adjusted earnings per share (EPS)	LTIP	Adjusted EPS is a key indicator of profitability growth
Return on Capital Employed (ROCE)	LTIP	ROCE is a key measure for assessing the Company's efficiency at allocating the capital under its control to profitable investments

Conclusion

I would welcome any feedback or comments on the Policy and the Annual Report on Remuneration more generally. I hope that you find the information in this report helpful and I look forward to your support at the Company's AGM.

Louise Stonier
Chair of the Remuneration Committee
5 April 2022

Hostmore Remuneration Policy

This Directors' Remuneration Policy (the "Policy") will be submitted for approval at the 2022 Annual General Meeting ("AGM"). It has been prepared by the Remuneration Committee (the "Committee") in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium – sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 as amended (the "Regulations"), the UK Corporate Governance Code 2018 and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Reporting Guidance and the relevant guidelines of the shareholder representative bodies. The Committee intends that the Policy will operate for three years, effective from the date of the AGM.

The remuneration strategy of the Group is to provide remuneration packages that attract, retain and motivate high-calibre talent to help ensure the Group's continued growth and success, incorporating incentives that align with and support the Group's business strategy of optimising the Group's brands, aligning those brands with evolving consumer demands and delivering personalised customer engagement. The Policy is aligned to the values and philosophies of the Company and is intended to incentivise and reward long-term sustainable growth of the Company and is aligned to market best practice. The Company is committed to fairness in the way that it pays all employees in relation to their skills, experience and performance and takes into account the way the wider workforce is paid in setting executive pay. The Policy is consistent with the information set out in the Company's prospectus issued in connection with the admission of the Company's ordinary shares to the premium listing segment of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities ("Admission").

The Committee adopted the Policy taking into account the size of the Group (based on market capitalisation) and practice in the hospitality sector. Whilst the Committee considers a peer group of FTSE SmallCap companies of relevant size to be a suitable peer group, it recognises the importance of using benchmark data as a useful reference point and not to rely solely on this to provide the answer.

Key principles of the Policy:

Principle	How addressed
Clarity	The Company operates a simple and transparent remuneration structure which allows clear understanding by Executive Directors and external stakeholders.
Simplicity	Remuneration for Executive Directors is comprised of distinct elements, with clear purposes and links to the Group strategy.
Risk	The Committee endeavours to structure remuneration arrangements to ensure that the risks from excessive rewards are easily identified and mitigated. The Policy is designed to discourage inappropriate risk taking through the weighting on long-term incentives. Risk is taken account of by the Committee in the targets that are set, malus and clawback provisions, and requirements for the Executive Directors to hold shares both in and after employment.
Predictability	The Committee seeks to ensure that annual salary increases and changes to the operation of plans are clearly disclosed and that the potential value of each year's remuneration is also clearly disclosed through the use of charts. The Committee has discretion over variable pay and can adjust any pay outcomes that the Committee deems are inconsistent with the performance of the Company.
Proportionality	The Committee seeks to provide a competitive remuneration package which will attract and retain the highest calibre of executive and structure packages so that a significant proportion is performance related and does not reward poor performance.
Alignment to culture	The Committee sets the Executive Directors' pay packages having had due regard to pay and employment conditions in the wider workforce and so that they do not drive behaviours that are inconsistent with the Company's strategy and values. It also ensures that such behaviours are properly aligned with personal performance, the performance of the Group, and the interests of shareholders.

Executive remuneration comprises a number of distinct elements, which are structured as follows:

Base salary

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
To recruit and retain Executive Directors of the right calibre who are capable of developing and delivering the Group's strategy, by providing a competitive and appropriate level of fixed pay.	Base salaries are reviewed annually by the Committee and any changes are normally effective from 1st April each year. The review takes into account several factors including (but not limited to): • business performance; • size and scope of the individual's responsibilities; • skills and experience of the individual over time; • pay and conditions elsewhere in the Group - including salary increases awarded to the overall employee population; • market data for similar roles and comparable companies; and • the overall economic environment (including the rate of inflation)	Whilst there are no maximum salary increases, the rate of any salary increase (in percentage terms) will be broadly in line with that of the wider workforce. Higher increases may be made under certain circumstances at the Committee's discretion. For example, this may include significant changes in responsibility, a change of scope in a role, a material sustained change in the size and/or complexity of the Company or very strong performance, meriting base salary increases at greater levels than that of the wider workforce. If pay is set at a discount to the Company's normal policy on appointment, it may be appropriate to phase an individual towards an appropriate rate using increases above those of the wider workforce based on performance and experience.	No formal metrics, although increases will take account of Group performance.

Hostmore Remuneration Policy continued

Benefits

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
To provide market competitive level of benefits to support with the recruitment and retention of Executive Directors.	The Executive Directors receive benefits which include, but are not limited to, family private health cover, life assurance cover, critical illness cover and a car allowance, together with reimbursement of expenses reasonably and properly incurred in the performance of their duties which are claimed in accordance with the Company's expense reporting procedure. These benefits are not pensionable. Travel and/or relocation or the temporary provision of accommodation may be offered where the Company requires an Executive Director to relocate. Expatriate allowances may be offered where required. The Company may reimburse any tax payable (on a grossed up basis) on any business expense which is determined to be a taxable benefit. Executive Directors may become eligible for any new benefits introduced to a wider set of other Group employees, which may include any tax approved all-employee share plans.	The value of each benefit is not predetermined and is based upon the cost to the Group. The Committee aims to review both the level of benefits provided and the overall cost of the benefits on a periodic basis.	Not performance related.

Pension

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
To provide retirement benefits in line with those offered to the majority of the workforce.	Contribution towards a Group pension scheme and/or a cash allowance in lieu of Company pension contributions, or a combination of both.	Pension contribution rate in line with rate applicable for the majority of the UK workforce (currently 3% of base salary).	Not performance related.

Annual bonus

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
To incentivise the achievement of stretching objectives that support the Group's corporate goals and delivery of the strategy. For any Executive Director that has not met a shareholding requirement of 300% of salary, delivery of a proportion of any bonus into the Company's shares provides additional alignment with the Company's shareholders.	The Committee sets performance measures and targets at the start of each financial year and determines the payment level after year-end by reference to the measures and targets. At least one-third of any Executive Director's annual bonus earned will be deferred into the Company's shares and must be held for three years if the Executive Director has not met a shareholding requirement of 300% of salary (i.e. 150% of the in-employment shareholding requirement which is summarised below). The remainder will be paid in cash. Participants may be entitled to receive dividend equivalents which have accrued during the period from grant to the date the award vests (or if there is a holding period to the earlier of the date of exercise and the end of the holding period) on vested shares, normally delivered in shares. Malus and clawback provisions apply (see notes).	The maximum bonus opportunity is 125% of base salary for each Executive Director.	The pay-out under the annual bonus will be determined based on a range of: (i) financial; and (ii) strategic and/or personal objectives. At least 70% of the annual bonus will be based on financial performance targets. The Committee retains the flexibility to vary the performance measures and/or weightings for future years. Up to one-third of the maximum is payable at threshold performance against each measure. The Committee has the discretion to adjust the pay-out that would otherwise result by reference to the formulaic outcome alone, taking into account corporate and/or personal performance, to ensure the pay-out is consistent with the Group's overall performance during the year and / or shareholder experience over the period or the performance of the Executive Director in delivery of the business strategy and results.

Hostmore Remuneration Policy continued

Long-Term Incentive Plan ("LTIP")

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
To incentivise the achievement of long-term sustainable growth and to align Executive Directors and senior employees with the Company's shareholders' interests.	Normally, awards will be made under the Company's LTIP annually following the announcement of the annual results apart from the first award which was granted shortly after Admission. Discretionary annual award which may be granted in the form of nil-cost options or conditional shares, and which normally vest after three years subject to performance conditions and continued service. Performance is normally measured over a period of at least three financial years (although the performance period for two of the three measures used for the awards made shortly after Admission (the EPS and ROIC measures) will be measured to the end of the financial year ending 31 December 2023). Awards for Executive Directors are subject to a two year post vesting holding period in respect of vested shares (net of sales for tax and national insurance). The two year holding requirement will normally continue if they leave employment during the holding period. Participants may also be entitled to receive dividend equivalents which have accrued during the period from grant to the earlier of the date of exercise and the end of the holding period on vested shares, normally delivered in shares. Malus and clawback provisions apply (see notes). Awards are subject to the discretions contained in the LTIP rules.	The normal maximum grant level for an Executive Director is 150% of base salary per annum (based on the closing market value of the Company's shares on the day prior to grant or an average of the closing prices for a short period prior to grant).	Awards are normally subject to a combination of measures which may include financial and/or strategic measures and/or total shareholder return relative to the constituents of a relevant comparator index or peer group. 25% of the maximum award vests at the threshold performance. The Committee retains the flexibility to vary the performance measures and/or weightings for current and/or future awards.

Shareholding requirements

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
Share ownership requirements for Executive Directors are designed to strengthen the alignment between the interests of the Executive Directors with those of the Company's shareholders.	*During employment* Executive Directors are required to build and retain a holding of the Company's shares equivalent to at least 200% of their base salary. Executive Directors will be required to retain 50% of all vesting Company shares that they receive under the LTIP (net of sales for tax and national insurance) until the requirement is achieved. For the purposes of the share ownership requirements, deferred bonus shares and shares under the LTIP which have vested but are subject to a holding period will count towards these requirements, on a net value basis. *After employment* The shareholding requirement will continue to apply for a period of two years after cessation of employment, with Executive Directors expected to retain the lower of: (i) the shareholding requirement (i.e. the 200% requirement); and (ii) the shares held at cessation of employment.	200% of base salary.	Not performance related.

Directors' and officers' liability insurance ("D&O Insurance")

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
Maintaining D&O Insurance for Executive Directors is designed to cover the cost of defending civil and criminal proceedings brought against an individual acting in their capacity as a Director or Officer of the Company. It, therefore, protects an individual from claims which result from that individual carrying out his duties as a Director.	The Company maintains D&O Insurance to cover the cost of defending civil and criminal proceedings brought against an individual acting in their capacity as a Director or Officer of the Company (including those who served as Executive Directors during 2021).	The benefit to a Director is dependent on the nature of the claim and the limitations of the D&O insurance policy.	Not applicable.

Hostmore Remuneration Policy continued

Chair and Non-Executive Directors

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
To attract and retain a high-calibre Non-Executive Chair and Non-Executive Directors who have a broad range of skills and experience to oversee the implementation of the Group's strategy, by providing a competitive fee level.	The Non-Executive Chair receives an all-inclusive fee. Non-Executive Directors are paid a base fee, with additional fees paid to the Chairs of the permanent Board Committees and the Senior Independent Director to reflect their extra responsibilities. An additional fee may also be payable to reflect other additional responsibilities. Fees are reviewed annually by the Committee for the Chair, and by the Board for the Non-Executive Directors. The Chair and the Non-Executive Directors do not participate in any performance-related incentive schemes, nor do they receive pension or other benefits from the Company. The Company may reimburse any tax payable (on a grossed up basis) on any business expense which is determined to be a taxable benefit.	When reviewing fee levels, account is taken of market movements in the fees of the Non-Executive Chair and Non-Executive Directors, Board Committee responsibilities and ongoing time commitments. The total amount of the fees paid to all of the Non-Executive Directors (excluding any remuneration for special or additional services) must not exceed any amount decided by the Company by ordinary resolution.	Not performance related.

D&O Insurance

Purpose and link to strategy	Operation	Maximum Opportunity	Performance metrics and assessment
Maintaining D&O Insurance for Non-Executive Directors is designed to cover the cost of defending civil and criminal proceedings brought against an individual acting in their capacity as a Director or Officer of the Company. It, therefore, protects an individual from claims which result from that individual carrying out his duties as a Director.	The Company maintains D&O Insurance to cover the cost of defending civil and criminal proceedings brought against an individual acting in their capacity as a Director or Officer of the Company (including those who served as Non-Executive Directors during 2021).	The benefit to a Director is dependent on the nature of the claim and the limitations of the D&O insurance policy.	Not applicable.

Notes to the Policy table

Performance conditions

The Committee aims to ensure that the performance measures for the annual bonus and LTIP represent an appropriate balance between the short-term and long-term performance of the Group, with measures aligned to the Company strategy and key performance indicators. At the beginning of each award cycle, the Committee reviews and selects the most appropriate performance measures, considering the key priorities of the Group at the time over both the short and long-term. The Committee sets stretching but achievable targets for both financial and non-financial measures. Details are included in the Company's annual report and accounts each year, subject to limitations with regards to commercial sensitivity for the annual bonus (where general terms will be provided), and the full details disclosed following the end of the financial year in the Company's next annual report and accounts, again, subject to limitations with regards to commercial sensitivity for the annual bonus (if appropriate).

Malus and Clawback

Malus and clawback can be applied within three years of an LTIP award vesting or annual bonus payment as determined at the discretion of the Committee. These provisions may be applied in the following circumstances:

(i) material financial misstatement;

(ii) significant reputational damage;

(iii) negligence or gross misconduct by a participant;

(iv) fraud effected by or with the knowledge of a participant;

(v) breach of anti-bribery or anti-corruption laws by a participant;

(vi) material corporate failure; or

(vii) where awards were granted or vested based on erroneous or misleading data.

Committee Discretions

The Committee operates under the powers it has been delegated by the Board. The Committee operates the variable incentive plans in accordance with the relevant plan rules, the Listing Rules and applicable legislation where relevant. Within the plan rules, the Committee retains a number of discretions to ensure effective operation of the plans. These discretions are standard market practice and include (but are not limited to) the following:

- Selecting the participants in the incentive plans;
- Determining the timing of grants of awards and/or payments;
- Determining the quantum of awards and/or payments (within the limits set out in the Policy and rules of each plan);
- Determining the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the Policy and rules of each plan;
- Determining the extent of vesting based on the assessment of performance;
- Overriding formulaic annual bonus outcomes, and LTIP vesting outcomes, taking account of overall or underlying Company performance;
- Determining whether and to what extent dividend equivalents should apply to awards;
- Determining whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which they shall be applied;

Hostmore Remuneration Policy continued

- Making appropriate adjustments required in certain circumstances, for instance for changes in capital structure (or any similar corporate event);
- Application of the holding period;
- Determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and LTIP awards from year to year.

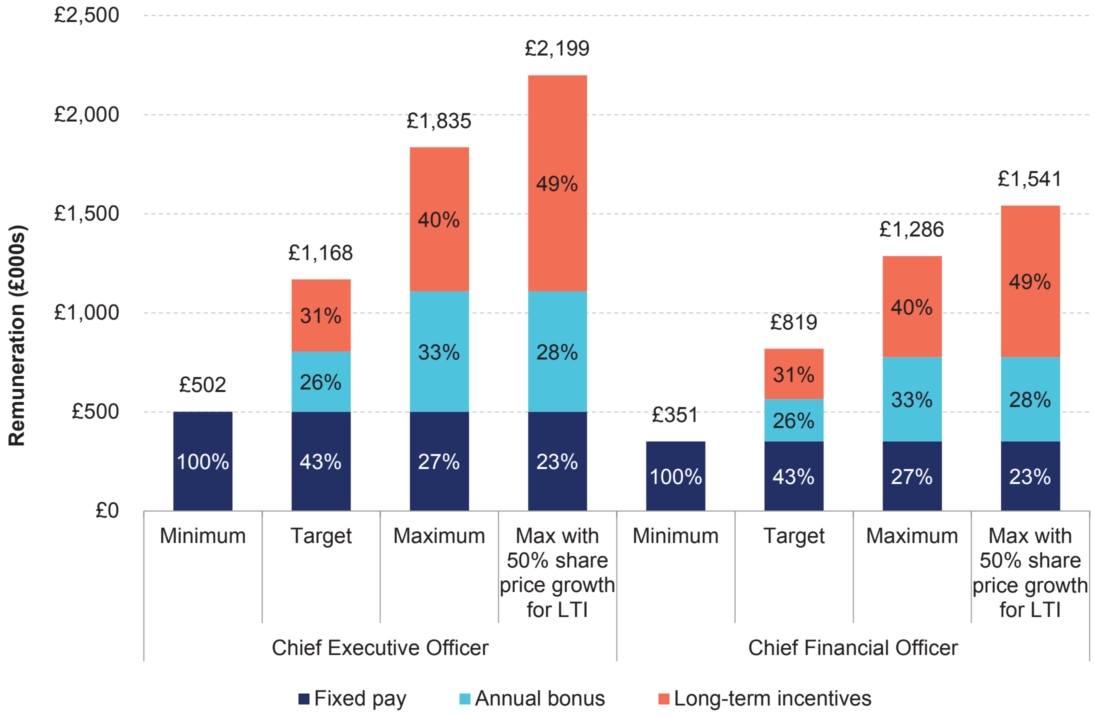
If an event occurs which results in the annual bonus plan or the LTIP performance conditions and/or the targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. In addition, the Committee may exercise its discretion in order to make such other non-material decisions affecting the Executive Directors' awards in order to facilitate the plans. Any use of the above discretion would, where relevant, be explained in the Company's annual report on remuneration of Directors.

Legacy Arrangements

Any commitments entered into by the Group on pay and bonus arrangements prior to the approval and implementation of the Policy outlined above may be honoured, even if they are not consistent with the Policy prevailing at the time the commitment is fulfilled. This may include commitments to future Executive Directors where the terms were agreed prior to (and not in contemplation of) promotion to Executive Director, which includes satisfying awards of variable remuneration based on the terms agreed at the time the award was originally granted.

Illustration of the Policy

The chart below sets out the potential values (£'000) of the remuneration package of the Executive Directors for FY22 under various performance scenarios.



Notes
- Salary represents annual salary for FY22
- Benefits have been included based on the anticipated value of benefits in FY22

- Pension represents the value of the annual pension of 3% of salary contributed by the Company
- Minimum: Fixed pay only (salary, benefits and pension)
- Target performance: Fixed pay, annual bonus at 50% of maximum (62.5% of salary) and LTIP of 50% of face value (75% of salary)
- Maximum performance: Fixed pay, maximum annual bonus (125% of salary) and maximum face value of LTIP (150% of salary)
- Maximum with share price growth: as above plus an assumed increase of 50% in the value of the LTIP award to take account of potential share price appreciation.

Service contracts and loss of office arrangements

The Executive Directors have a service contract requiring 6 months' notice on termination from either party:

Executive Director	Date of service contract	Notice period
Robert B. Cook	15 October 2021	6 months
Alan Clark	15 October 2021	6 months

New Executive Directors appointed internally will be appointed on service contracts that have a notice period of not more than six months for both the Company and the individual. In cases of external hires, the initial notice period may be up to 12 months, reducing to no more than 6 months after not more than 12 months.

Under the terms of his contract, the CEO will be reimbursed for all weekly travel expenses between Northumberland and London, all travel expenses between Northumberland and Edinburgh and hotel expenses for up to four nights' accommodation in London per week and up to two nights' accommodation in Edinburgh per week on average (measured in each case over a calendar year) at pre-agreed rates and/or hotels.

The Group's policy on remuneration for Executive Directors who leave the Group is set out below and is consistent with general market practice. The Group does not tolerate reward for failure. The Committee's policy for Executive Directors' termination payments is to provide only what would normally be due to Executive Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. The rules of the annual bonus plan and the LTIP contain provisions setting out the treatment of awards where a participant ceases to be employed by the Group. For both annual bonus and LTIP awards, the Committee has the discretion to determine whether an Executive is a good or bad leaver.

Remuneration element	Approach
Fixed pay (salary, benefits and pension)	Paid for the proportion of notice period worked. The Company may at its discretion terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary, benefits (insurance benefits and car allowance) and pension. Any such payments will normally be paid in monthly instalments over the remaining notice period and be reduced by earnings from other employment. For summary dismissal, no notice will be given and no payment in lieu of notice is payable.
Annual bonus (in year)	Bad leavers (typically due to resignation or summary dismissal) will not be eligible to receive a pay-out under the annual bonus scheme. Good leavers may receive an annual bonus payment, which will normally be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis to date of departure. The Committee retains discretion on whether the whole bonus payable is paid in cash, or whether part of it is deferred either in cash or shares.
Annual bonus (unvested deferred shares)	For bad leavers, awards will lapse. For good leavers, shares will ordinarily vest on the normal vesting date.

Hostmore Remuneration Policy continued

LTIP	For bad leavers, unvested awards will lapse. For good leavers, awards will normally be retained by the Executive Director and remain subject to the relevant performance conditions (normally over the full performance period). Ordinarily, the outcome will be calculated on a time pro-rata basis and vest at the normal vesting date. The Committee may, at its discretion, allow unvested awards to vest at an earlier date, having regard to the achievement of performance conditions to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no, or a reduced, reduction in the amount vesting if it is considered appropriate given the particular circumstances.
Other payments	The Committee may pay reasonable outplacement and legal fees where considered appropriate. The Committee may also pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

In the event of a change of control or similar event, awards may vest early subject to performance and, normally, any bonus or LTIP would be subject to pro-rating on a time apportioned basis. The Committee may at its discretion determine that Awards shall not be subject to time pro-rating or be subject to pro-rating to a lesser extent if it considers it appropriate in the circumstances. Alternatively, following an internal reorganisation which results in a change of control, awards may be rolled over into awards in the acquiring company.

Non-Executive Director terms of appointment

Each Non-Executive Director has specific terms of engagement which are terminable on not less than three months' notice by either party, including the Chair. Each Non-Executive Director's appointment will continue for an initial three-year term, subject to annual re-election at each AGM. The appointment letters state that Non-Executive Directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Articles of Association and based on a review of fees paid to Non-Executive Directors of similar sized companies. The dates of appointment of each of the Non-Executive Directors serving at 31 December 2021 are summarised in the table below.

Non-Executive Director	Date of appointment
Neil Johnson	23 August 2021
David Lis	18 August 2021
Gavin Manson	17 August 2021
Jane Bednall	20 September 2021
Andrew Blurton	17 August 2021
Louise Stonier	20 August 2021

Recruitment of Directors – approach to remuneration

Consistent with market practice, remuneration packages for any new appointments to the Board (including those promoted internally) will be set in line with the Policy.

Remuneration element	Approach
Base salary	In setting base salaries for new Executive Directors, the Committee will consider the individual's level of skills and experience. Where it is appropriate to offer a below market salary on initial appointment, the Committee will have the discretion to allow phased salary increases over a period of time for a newly appointed Executive Director up to an appropriate salary for the appointment, even though this may involve increases in excess of those awarded to the wider workforce.
Benefits	In line with the Policy table above. For both external and internal appointments, the Committee may consider it appropriate to pay reasonable relocation or incidental expenses, including payment of reasonable legal expenses. This will ordinarily be for a reasonable but fixed period of time and will be disclosed on appointment. Tax equalisation may be considered if an Executive Director is adversely affected by taxation due to their new employment with the Group.
Pension	In line with the wider workforce.
Annual Bonus	In line with the Policy table and will be pro-rated in the year of joining to reflect the period of service. In setting the annual bonus, the Committee may set different performance metrics (to those of other Executive Directors) in the first year of appointment.
LTIP	Grants in line with the Policy table. Subject to the absence of inside information and the Company not being in a closed period, an award may be made shortly after Appointment.
Buyout awards	For external appointments, the Committee recognises that it may need to provide compensation for forfeited awards from the individual's previous employer. To the extent possible, the design of any buyout will be made on a broadly like-for-like basis and shall be no more generous than the terms of the incentives they are replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting. Share-based awards would be made using the existing share plans, where possible, although the Committee may also use the flexibility provided under the Listing Rules to make awards without prior shareholder approval.

For an internal appointment, any variable pay element or benefit awarded in respect of their prior role may be allowed to continue on its original terms.

The terms of appointment for a new Non-Executive Director will be in accordance with the Policy for Non-Executive Directors as set out in the Policy table.

Executive Directors' external appointments

Executive Directors may accept external appointments as Non-Executive Directors of other companies, as long as the companies concerned are not competitors of the Group, the appointment will not adversely affect the performance of the Executive Director for the Company, and with the specific prior approval of the Board in each case. Any fees receivable may be retained by the Executive Director concerned.

How shareholders' views are taken into account

The Committee considers the views of shareholders when reviewing the remuneration of Executive Directors and other senior executives and takes into account published remuneration guidelines and the specific views of shareholders and proxy agencies. The Committee will consult with the Company's key shareholders when considering significant changes to the implementation of the Policy and when the Policy is being reviewed (typically ahead of an AGM binding vote on the Policy). The Committee will consider shareholder feedback received before and after an AGM. The Committee values feedback from its shareholders and seeks to maintain a continued, open dialogue.

Hostmore Remuneration Policy continued

Broader employee context – consideration of employment conditions elsewhere in the Group

In accordance with the Committee's terms of reference, the Committee reviews the pay and conditions below the Executive Director level. The Company aims to provide a market competitive package to all employees and the Committee considers executive remuneration in the context of the wider employee population. As part of the annual salary review, the Company takes into account current and future requirements (including the National Minimum Wage and the National Living Wage).

The Remuneration Policy for Executive Directors is more weighted towards variable pay than for other employees, with a greater part of their pay therefore at risk to them and conditional on the successful delivery of the Company's business strategy. The LTIP is operated for a significant number of employees below the Executive Directors and a significant number of the Group's salaried employees participate in the annual bonus. A lower aggregate level of incentive payment applies below Executive Director level, driven by market comparatives, internal relativities and the potential impact of the role.

Whilst employees are not directly consulted on matters of remuneration policy, the Committee will ensure there is appropriate forum to discuss any remuneration matters which should be taken into account as part of its annual cycle. The Group operates an Employee Forum which is attended by Louise Stonier in her capacity as the independent Non-Executive Director for workforce engagement on behalf of the Company, and the CEO. This ensures that the employee voice is heard directly by the Committee. Employee engagement scores and other internal surveys are also considered by the Committee.

Minor amendments

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Annual Report on Remuneration

This is the annual report which explains the remuneration arrangements for the period under review, and how the Directors' Remuneration Policy (the "Policy") will be implemented for the year ahead. The sections of this part of the report which are subject to audit have been highlighted.

Role and responsibility

The Committee is formally constituted and operates on written terms of reference, which are available on the Company's website. The role of the Committee is to determine the remuneration policy and individual packages for the Chair of the Company, Executive Directors and other designated members of senior management including the General Counsel and Company Secretary. The remuneration of the Non-Executive Directors is determined by the Board Chair and Executive Directors. When determining these arrangements, the Committee will take into account all factors which it deems necessary including workforce remuneration and related policies and the alignment of incentives and rewards with culture. The Committee seeks to ensure alignment to the Company's purpose and values and the link to the successful delivery of the Company's long-term strategy and long-term shareholder interests. The Committee is also responsible for reviewing overall workforce remuneration and related policies including gender pay gap, the CEO pay ratio and minimum wage.

Remuneration Committee membership

The Committee was formed shortly before Admission and, save for Gavin Manson (who is considered to be a non-independent Non-Executive Directors), consists entirely of independent Non-Executive Directors. The Committee members are as follows:

- Louise Stonier (Chair)
- Jane Bednall
- Andrew Blurton
- Gavin Manson

The Committee must comprise of at least three members and, unless the Board approves otherwise, all members must be independent, Non-Executive Directors of the Company. The chair of such committee should have previously served on a remuneration committee for at least 12 months. Louise Stonier is the chair of the Remuneration Committee, notwithstanding that Louise has not previously served on a remuneration committee for a period of at least 12 months. Louise has previously been extensively involved with the remuneration committee of Pets at Home Group PLC as Chief People and Culture Officer and previously as Group Legal Director and Company Secretary and hence the Company believes she has sufficient relevant experience to perform this role. Gavin Manson, despite not being an independent Non-Executive Director, sits on the Company's Remuneration Committee. Whilst the inclusion of Gavin Manson is not consistent with the recommendations of the UK Corporate Governance Code (i.e. that all members of the Remuneration Committee be independent), the board of directors considers that the financial experience that Gavin brings, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merits his inclusion on the Remuneration Committee. The UK Corporate Governance Code also provides that the chair of the board can only be a member of the remuneration committee if they were independent on appointment. Assuming that he is elected as a Director at the AGM, Gavin Manson will not be independent on appointment as Chair of the Board and, accordingly, intends to step down as a member of the Remuneration Committee upon assuming the role of Chair of the Board. This will also bring the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Remuneration Committee be independent.

The Committee met once from Admission to year end, with all members in attendance.

Advice to the Committee

Wholly independent and objective advice on executive remuneration and share schemes is received from the Executive Compensation practice of Alvarez & Marsal (A&M) who were appointed by the Company shortly prior to Admission following a competitive tendering process. The Company selected A&M on the basis of their skill set, pricing and fit. The decision to appoint A&M was ratified by the Remuneration Committee in advance of Admission. A&M is a member of the Remuneration Consultants' Group and is a signatory to its

Annual Report on Remuneration continued

Code of Conduct. During the year, A&M did not provide any other services to the Company except in relation to senior management remuneration matters and share plans. Fees charged by A&M for advice provided to the Committee amounted to £145,888 (excluding VAT) charged on a time and materials basis. This includes work prior to Admission, including the design of the Policy, implementation of the long-term incentive plan and the establishment of the Employee Benefit Trust.

In addition, the Committee consults the CEO with regard to the remuneration and benefits offered to the Group's Executive Team (other than in relation to his own remuneration) and also receives input from Karen Barnard, the People & Culture Director.*

* Please note that Karen Barnard is not a statutory director of Hostmore plc.

Single figure of remuneration for the period from 14 April 2021 to 2 January 2022 (audited)

The table covers the period from 14 April 2021 (being the date of the Company's incorporation) to 2 January 2022. No prior year comparison is included as the Company was not listed at that time. Whilst the table covers the aforementioned detailed period, it only details remuneration from the Relevant Date to 2 January 2022. The "Relevant Date" for these purposes is: (i) in the case of the Executive Directors, 5 October 2021 (being the date upon which the Company's subsidiary, Hostmore Group Limited, acquired the beneficial interest in the issued, voting share capital of Wednesdays (Bidco) Limited); and (ii) in the case of the Non-Executive Directors, the date upon which the relevant individual was appointed as a Non-Executive Director of the Company pursuant to his or her letter of appointment (as detailed in the table below).

As explained in note 2.12 to the financial statements, the Company undertook a corporate reorganisation during the 53 week period ended 2 January 2022. The corporate reorganisation has been accounted for using the principles of predecessor accounting which means that although the Group as currently comprised did not exist before the date of its implementation, the consolidated financial statements have been presented as if the Group had been in existence for the two full years concerned. The effect of this on disclosure of Directors' remuneration is that the information detailed below covers the remuneration received by Directors from the Relevant Date (as defined above), whereas Directors' remuneration in the financial statements includes the remuneration received in each of the two financial years ended 2 January 2022.

£000s	Relevant Date	Salary and fees	Benefits[1]	Pension[2]	Annual bonus[3]	LTIP[4]	Total fixed remuner-ation	Total variable remuner-ation	Total remuner-ation
Executive Directors									
Robert B. Cook	5 October 2021	107	0	5	0	0	112	0	112
Alan Clark	5 October 2021	76	0	3	0	0	79	0	79
Non-Executive Directors									
Neil Johnson[5]	23 August 2021	25	0	0	0	0	25	0	25
Jane Bednall	20 September 2021	14	0	0	0	0	14	0	14
Andrew Blurton	17 August 2021	23	0	0	0	0	23	0	23
David Lis	18 August 2021	26	0	0	0	0	26	0	26
Gavin Manson[5]	17 August 2021	8	0	0	0	0	8	0	8
Louise Stonier	20 August 2021	22	0	0	0	0	22	0	22

1 This is the taxable value of benefits paid or payable in respect of the period from the Relevant Date to 2 January 2022. These benefits typically relate to death, disability and medical insurance.

2 Executive Directors are entitled to receive a pension allowance of 3% of salary. The pension figures represent the cash amount of the pension allowance taken in lieu of contributions to the Group's pension plan.

3 Legacy pre-Admission bonus – As explained in the Committee Chair's statement, the legacy bonus arrangements were agreed by the then board of directors of Wednesdays (Bidco) Limited pre-Admission and do not form part of the Policy. As disclosed in the Prospectus (see page 149 of the Prospectus), the annual bonus plan for the 53 week period ended 2 January 2022 terminated on Admission with bonuses payable by reference to performance up to Admission. Robert B. Cook and Alan Clark received a gross bonus of £180,000 and £86,250, respectively, under the then annual bonus plan. The legacy pre-Admission bonus is not included in any of the figures given in this Directors' Remuneration Report.

4 Legacy pre-Admission LTIP – As explained in the Committee Chair's statement, the legacy LTIP arrangements were agreed by the board of directors of Mondays (Topco) Limited pre-Admission and do not form part of the Policy. As disclosed in the Prospectus (see pages 167 to 168 of the Prospectus), a management incentive plan operated prior to Admission. The management incentive plan crystallised upon the Company being demerged from Electra Private Equity PLC which ultimately resulted in all plan participants, including the Executive Directors, utilising the full proceeds of the award crystallisation to subscribe for shares in the Company. All plan participants subscribed for shares in the Company at a price of 178p per share. In terms of the Executive Directors, this resulted in Robert B. Cook and Alan Clark subscribing for 3,360,662 and 2,421,518 ordinary shares in the Company, respectively. The legacy pre-Admission LTIP is not included in any of the figures given in this Directors' Remuneration Report.

5 Fees payable to Neil Johnson and Gavin Manson were paid to Electra Private Equity PLC in the period under review and until they stepped down from their executive roles with that company on 31 January 2022.

Annual bonus (audited)

As disclosed in the Prospectus (see page 149 of the Prospectus), the then annual bonus plan terminated on Admission with bonuses payable by reference to performance up to Admission.

LTIP awards vesting during the year (audited)

As disclosed in the Prospectus (see pages 167 to 168 of the Prospectus), the management incentive plan agreed by the board of directors of Mondays (Topco) Limited and operated by Wednesdays (Bidco) Limited crystallised on the occurrence of a "Parent Company Exit Event" (i.e. when Hostmore plc was demerged from Electra Private Equity PLC on 1 November 2021, the day before Admission). Details of the plan can be found in the Prospectus. The value of the loan notes received by the CEO and CFO in return for their shares in Wednesdays (Bidco) Limited which were then used to subscribe for shares in the Company is shown in Note 4 to the single figure table.

LTIP awards granted during the year (audited)

Shortly after Admission, the Executive Directors were granted Initial Performance Share Awards under the LTIP scheme (which was approved by Electra Private Equity PLC shareholders on 1 November 2021).

Director	Type of award	Date of grant	Number of options awarded	Basis of the award % of salary	Share price used to determine level of award pence per share[1]	Face value £	% that vests at threshold	Vesting date
Robert B. Cook	LTIP - Initial Performance Share Award	17 November 2021	639,136	150%	113.83p	£727,500	25%	17 November 2024[2]
Alan Clark	LTIP - Initial Performance Share Award	17 November 2021	448,054	150%	113.83p	£510,000	25%	17 November 2024[2]

1 Based on the Company's average closing share price from the date of listing to the dealing date prior to the date of grant. The share price on the date of grant was 109.5p.

2 Following vesting, the awards are subject to a two-year holding period.

The Initial Performance Share Awards are subject to the following performance conditions. As the awards were granted shortly after Admission, the measurement period for the performance conditions varies. For awards granted at the normal time each year following the announcement of the annual results, the Committee expects performance conditions to be measured over three financial years.

Annual Report on Remuneration continued

Measure	Measurement basis	Proportion of total award	Threshold (25% vests)	Maximum (100% vests)
Relative TSR	Company TSR v's FTSE SmallCap (excluding Investment Trusts) from date of grant to 3rd anniversary of date of grant	One-third	Median	Upper quartile
EPS	Underlying fully diluted EPS for FY 2023	One-third	12.63p	15.43p
ROIC	Average ROIC for FY 2022 and FY 2023	One-third	4.5%	5.5%

Payments made for loss of office and payments to past Directors (audited)

No payments for loss of office or payments to past Directors were made during the period under review.

Directors' shareholdings and share interests (audited)

Details of the Directors' interests in shares are shown in the following table. Executive Directors are required to build and retain a holding of the Company's shares equivalent to at least 200% of their base salary. Vested but unexercised Performance Share Awards and unvested deferred bonus awards will count towards the shareholding requirement on a net of tax basis. The shareholding requirement will continue to apply for a period of two years after cessation of employment, with Executive Directors expected to retain the lower of: (i) the shareholding requirement (i.e. the 200% requirement) and; (ii) the shares held at cessation of employment.

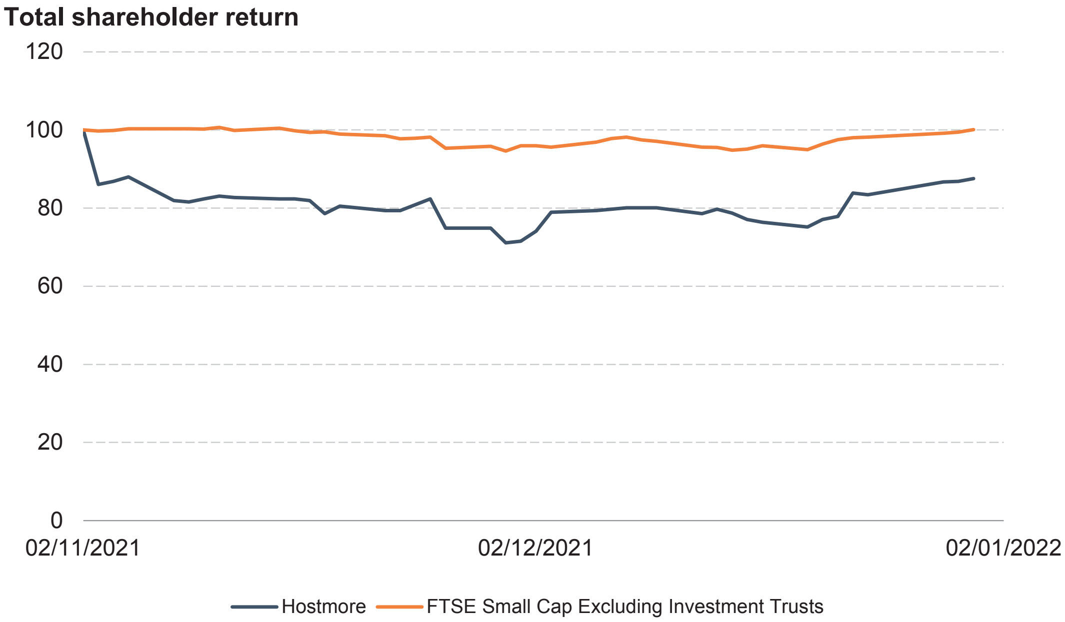
	Beneficially owned as at 2 Jan 2022	Subject to continued employment	Unvested options subject to performance conditions	Vested but not exercised options	Shareholding requirement	Shareholding as a percentage of salary	Shareholding requirement met?
Robert B. Cook	3,360,662	–	639,136	–	200%	806%	YES
Alan Clark	2,421,518	–	448,054	–	200%	828%	YES
Neil Johnson	769,671	N/A	N/A	N/A	N/A	N/A	N/A
Jane Bednall	0	N/A	N/A	N/A	N/A	N/A	N/A
Andrew Blurton	0	N/A	N/A	N/A	N/A	N/A	N/A
David Lis[1]	130,500	N/A	N/A	N/A	N/A	N/A	N/A
Gavin Manson	1,465,758	N/A	N/A	N/A	N/A	N/A	N/A
Louise Stonier	0	N/A	N/A	N/A	N/A	N/A	N/A

1 Includes 15,000 shares held by Mrs P.M. Lis

There were no changes to the Directors' interests between 2 January 2022 and 5 April 2022.

Performance graph and table

This graph shows the value of £100 invested in Hostmore compared with the value of FTSE Small Cap (excluding Investment Trusts) since Admission until 2 January 2022. This index has been selected as it comprises companies of a comparable size and complexity and provides a good indication of Hostmore's relative performance.



As 2 January 2022 was a non-trading day, data is shown as at the last close (i.e. 31 December 2021).

	2021
CEO single figure total remuneration (£000)	112
Annual bonus (as % of maximum opportunity)	N/A
Long-term incentive plan (as % of maximum opportunity)[1]	N/A

1 There was no maximum value to the management incentive plan in place prior to Admission

Percentage change in Directors' and employee remuneration (audited)

As this is the first year of reporting Directors' remuneration, there is no prior year comparison to disclose. Such disclosure will be included in next year's report.

CEO pay ratio (audited)

The following table shows the ratio between the total remuneration of the CEO and the median total remuneration of our UK employees. Employee total remuneration has been calculated using "Option A" of the regulations.

	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021	Option A	27:1	20:1	19:1

Annual Report on Remuneration continued

The above ratio has been calculated using the single figure for the CEO and the following statistics for our UK employees:

	CEO	25th percentile	50th percentile	75th percentile
Total salary	£106,958	£4,105	£5,500	£5,758
Total remuneration (single figure)	£112,204	£4,105	£5,500	£5,851

The above table sets out the ratios of the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full time equivalent basis) from the Relevant Date (being, in the case of the CEO, 5 October 2021) to 2 January 2022.

The ratio has been calculated using Option A under which a single total figure of remuneration is derived for each employee and the quartiles analysed. The total remuneration figure; comprising base salary, benefits, pension, bonus and long-term incentives and any one-off payments. All UK employees were ranked by their total remuneration. From this the three individuals at the 25th, 50th and 75th percentiles were identified. The median ratio is consistent with Hostmore's pay, reward and progression policies for employees which relate pay levels to performance and market benchmarks. Under our policy, in-line with practice in our sector the extent to which total pay is dependent on performance is linked to seniority, with more senior roles having higher levels of variable remuneration ensuring their pay is more dependent on company performance and has the greatest alignment with shareholders. As such, we expect the ratio to vary significantly in future years, as the single figure for the CEO does not include any variable pay this year.

Relative importance of the spend on pay (unaudited)

The table below shows the Company's expenditure on employee pay compared to distributions to shareholders from 5 October 2021 (being the date upon which the employees became part of Hostmore's group) to 2 January 2022. As this is the first year of reporting Directors' remuneration, there is no prior year comparison to disclose. Such disclosure will be included in next year's report.

	2021 £m
Distributions to shareholders	0
Total employee pay	18.927

External appointments

Robert B. Cook is a Director of three family run companies. He is entitled to retain fees in respect of these company directorships however no fees were payable for the period under review.

Statement of shareholding voting

This is the first Policy and Directors' Remuneration Report submitted to shareholders. The voting results at the forthcoming AGM will be announced shortly after the AGM and presented in the Annual Report on Remuneration for FY22.

Implementation of Policy in FY22

Executive Directors

Implementation for FY22 is consistent with the Policy as outlined earlier in this report.

Element	**Operation**

Base salary	• Base salaries remain unchanged:
	  ◦ CEO: £485,000
	  ◦ CFO: £340,000

Benefits and pension	• Executive Directors will receive a cash allowance in lieu of pension contribution of 3% of salary in line with the contribution percentage available to the majority of the UK workforce. • Other benefits include private health cover, life assurance cover, critical illness cover, D&O insurance and a car allowance, together with reimbursement of expenses (including travel and accommodation expenses for the CEO)

Annual bonus plan	• Maximum opportunity is 125% of the relevant Executive Director's base salary
	• At least one-third of any Executive Director's annual bonus earned will be deferred into the Company's shares and must be held for three years if the Executive Director has not met a shareholding requirement of 300% of salary
	• Metrics and weightings are as follows:
	  ◦ EBITDA - 70%. EBITDA is to be measured vs the Company's budget with:
	    ▪ Threshold (at which 33.3% of this element is payable) set at 95% of budget
	    ▪ Maximum (at which 100% of this element is payable) set at 105% of budget
	  The bonus is payable on a straight-line basis between threshold and maximum as a result of which 66.7% would be payable for achieving budget.
	  ◦ Strategic measures - 30%
	    ▪ For the CEO, these comprise key objectives relating to organic growth and M&A activities.
	    ▪ For the CFO, these comprise key banking measures and energy negotiation objectives.
	    ▪ An EBITDA underpin applies such that nothing is payable under the strategic measures if the threshold EBITDA target is not met
	• The specific targets are considered to be commercially sensitive and will be retrospectively disclosed in next year's Annual Report.
	• Malus and clawback provisions apply in line with the Policy

Annual Report on Remuneration continued

Long-term incentive plan	• The Committee intends to grant awards immediately following the annual results of 150% of base salary for each of the Executive Directors • Metrics and weightings are as follows:

Measure	Measurement basis	Proportion of total award	Threshold (25% vests)	Maximum (100% vests)
Relative TSR	Company TSR v's FTSE SmallCap (excluding Investment Trusts)	One-third	Median	Upper quartile
EPS	Underlying fully diluted EPS for FY 2024	One-third	11.90p	14.54p
ROIC	Average ROIC for FY 2022, FY 2023 and FY 2024	One-third	4.4%	5.4%

- Performance will be measured over three financial years to FY24
- The awards will be subject to a two-year post-vesting holding period
- Malus and clawback provisions apply in line with the Policy

Non-Executive Director fees

The fees for the Non-Executive Directors remain unchanged from Admission:

	Fee
Chair of the Board	£150,000
Non-Executive Director base fee	£50,000
Senior Independent Director	£20,000[1]
Chair of Board Committee (other than the Chair of the Board)	£10,000

1 This will be reduced to £10,000 once a Chair is appointed who is considered to be Independent under the UK Corporate Governance Code.

This report was approved on behalf of the Board of Directors.

Louise Stonier
Chair of the Remuneration Committee
5 April 2022

Directors' Report

Introduction

The Directors present their report and audited financial statements for the 53 week period ended 2 January 2022. Information required to be part of the Directors' Report either by statute, by Listing Rule 9.8.4R or by the Disclosure and Transparency Rules can be found either in this section or elsewhere in this document, as indicated in the table below. All information located elsewhere in this document is incorporated into this Directors' Report by reference:

Disclosure	Location
Environmental impact	Strategic Report – pages 14 to 17
Greenhouse gas emissions	Strategic Report – pages 18 to 19
Future business developments	Strategic Report – pages 6 to 9
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 29 to the Financial Statements – pages 147 to 149
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Details can be found on pages 38 to 39 of the Strategic Report and Note 29 to the Financial Statements
Section 172 Statement	Strategic Report – pages 20 to 25
Stakeholder engagement in key decisions	Strategic Report – pages 20 to 25
Directors' responsibility statement	Page 98
Directors' interests	Directors' Remuneration Report – page 86
Details of long-term incentive schemes	Directors' Remuneration Report – pages 69, 74 to 75, 77 to 80 and 85

Corporate Governance Arrangements

The Board is committed to the highest standards of corporate governance. Since Admission on 2 November 2021, the UK Corporate Governance Code has applied to the Company. The Company intends to comply, and will continue to fully comply with the UK Corporate Governance Code apart from in relation to the Chair of the Board and temporary exemptions in relation to the compositions of the Audit and Risk Committee and Remuneration Committee as detailed further in the Governance Report on pages 51 to 52.

Directors

The Directors of the Company who were in office during the year are:

Neil Johnson (Non-Executive Chair)
Robert B. Cook (Chief Executive Officer)
Alan Clark (Chief Financial Officer)
David Lis (Senior Independent Non-Executive Director)
Gavin Manson (Non-Executive Director)
Jane Bednall (Independent Non-Executive Director)
Andrew Blurton (Independent Non-Executive Director)
Louise Stonier (Independent Non- Executive Director)

The biographies of the Directors in office as at the date of this Annual Report and Financial Statements are set out on pages 46 to 49 of the Corporate Governance Report. Between 2 January 2022 to the date of the financial statements there have been no changes to the members of the Board.

Directors' Report continued

The Powers of the Company's Directors

The powers of the Directors are set out in the Company's articles of association (the "Articles") and the Companies Act 2006 and are subject to any directions given by special resolution. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company whether relating to the management of the business or not. The Directors may also, subject to the Articles, delegate any of their powers, authorities and discretions as they see fit.

The Board is required by the Articles to consist of no fewer than two Directors and is not subject to any maximum number.

Appointment and replacement of Directors

The rules governing the appointment and replacement of Directors are set out in the Articles and are governed by the UK Corporate Governance Code, the Companies Act 2006 and related legislation. Directors may be appointed by ordinary resolution of the shareholders or by the Board. At each AGM, all Directors who have held office since the last AGM will offer themselves for re-election by the members to the Company's Board.

Articles of Association

The Articles may be amended by a special resolution of the Company's shareholders. They were adopted by special resolution on 7 October 2021 and took effect from the date of re-registration as a public company limited by shares. As well as setting out the rules governing the appointment and replacement of Directors, the Articles also set out, amongst other matters, the Directors' general authority, rules on decision-making by the Directors, as well as the powers of the Directors in relation to issuing shares and buying back the Company's own shares.

Directors Interests

The number of Ordinary shares of the Company in which the Directors were beneficially interested as at 2 January 2022 are set out in the Directors' Remuneration Report on page 86.

Directors' Insurance and Indemnities

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 and Financial Statements. The Company will review its level of cover on an annual basis.

The Company's Articles provide, subject to the provisions of UK legislation, that the Company may indemnify each Director and Officer of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers. A deed poll was executed in 2021 indemnifying: (i) the then current Directors of the Company and also those individuals who agree from time to time after the date of the deed poll to serve as Directors of the Company; (ii) any Director of the Company in their capacity as a director of a subsidiary of the Company from time to time; and (iii) any person who acts in their capacity as the company secretary of the Company or any subsidiary of the Company from time to time. The indemnity, which constitutes a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, was in force during the 2021 financial year and remains in force for the aforementioned individuals from 2021.

Compensation for loss of Office

The Company does not have any agreements with any Executive Director or employee that would provide compensation for loss of office or employment resulting from a takeover except that: (i) provisions of the Company's long-term incentive plan may cause options and awards outstanding under such schemes to vest on a takeover; and (ii) provisions of the Company's bonus plan rules which apply to the Executive Directors and the members of the Group's Executive Team may cause bonus payments to be payable on a takeover. Further information is provided in the Directors' Remuneration Report on page 80.

Results and Dividends

The results of the Group for the period are set out in the Consolidated Statement of Comprehensive Income on page 114. The position of the Group has been disclosed on pages 115 to 116 in the Consolidated Statement of Financial Position and the position of the Company has been disclosed on page 161 in the Company Balance Sheet. The Directors are not proposing a dividend for the 53 week period ended 2 January 2022.

Review of Business

A review of the business can be found in the Strategic Report on pages 2 to 9.

Going Concern

The going concern statement and viability statement can be found in the Strategic Report on pages 32 to 33.

Political Donations

The Company did not make any political donations during the year.

Research and Development

There was no expenditure on Research and Development in the reporting year.

Share Capital Structure

Details of the Company's share capital, including changes during the year, are set out in Note 26 to the Financial Statements. As at 2 January 2022, the Company's issued share capital consisted of 126,127,279 Ordinary shares of 20 pence each. There have been no changes to the Company's issued share capital since the financial period end.

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions of the size of a holding or on the transfer of the Ordinary shares.

On 15 October 2021, seven members of the Group's management each signed a lock up deed which means the relevant person cannot sell any of their shareholding in the Company prior to the first anniversary of Admission, save in certain limited pre-defined circumstances. One of the exceptions to the general prohibition is a sale on one single occasion prior to the first anniversary of Admission of up to 33% of the shares held by the relevant person on Admission, with such sale needing to take place pursuant to a block trade agreement. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority for Company 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.

Significant Interests

As at 2 January 2022, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

	As at 2 January 2022	
Name of shareholder	**Number of Ordinary shares of 20 pence each held**	**Percentage of total voting rights held**
Witan Investment Trust plc	16,656,417	13.2%
Fidelity International	13,914,492	11.0%
Aviva PLC	5,291,409	4.2%
Crown Sigma UCITS	4,518,000	3.6%

As at 25 March 2022, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

	As at 25 March 2022	
Name of shareholder	**Number of Ordinary shares of 20 pence each held**	**Percentage of total voting rights held**
Witan Investment Trust plc	16,656,417	13.2%
Fidelity International	13,914,492	11.0%
Aviva PLC	5,291,409	4.2%
Crown Sigma UCITS	4,518,000	3.6%

Employee Engagement

The Group seeks to provide employees with information on matters which are of concern to them as employees. The principal means by which this is achieved is via team meetings, operational national and regional meetings, site visits, webinars, the Group's intranet (including through its news feed) and e-mail systems, fortnightly business updates from the Chief Executive Officer, the Employee Forum and through the Group's online learning platform, The Academy. The Group encourages dialogue with its employees and consults its employees and their representatives on a regular basis via multiple channels, such as team meetings, the Employee Forum and online polls, so that the views of employees can be taken into account in making decisions which are likely to affect their interests. The Group intends to conduct a colleague engagement survey in 2022. The Company has implemented a long-term incentive plan which employees in the Group at restaurant general manager level and above are invited to participate in. This scheme has a number of objectives, including promoting employee retention, ensuring a common awareness on the part of employees of the financial and economic factors affecting the performance of the Group and encouraging employees to be aligned in ensuring that the Group achieves its targets.

The Executive Directors are primarily responsible for engaging with employees. This engagement takes many forms, such as those highlighted above. The Chief Executive Officer and, from 2022, the Chair of the Remuneration Committee, in her role as the independent NED for workforce engagement, attend Employee Forum meetings. As the Group's biggest asset, the Directors seek to ensure the Group offers an engaging and rewarding culture and work environment to its employees, with an opportunity to share in the Group's success. The Group believes it offers a competitive remuneration and benefits package to its employees, with opportunities for learning and career development.

Employees/Disabled Persons

We aim to provide an inclusive, accessible and safe work environment and we acknowledge the significance of access and equality for people with a disability. We do this by: (i) giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities; (ii) by continuing the employment of, and by arranging appropriate training for, employees of the Group who have become disabled; and (iii) by providing career development and promotion opportunities to disabled employees of the Group.

Diversity and Inclusion

We foster a fully inclusive culture and environment where all diversity is welcomed, encouraged and celebrated. Inclusivity is one of our Values and Philosophies as we continue to be accessible, inviting, collaborate with, and respectful to, guests, employees, shareholders and business partners. We are working on the introduction of a diversity and inclusion programme, including an appropriate policy in 2022, to add to the online Equality and Diversity training which each new starter is required to complete as part of their induction.

Hostmore is committed to having a diverse and inclusive team and providing equal opportunities to all team members. We do not tolerate discrimination based on race, religion, nationality, culture, gender, gender identity, disability, sexual orientation or age.

Branches outside of the UK

The Company has no branches outside the UK.

Change of Control – Significant Agreements

There are a number of agreements that may take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements and property lease arrangements.

The only significant agreements to which a member of the Group is a party that could take effect, alter or terminate upon a change of control of the Company following a successful takeover bid, without agreement from the relevant parties to those agreements, are as follows:

- the facilities agreement dated 30 August 2017 amongst Wednesdays (Bidco) Limited (as Borrower), Thursdays (UK) Limited and Thursdays (Holdings) Limited (each as Guarantors), HSBC Bank plc (as Agent), HSBC Corporate Trustee Company (UK) Limited (as Security Agent), and HSBC UK Bank plc and National Westminster Bank plc (each as Lenders), as amended and restated on 7 July 2021. Pursuant to the agreement, the Lenders make certain banking facilities available to Wednesdays (Bidco) Limited. The agreement contains a change of control provision which provides that, in the event of a (direct or indirect) change of control of Wednesdays (Bidco) Limited, the Lenders may cancel their commitments and require repayment of all outstanding amounts;
- the development agreement dated 2 November 2021 amongst TGI Fridays Franchisor, LLC (as Franchiser), Thursdays (UK) Limited (as Developer) and the Company (as Principal). Pursuant to the development agreement, the Developer is granted the exclusive right to develop and operate TGI Fridays restaurants in the "Territory" (being England, Scotland, Wales, the Channel Islands, and the Isle of Man, as geographically constituted on the date of the development agreement excluding United States military bases). The development agreement places various obligations on the Principal. The development agreement states that, provided certain requirements detailed in the development agreement are met, the Developer and/or the Principal may complete a "Transfer" (which includes, amongst other things, a sale or transfer, whether direct or indirect, of any equity interests in the Developer or its parent undertakings where such transfer or sale would result in a person other than the person who was the Principal immediately before the transfer or sale having ultimate control of the Developer) without the Franchiser's consent, provided that such Transfer is not made to a "Non-Permitted Transferee". A Non-Permitted Transferee includes, amongst other categories or persons, a person that owns or operates any directly competing business or is an affiliate of any such person (unless such affiliate is a portfolio company of a person that is a private equity fund, company or similar). Neither the Developer nor the

Principal may complete, or allow to be completed, any Transfer that is not a "Permitted Transfer" without the Franchiser's prior written consent, which the Franchiser may condition or withhold at its sole discretion. Any Transfer that occurs other than as permitted in accordance with the relevant provisions of the development agreement shall constitute an "Event of Default" under the development agreement. Upon the occurrence of an Event of Default which is continuing and has not been cured, the Franchiser may exercise one or more of various remedies. These include the right to terminate the development agreement. If, as a result of the Transfer, the Principal no longer has ultimate control of the Developer, the Principal's rights and obligations under the development agreement (and any covenant given by the outgoing Principal in the form attached to the development agreement) are required to be novated to the person(s) which, following the Transfer, has ultimate control of the Developer (as the case may be), and that person shall be the new "Principal". The new Principal will enter into a deed of adherence in respect of the development agreement as the Principal, and the outgoing Principal will cease to have any further rights, obligations or liability in connection with the development agreement after the Transfer and after entry into the deed of adherence by the new Principal.

- TGI Fridays Franchisor, LLC (as Franchiser), Thursdays (UK) Limited (as Franchisee) and the Company (as Principal) are, pursuant to the development agreement described above, required to enter into a separate franchise agreement upon the opening of and in respect of carrying on business in each of the Fridays restaurants in the Territory. Each franchise agreement is based on the standard franchise agreement and places various obligations on the Principal. Each franchise agreement states that, provided certain requirements detailed in the development agreement and the relevant franchise agreement are met, the Franchisee and/or the Principal may complete a "Transfer" (which includes, amongst other things, a sale or transfer, whether direct or indirect, of any equity interests in the Franchisee or its parent undertakings where such transfer or sale would result in a person other than the person who was the Principal immediately before the transfer or sale having ultimate control of the Developer), without the Franchiser's consent, provided that such Transfer is not made to a "Non-Permitted Transferee". In each franchise agreement the terms relating to who constitutes a Non-Permitted Transferee, the prohibition on Transfers that are not "Permitted Transfers" without the Franchiser's consent, the potential consequences of any Transfer that occurs other than as permitted in accordance with the relevant provisions of the relevant franchise agreement and the consequences if, as a result of the Transfer, the Principal no longer has ultimate control of the Franchisee are essentially the same as those described for the development agreement above.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 51 to 52. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

External Auditor

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Statement of disclosure of information to Auditor

Each of the Directors at the date of the approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

2022 AGM

The Annual General Meeting will be held on 27 May 2022. The Notice of Annual General Meeting is contained in a separate letter from the Chair accompanying this report together with details of the business to be considered and explanatory notes for each resolution. A copy of the Notice will also be available on the Company's website.

Post Balance Sheet Events

There have been no material post balance sheet events involving the Company or any of the Company's subsidiaries as at the date of this report.

The Strategic Report on pages 2 to 43 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

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

Robert B. Cook
Chief Executive Officer
5 April 2022

Governance report

Directors’ Report continued

Statement of Directors’ responsibilities in respect of financial statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the 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). Additionally, the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

Directors’ confirmations

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s and Company’s position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

The statement of Directors’ responsibilities in respect of the financial statements was approved by the Board of Directors and signed on its behalf by

Robert B. Cook
Chief Executive Officer
5 April 2022

Financial statements

Calculation of key performance indicators and alternative performance measures

The Group uses several key performance indicators ("KPIs") to track the financial and operating performance of its business, which are presented on pages 3 and 26 to 28 of this annual report. These measures are derived from the Group's internal systems. Some of the KPIs are alternative performance measures ("APMs") that are not defined or recognised under IFRS. They may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. The following information on the KPIs includes reconciliations to the nearest IFRS measures where relevant.

LFL Sales

Like-for-like sales enables the performance of the Group to be measured on a consistent year-on-year basis and is an important metric to understand customer engagement. The table below includes sites that were open for all of 2019 for comparability and separately includes any sites opened since 2019 or subsequently disposed of.

	2021 £'000	**2020 £'000**	**2019 £'000**
LFL	**146,565**	120,318	201,748
Additions since Jan 2019	**11,651**	7,331	6,178
Disposals since Jan 2019	**415**	1,383	7,328
Other	**363**	56	(416)
Total	**158,994**	129,088	214,838

EBITDA and Adjusted EBITDA

EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and impairment.

Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation, impairment and exceptional items (as described in note 10).

	2021 £'000	**2020 £'000**	**2019 £'000**
(Loss)/profit before tax	**(1,584)**	(20,192)	8,955
Depreciation	**22,339**	23,273	24,968
Net interest and bank charges	**13,597**	12,389	13,206
Impairment	**1,019**	7,975	4,043
Impairment reversal	**–**	–	(5,683)
Share-based payment expenses	**78**	–	–
EBITDA	**35,449**	23,445	45,489
Lease exit cost/(income)	**(616)**	30	–
Exceptional items	**8,121**	–	1,214
Adjusted EBITDA	**42,954**	23,475	46,703

Free Cash Flow

Free cash flow is calculated as the profit/(loss) for the period adjusted for depreciation, non-cash items, changes in working capital, tax paid and maintenance capex, and excludes cash used in financing activities.

	2021 £'000	2020 £'000	2019 £'000
Cashflow from operating activities	**30,623**	21,971	47,396
Change in working capital	**966**	2,756	2,508
Rental income from sub-leases	**337**	8	184
Corporation taxes recovered/(paid)	**978**	(970)	(1,608)
Cash generated from operations	**32,904**	23,765	48,480
Maintenance capex	**(1,929)**	(3,785)	(3,944)
Free cash flow	**30,975**	19,980	44,536

Net Debt

Net debt is calculated as the net of the Group's long-term borrowings (excluding issue costs) and finance lease obligations less cash and cash equivalents at each period end.

	2021 £'000	2020 £'000	2019 £'000
Gross bank debt	**(44,299)**	(65,800)	(66,850)
Lease liabilities	**(150,994)**	(160,165)	(157,456)
Cash & cash equivalents	**32,080**	37,201	27,121
Net Debt	**(163,213)**	(188,764)	(197,185)

% Cash conversion

% Cash conversion is calculated as free cash flow divided by EBITDA.

	2021 £'000	2020 £'000	2019 £'000
Free cash flow	**30,975**	19,980	44,536
EBITDA	**35,449**	23,445	45,489
% Cash conversion	**87.4%**	85.2%	97.9%

Return on capital employed (ROCE)

ROCE is calculated as EBITDA divided by total assets less current liabilities.

	2021 £'000	2020 £'000	2019 £'000
EBITDA	**35,449**	23,445	45,489
Total assets less current liabilities	**293,332**	173,837	200,411
ROCE	**12.1%**	13.5%	22.7%

Calculation of key performance indicators and alternative performance measures continued

Adjusted ROCE

Adjusted ROCE is calculated as adjusted EBITDA divided by total assets less current liabilities.

	2021 £'000	2020 £'000	2019 £'000
Adjusted EBITDA	**42,954**	23,475	46,703
Total assets less current liabilities	**293,332**	173,837	200,411
Adjusted ROCE	**14.6%**	13.5%	23.3%

Independent Auditor’s Report

Report on the audit of the financial statements

Opinion

In our opinion:

- Hostmore plc’s group financial statements and company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the company’s affairs as at 2 January 2022 and of the group’s loss and the group’s cash flows for the 53 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated statement of financial position and company balance sheet as at 2 January 2022; the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and company statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

Other than those disclosed in note 11, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Independent Auditor's Report
Our audit approach

Context

Admission of Hostmore plc's ordinary shares to the premium listing segment of the Financial Conduct Authority and to trading on the London Stock Exchange main market for listed securities took place on 2 November 2021. This is the Group's first Annual Report since admission. The parent entity Hostmore plc was incorporated on 14 April 2021 and became the parent company of the Group on 5 October 2021. Prior to this date, the Group headed by Hostmore plc was not in existence in its current form. The basis of preparation of the Group financial statements is as described in note 2 to the financial statements. The historical financial information for the period ended 27 December 2020, presented in the Prospectus issued by Hostmore plc as part of the listing process, forms the corresponding figures of the Group financial statements for the period ended 2 January 2022, and has not been subject to a statutory audit in accordance with the United Kingdom Companies Act 2006. However, an accountant's report, undertaken in accordance with the Standards for Investment Reporting 2000 issued by the Financial Reporting Council in the United Kingdom, was issued on the historical financial information included in the Prospectus. The accountant's report, dated 15 October 2021, included an unqualified opinion on the historical financial information presented.

Overview

Audit scope

- We performed full scope audit procedures over the Group. This provided coverage of 100% of external consolidated revenue and 100% of the consolidated loss before tax.

Key audit matters

- Ability of the Group and company to continue as a going concern (Group and parent)
- Valuation of certain non-current assets (Group)
- Recoverability of the company's investments in subsidiary undertakings (parent)

Materiality

- Overall Group materiality: £1,260,000 based on 0.75% of 3-year average of total consolidated revenues.
- Overall company materiality: £1,955,000 based on 1% of total company assets (capped at 90% of Group materiality for the purposes of our Group audit).
- Performance materiality: £945,000 (Group) and £1,466,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

As a result of the listing the ordinary shares of Hostmore plc, key audit matters have been included for the first time this year.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Ability of the Group and Company to continue as a going concern (Group and parent)	
The restrictions put in place in relation to COVID-19 have had a significant impact on the performance of the group. These restrictions included lockdowns, social distancing and the required closure of restaurants. On 8 July 2021 the group refinanced their existing debt, agreeing a £40m loan and £25m revolving credit facility. Revised covenants were agreed as part of this refinancing. With restrictions having eased the Directors have determined the key risk to the performance of the business in the future relates to the macro-economic and geopolitical factors that may change consumer demand. The Directors have concluded that there is sufficient liquidity available for at least the period of its going concern assessment to September 2023. As the going concern assessment is dependent on management's future cash flow forecasts there is significant judgement involved in determining these and concluding that there is not a material uncertainty. Refer to the Going Concern Statement on page 121. Refer to the Audit Committee report on page 61 for a description of its assessment of this significant judgement.	Our procedures and conclusions in respect of going concern are set out below in the 'Conclusions relating to going concern' section on page 109.
Valuation of certain non-current assets (Group)	
The Group has non-current assets that include: • Goodwill - £146m • PP&E - £42.8m • ROU assets - £116.4m. As set out in Note 17.2, Note 18, and Note 19 management have outlined their considerations of impairment indicators as well as their definitions of a CGU. As COVID-19 has had a significant impact on the performance of the stores in the period this is considered to be an impairment indicator. Management have performed a value in use calculation to assess the recoverability of the assets at a CGU level. This involves several key estimates in relation to management's assumptions used in the valuation, including the discount rate and future cash flows.	We obtained management's impairment assessment and ensured the calculations were mathematically accurate. We challenged the key assumptions used within the model to which the value was most sensitive, including the discount rate, the cash flows for 2022, future revenue growth and inflation. We obtained supporting evidence for those assumptions that could be supported and where no evidence could be provided we obtained a revised model from management with supportable assumptions which increased the impairment charge. We compared the forecast used for the impairment test to the latest Board-approved plans. We have performed sensitivity analysis to identify what the key assumptions are and to ensure sufficient audit evidence was obtained for those assumptions. We considered the adequacy of management's disclosure in respect of the impairment recorded and the key sensitivities in their estimates. Based on the work performed, as summarised above, we concluded that the carrying value of the individual store assets is materially correct after the impairment charges recorded. We also concluded that the carrying value of goodwill is appropriate based on the value in use model produced.

Independent Auditor's Report
Our audit approach continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of the company's investments in subsidiary undertakings (parent)	
As set out in note 35 to the Company financial statements, investments in subsidiaries are £176.7m. These are accounted for at cost less provision for impairment in the Company balance sheet as at 2 January 2022. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of any impairment loss. Judgement is required in this area, particularly in assessing whether the carrying value of an asset can be supported by the recoverable value, being the higher of fair value less cost of disposal or the net present value of future cash flows which are estimated based on the continued use of the asset in the business. The investments relate to the Fridays brand, owned by the subsidiary Thursday (UK) Limited. The carrying value of the investment is supported by the recoverable amount which is calculated using the value in use basis.	We evaluated management's determination of whether any indicators of impairment existed by comparing the carrying value of investments in subsidiary undertakings to the market capitalisation of the group at 2 January 2022. With the inclusion of net debt however there were no impairment indicators and the carrying value was supported by the fair value less costs to sell. Management also used the total value in use for all stores that was performed for the group assessment. We have concluded that there is no impairment required.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group consists of four holding companies and one trading company. Following our assessment of the risk of material misstatement we selected all entities within the group structure for full scope audits. Taken together, these reporting entities where we performed audit work accounted for 100% of group revenue and 100% of group loss before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£1,260,000.	£1,955,000.
How we determined it	0.75% of 3 year average of total consolidated revenues	1% of total company assets (capped at 90% of group materiality for the purposes of our group audit)

	Financial statements – group	Financial statements – company
Rationale for benchmark applied	A revenue benchmark has been considered an appropriate measure due to the impact of COVID-19 temporarily reducing profits, but not reducing the size and scale of the business. A three year average of total consolidated revenues is considered to be the appropriate benchmark due to the circumstances of the past two years causing large fluctuations in revenue over an individual year.	The entity is a holding company of the rest of the Group and is not a trading entity. Therefore an asset based measure is considered appropriate.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was below the group materiality detailed above. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £945,000 for the group financial statements and £1,466,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £63,000 (group audit) and £63,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and agreeing management's going concern assessment to the business's board approved plan and ensuring that the base case scenario, indicates that the business generates sufficient cash flows to meet its long and short term obligations while complying with covenant arrangements;
- obtaining and inspecting the loan agreement to ensure the terms and covenants were fully reflected in management's assessment;
- considering the extent to which the Group's and Company's future cash flows might be adversely affected by COVID-19 or geo-political impacts; reviewing management's cash flow forecasts, assessing the existing sources of finance, and considering the overall impact on liquidity;
- ensuring the mathematical accuracy of management's models;
- evaluating management's severe but plausible downside scenario of reduced demand continuing into the future and ensuring this is appropriately modelled through the cash flows;
- considering the risk of breach of the covenant arrangements in place for external borrowings under the severe but plausible scenario;
- observing that climate change is expected to have a limited impact during the period of the going concern assessment;
- performing further sensitivity analysis on the severe but plausible scenario and considering mitigating actions; and
- considering the adequacy of the disclosures in the financial statements.

Independent Auditor’s Report
Our audit approach continued

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 and the Company’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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group’s and the Company’s ability to continue as a going concern.

In relation to the directors’ reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors’ report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors’ report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors’ report for the period ended 2 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors’ report.

Directors’ Remuneration

In our opinion, the part of the Annual Statement from the Chair of the Remuneration Committee to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors’ statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors responsibilities in respect of financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

Independent Auditor's Report
Our audit approach continued

and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health & Safety and food hygiene laws, Minimum Wage regulations and other employment laws, and Money Laundering regulations, 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 financial statements such as the Companies Act 2006 and UK tax legislation. 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 increase revenue and management bias within accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with the Directors, the Audit and Risk Committee and Group General Counsel, including review of board meeting minutes and consideration of known or suspected instances of non-compliance with laws, regulations, and fraud;
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations which result in an increase in revenue; and
- Challenging estimates and judgements made by management in determining significant accounting estimates, in particular in relation to impairment of certain non-current assets and going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 6 October 2021 to audit the financial statements for the period ended 2 January 2022 and subsequent financial periods. The period of total uninterrupted engagement is 1 period, covering the 53 week period ended 2 January 2022.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

5 April 2022

Consolidated Statement of Comprehensive Income
For the 53 week period ended 2 January 2022

	Note	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Revenue	6	**158,994**	129,088
Cost of sales		**(31,256)**	(26,183)
Gross profit		**127,738**	102,905
Other operating income	8	**15,188**	20,628
Administrative expenses		**(130,913)**	(131,368)
Profit/(loss) from operations	9	**12,013**	(7,835)
Finance income	14	**6**	129
Finance expense	14	**(13,603)**	(12,486)
Loss before tax		**(1,584)**	(20,192)
Tax credit	15	**1,017**	2,878
Loss for the period		**(567)**	(17,314)
Total comprehensive expense		**(567)**	(17,314)

All operations are continuing operations.

There are no amounts recognised within other comprehensive income in the current or prior periods.

Earnings/(loss) per share (pence)			
Basic loss per share	16	**(0.5)**	(14.8)
Adjusted basic earnings per share	16	**6.4**	(14.8)
Adjusted diluted earnings per share	16	**6.4**	(14.8)

Consolidated Statement of Financial Position
As at 2 January 2022

	Note	2 January 2022 £'000	27 December 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	17	**42,781**	48,919
Right of use assets	17	**116,388**	121,219
Goodwill	19	**145,979**	145,979
Net investment in sublease	18	**106**	620
Deferred tax assets	15	**6,192**	4,486
Long term prepayment		**–**	60
Total non-current assets		**311,446**	321,283
Current assets			
Inventories	20	**1,489**	703
Trade and other receivables	21	**5,579**	6,521
Net investment in sublease	18	**98**	359
Current tax assets		**–**	1,313
Cash and cash equivalents		**32,080**	37,201
Total current assets		**39,246**	46,097
Total assets		**350,692**	367,380
Liabilities			
Non-current liabilities			
Loans and borrowings	24	**33,931**	63,834
Lease liabilities	18	**131,980**	133,774
Provisions	25	**2,430**	2,821
Total non-current liabilities		**168,341**	200,429
Current liabilities			
Trade and other payables	22	**26,777**	164,118
Contract liabilities	23	**1,024**	1,099
Current tax liabilities		**309**	–
Loans and borrowings	24	**9,491**	1,426
Lease liabilities	18	**19,014**	26,391
Provisions	25	**745**	509
Total current liabilities		**57,360**	193,543
Total liabilities		**225,701**	393,972
Net current liabilities		**(18,114)**	(147,446)
Net assets/(liabilities)		**124,991**	(26,592)

Consolidated Statement of Financial Position
As at 2 January 2022 continued

	Note	2 January 2022 £'000	27 December 2020 £'000
Issued capital and reserves attributable to owners of the parent			
Share capital	26	**25,225**	–
Share premium reserve		**14,583**	–
Merger reserve		**(181,180)**	–
Share based payment reserve	27	**53**	4,054
Retained earnings/(accumulated losses)	28	**266,310**	(30,646)
Total equity/(deficit)		**124,991**	(26,592)

The notes on pages 119 to 160 form part of these financial statements.

The financial statements on pages 114 to 160 were approved and authorised for issue by the Board of Directors on 5 April 2022 and were signed on its behalf by:

Robert B. Cook
Chief Executive Officer

Alan Clark
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the period ended 2 January 2022

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings/ (accumulated losses) £'000	Total equity/ deficit) £'000
At 30 December 2019	–	–	–	4,054	(13,332)	(9,278)
Comprehensive expense for the period						
Loss for the period	–	–	–	–	(17,314)	(17,314)
Total comprehensive expense for the period	–	–	–	–	(17,314)	(17,314)
At 27 December 2020	–	–	–	4,054	(30,646)	(26,592)
Comprehensive expense for the period						
Loss for the period	–	–	–	–	(567)	(567)
Total comprehensive expense for the period	–	–	–	–	(567)	(567)
Contributions by and distributions to owners						
Issue of share capital	1,518	11,624	–	–	–	13,142
Acquisition of subsidiaries by Hostmore	20,477	144,278	(164,755)	–	–	–
Transfer of share capital of a subsidiary to Hostmore	138,930	–	–	–	–	138,930
Capital reduction in a subsidiary	(137,541)	–	–	–	137,541	–
Share issue proceeds extinguish of shareholder loan	1,841	14,584	(16,425)	–	–	–
Cancellation of share premium	–	(155,903)	–	–	155,903	–
Reclassification of share based reserve to retained earnings on lapse of share incentive	–	–	–	(4,079)	4,079	–
Share based payment charge	–	–	–	78	–	78
Total contributions by and distributions to owners	25,225	14,583	(181,180)	(4,001)	297,523	152,150
At 2 January 2022	**25,225**	**14,583**	**(181,180)**	**53**	**266,310**	**124,991**

Consolidated Statement of Cash Flows
For the period ended 2 January 2022

	Note	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Cash flows from operating activities	30	**30,623**	21,971
Movements in working capital:			
(Increase)/decrease in trade and other receivables	21	**1,002**	1,116
(Increase)/decrease in inventories	20	**(787)**	546
Increase in trade and other payables	22	**907**	(2,236)
(Decrease)/increase in provisions and employee benefits		**(156)**	3,330
Cash generated from operations		**31,589**	24,727
Corporation taxes recovered/(paid)		**978**	(970)
Rental income from finance subleases	18	**337**	8
Net cash from operating activities		**32,904**	23,765
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,075)**	(3,666)
Initial direct costs incurred on new leases		**–**	(11)
Interest received		**–**	75
Net cash used in investing activities		**(4,075)**	(3,602)
Cash flows from financing activities			
Repayment of bank borrowings		**(26,500)**	(1,050)
Payment of loan arrangement fees		**(816)**	–
Receipt of bank borrowings		**5,000**	–
Interest paid on bank borrowings		**(1,751)**	(2,146)
Proceeds from share issue		**13,094**	–
Payment of lease liabilities		**(22,977)**	(6,887))
Net cash used in financing activities		**(33,950)**	(10,083)
Net cash (decrease)/increase in cash and cash equivalents		**(5,121)**	10,080
Cash and cash equivalents at the beginning of period		**37,201**	27,121
Cash and cash equivalents at the end of the period		**32,080**	37,201

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022

1. Reporting entity

Hostmore plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales. The Company's registered office is at Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH and the Company's registered number is 13334853. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in the development and operation of branded restaurants and bars and ancillary activities.

2. Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, International Accounting Standards and Interpretations in conformity with the requirements of the Companies Act 2006 (collectively IFRSs).

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements will transition to UK-adopted international accounting standards for financial periods beginning 3 January 2022.

The Group reports its results for the 52- or 53-week period ending on the nearest Sunday to 31 December. The results for 2021 are for the 53 weeks that ended 2 January 2022 and those for 2020 are for 52 weeks ended 27 December 2020. The results for 2021 also include results for Hostmore plc and Hostmore Group Limited from incorporation, on 14 April 2021 and 12 April 2021 respectively, to 2 January 2022.

Details of the Group's accounting policies are included in note 4.

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgements and estimates have been made in preparing the consolidated financial statements and their effects are disclosed in note 5.

2.1 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.2 Capital Reorganisation

The Company was incorporated on 14 April 2021, and it listed its shares on the London Stock Exchange on 2 November 2021. In order to put in place the necessary Group structure and complete a de-merger from its previous holding company, Electra, the Company acquired its subsidiaries, as listed in note 35, in exchange for shares (the "Capital Reorganisation"). A merger reserve of £181.2m was created on creation of the new Group from consolidation of the entities which were included in the Capital Reorganisation.

Although the Group, as it is currently comprised, did not exist before the Capital Reorganisation took place, the consolidated financial statements have been presented as if the Group had been in existence for the periods presented. The Capital Reorganisation falls outside the scope of IFRS 3 Business Combinations and has been accounted for using the principles of predecessor accounting using the carrying amounts of assets and liabilities included in the financial statements of the subsidiary entities.

After the Capital Reorganisation, the Group undertook a capital reduction and as a result the entire balance on the share premium account of £155.9m was credited to retained earnings.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

2.3 New standards, amendments and interpretations

There were no new standards, no amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 2 January 2022 that have had material impact on the Group's financial statements.

2.4 New standards, amendments and interpretations not yet adopted

There were no new standards that have been early adopted in the financial statements ended 2 January 2022 and there is no material impact on the Group in relation to new standards, amendments and interpretations for the current and future reporting periods.

2.5 Adoption of IFRS

Prior to the Capital Reorganisation described above, the statutory accounts of the subsidiaries that now constitute the Group, were prepared in accordance with Financial Reporting Standard ("FRS 102") and the Companies Act 2006.

The Company and the Group first adopted IFRS as part of the listing process and note 33 to the financial statements details the adjustments between the publicly available financial statements for 2018, 2019 and 2020 financial periods, to the equivalent IFRS financial statements.

These annual financial statements are prepared as if the Group was in existence for the whole period presented and in-line with and in adoption of IFRS, with the main impacts and judgements, including IFRS 16 leases, described in these notes.

3. Functional and presentation currency

These consolidated financial statements are presented in pounds sterling, which is the Group's functional currency. All amounts have been rounded to the nearest thousand pounds, unless otherwise indicated.

4. Accounting policies

4.1 Basis of consolidation

The Company was incorporated on 14 April 2021 for the purpose of acting as parent undertaking for the Group. On 5 October 2021, the Company acquired investments from Electra, which comprised 100% of the issued share capital of Hostmore Group Limited, and indirectly 100% of the issued share capital of Wednesdays (Bidco) Limited and its respective subsidiaries following implementation of a group reorganisation.

The financial information is prepared in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments. The consolidated financial statements are presented in thousands of pounds ("£'000") except when otherwise indicated.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. 2021 numbers are for 53 weeks that ended 2 January 2022 and 2020 numbers are for 52 weeks ended 27 December 2020. Where an entity has been incorporated in the year the 2021 results have included the results from incorporation to 2 January 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated statement of profit or loss from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Company, Hostmore plc, and subsidiary incorporated in the year, Hostmore Group Limited, are included in the consolidation, from the date of incorporation above, whereas all other subsidiary companies are included for the 53 week period.

In accordance with section 479A of the Companies Act 2006 relating to audit exemption of subsidiary companies, Hostmore plc has provided guarantees to its subsidiaries Hostmore Group Limited and Thursdays (Holdings) Limited so that they are entitled to exemption from audit of their individual financial statements.

4.2 Going concern

The financial statements have been prepared on a going concern basis. Whilst the Group is in a net current liability position, the strong positive EBITDA, net assets and the positive operating cash flow supports the directors' belief that the Group is well placed to manage its business and financial risks successfully, as described in the Risk Committee Report. For this reason they have adopted the going concern basis in preparing the annual report and financial statements.

The Group operates a casual dining business with restaurants throughout the UK. Since March 2020, the trade of the Group has been materially disrupted by the effects of the COVID-19 pandemic. The imposition of material COVID-19 related trading restrictions and related support by the UK Government is unprecedented, as is the flexibility and support of other stakeholders such as landlords and banks, who, each acting in their own commercial interests, have been supportive of the Group to date in finding a mutual path through the period of material COVID-19 disruption. The Directors firmly believe that stakeholders will continue to work together to ensure that viable businesses come through this period of uncertainty in order to continue to generate value for stakeholders in the future.

The Group completed a refinancing of its Bank facilities in July 2021, details of which are summarised in note 24 to the financial statements. The new facilities contained agreed new covenants measured at operating subsidiary level. These covenants include a minimum liquidity covenant measured monthly until August 2022. Quarterly covenant tests of the adjusted leverage ratio and fixed charge cover are then measured quarterly on a previous twelve months basis from the quarter ending September 2022, together with a capex covenant measured annually from December 2022. The Group has prepared forecasts of the expected position for the next 24 months from the date of approval of these financial statements, including severe but plausible downside sensitivities.

The severe but plausible downsides include a severely depressed trading environment and significant worsening of the performance of the restaurants, and the subsequent impact on the profitability and cash generation of the Group. This scenario is based on the business plan of the Group and applies a downturn in trading of its restaurants in 2022 including proposed new openings, with a worsening profit conversion. As a result it models the impact this would have on the cash position and covenants calculations of the Group.

The Group forecasts for the next 24 months from the date of approval of these financial statements, and the severe but plausible downside sensitivities of those forecasts, show that there will be no breach of the Group's covenant tests and have headroom above the minimum covenant levels.

The Directors are confident that the business will continue to trade and develop profitably beyond the period of COVID-19 disruption, and for a period of at least 12 months following the signing of these financial statements. They are therefore confident that it is appropriate to prepare these financial statements on a going concern basis.

4.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill does not generate cash flows independently of other assets or groups of assets and is required to be allocated to each CGU or group of CGUs that benefits from the business combination that gave rise to the goodwill. The Group does not allocate goodwill to individual CGUs as it is deemed to represent the ongoing value of the existing business and brand and it cannot be allocated to individual restaurants on a non-arbitrary basis. Therefore, the goodwill is allocated to all CGUs as a group. Consequently, the Group tests all CGUs for impairment at each reporting date on a value in use basis and where a CGU is considered impaired, its carrying value is reduced to its recoverable amount. The impairment loss is allocated pro-rata between the assets of the CGU on the basis of the carrying amount of each asset. After this initial allocation of impairment losses, if the combined carrying amount of the CGUs and goodwill is higher than the recoverable amount of the group of all CGUs, the residual impairment losses are allocated to goodwill. At present, sufficient headroom exists and no impairment losses have been allocated to the goodwill.

Where there is an indication that an impairment loss recognised in prior periods for an asset other than goodwill no longer exists, the impairment loss is reversed. The reversal is allocated to the CGU's assets on a pro-rata basis. However, the carrying amount of an individual asset is not increased above the higher of its recoverable amount or its historical depreciated cost.

4.4 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The Group primarily derives revenue from two streams: Dine-in and Dine-out.

(i) Dine-in revenue

The Group has the following performance obligations in its contracts with customers:

1. The sale of food and drinks under the Fridays brand: Sales are recognised when the control of the product has transferred. This is the point at which the products are consumed by the customers in the restaurant.
2. For customers enrolled in the loyalty scheme, an additional performance obligation is the promise to award loyalty points for these purchases which entitle customers to discounts on future purchases.

Payments are made fully in cash at the time of the sale of food and drink and a contract liability for the loyalty points is recognised. Revenue for the loyalty points is recognised when the points are redeemed or when they expire 12 months after the initial sale.

(ii) Dine-out and other revenue

The Group has a single performance obligation which is the sale of food and drinks through third-party delivery partners, click and collect, cocktails at home and drive-up cinema. Sales are recognised when the control of the product has transferred being the point at which products are delivered to the customers. A receivable is recognised for the value of food and drinks at the point of sale. Payment terms are usually settlement within 30 days by the delivery partners. Commissions paid to the delivery partners are recognised as an expense in the statement of comprehensive income.

Gift cards

The Group sells gift vouchers for use in its restaurants both directly and via third parties.

A contract liability is recognised at the point of sale of gift cards. Revenue is recognised when the vouchers are redeemed or when they expire 18 months after the initial sale.

Any commission paid to third parties on sale of gift cards is recognised as an asset and recognised in the statement of comprehensive income when the gift card is redeemed or expires (18 months from the date of issue).

4.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

(ii) The Group as a lessee

The principal leasing activity of the Group is the leasing of property for the operation of restaurants. On transition to IFRS, the Group has applied IFRS 16 using the modified retrospective approach:

- A lease liability has been measured at the date of transition to IFRS (01 January 2018) at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate for each lease depending on the remaining lease term ranging from 2.55% for leases with shorter terms to 7.5% for leases with longer terms. Payments included in initial measurement are all fixed payments and any variable payments linked to an index are initially measured at the index or rate at the transition date.
- A right-of-use (RoU) asset has been measured at the date of transition to IFRS at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as well as dilapidations and onerous lease provisions relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS.
- Assessed the RoU assets for impairment applying IAS 36.

The following practical expedients have been adopted on the date of transition to IFRS:

- Majority of the leases on transition to IFRS relate to property. A single discount rate has been used for portfolios of leases with similar remaining lease terms.
- Elected not to recognise leases where the remaining term on transition is 12 months or less.
- Elected not to recognise leases where the underlying asset is considered low value.
- Initial direct costs have not been included in the measurement of right of use assets.
- Elected to use hindsight in certain cases, such as, for determining the lease term where the contract contains options to extend or terminate the lease.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Where lease payments depend on an index, any changes in future lease payments resulting from a change in the index lead to a re-assessment of the lease liability using a revised discount rate. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease 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 amortised over the remaining (revised) lease term.

(iii) Rent concessions

The Group has elected to apply the practical expedient issued in response to the coronavirus pandemic to all eligible rent concessions. Therefore, the Group has not accounted for rent concessions as lease modifications if they are a direct consequence of COVID-19 and the following conditions are met:

- The revised consideration is substantially the same or less than the original consideration;
- The reduction in lease payments relates to payments originally due on or before 30 June 2022; and
- No other substantive changes are made to the terms of the lease.

4.6 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.7 Government grants

The Group recognises Government grants at fair value when there is reasonable assurance that the entity will comply with the conditions attached to them and that the grant will be received. Government grants are recognised in the statement of comprehensive income on a systematic basis over the period in which the entity recognises as expense the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in the statement of comprehensive income of the period in which it becomes receivable.

The Group has elected to present Government grants as “Other operating income” in the statement of comprehensive income.

4.8 Employee benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

4.9 Pensions

The Group makes contributions for eligible workers into defined contribution pension plans. Once the contributions have been paid, the Company has no further payment obligations. The contributions are recognised as an expense when they fall due. Amounts not paid are included in accruals in the Statement of Financial Position. The assets of the plans are held separately from the Group in independently administered funds.

4.10 Share-based payments

Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

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 equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period.

4.11 Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the Consolidated Statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. These assets are not discounted.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

4.12 Earnings per share

The Group complies with the IAS 33 requirement of a publicly listed company to present earnings per share ("EPS") in the financial statements. These financial statements contain basic EPS, adjusted EPS and adjusted diluted EPS, in-line with accounting standards. Adjusted EPS is calculated using adjusted profit before exceptional items and impairment while diluted EPS accounts for options issued that could be exercised. The calculation of adjusted diluted EPS does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share as the Group is in a loss-making position.

4.13 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on a straight-line basis for all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold property improvements	Leasehold term
Plant and machinery	3 – 8 years
Fixtures and fittings	4 – 20 years

4.14 Impairment of tangible and intangible assets other than goodwill

The Group assesses at each reporting date whether an item of property, plant and equipment is impaired. Each restaurant is considered to be a separate cash generating unit (CGU) for property, plant and equipment. The Group tests all CGUs for impairment at each reporting date on a value-in-use basis and where a CGU is considered impaired, its carrying value is reduced to its recoverable amount. The impairment loss is allocated pro-rata between the assets of the CGU on the basis of the carrying amount of each asset.

4.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.16 Provisions

A dilapidations provision has been recognised in the statement of financial position when the entity has a present legal or constructive obligation to dismantle and restore the RoU assets to the condition required by the terms and conditions of the lease at the end of the lease term. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date, discounted to reflect the time value of money.

4.17 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments. All financial instruments held are measured at amortised cost.

(i) Impairment of financial assets

The Group has two material types of financial assets that are subject to the expected credit loss model for assessing impairment of financial assets:

- trade and other receivables
- net investments in sub-leases.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and net investments in sub-leases. To measure the expected credit losses, trade and other receivables and net investment in sub-leases have been grouped based on shared credit risk characteristics and the days past due.

The majority of trade and other receivables are current and not past due date. There is also no history of non-payments by the debtors or sub-lessees. Therefore, no material expected credit losses have been identified.

4.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when they are paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

4.19 Cash and cash equivalents

Cash is represented by cash on hand and demand bank balances. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

4.20 Exceptional items

Exceptional items are those items that, by virtue of their unusual nature or size, warrant separate, additional disclosure in the financial statements in order to fully assess the performance of the Group. Subsequent to transition to IFRS, the Group no longer recognises impairment charges as exceptional.

5. Accounting estimates and judgements

Estimates and judgements are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Estimates and assumptions have been made in respect of the following:

5.1 Judgement

Goodwill

The Group does not allocate goodwill to individual CGUs as it is deemed to represent the ongoing value of the existing business and brand and it cannot be allocated to individual restaurants on a non-arbitrary basis. Therefore, the goodwill is allocated to all CGUs as a group as it is considered that they all benefit equally from the brand value.

Lease term

Several leases of restaurant properties contain extension options or break clauses.

No options to extend or terminate a lease have been included in the assessment of the lease term. The non-cancellable period and enforceable period are both considered to be the initial lease term laid out in the contract in place at the date of period end for which leases have already been extended.

Leases for restaurant properties are generally long-term and due to the nature of the business, decisions to extend or terminate are based on evolving market dynamics that may create an economic incentive to do so. Therefore, at the date of period end there is no reasonable certainty of whether an option to extend or terminate will be exercised except where hindsight has been used.

5.2 Estimates and assumptions

Impairment

The Group performs an annual impairment assessment at the end of each reporting period. Each restaurant within the Group is considered a separate cash generating unit (CGU). An impairment charge is recognised where the recoverable amount is less than the carrying value of the right of use assets of the CGU. The recoverable amount is based on value in use calculations, using forecasted cashflows and each restaurant's ability to cover its costs, including an allocation of central overheads, marketing and maintenance of standards of assets.

When trading data and forecasts indicate that an impairment no longer exists, any previously recognised impairments are reversed up to the recoverable amount, without exceeding the previous carrying value less depreciation. This impairment reversal is recognised in the statement of comprehensive income.

The recoverable amount is based on value in use calculations with cash flow projections over the lease term of each restaurant, using the Group's forecast performance for 2022 and the business plan for the next 2 years, with a long-term growth rate of 2% applied. The discount rate applied in the value-in-use calculations has been calculated with reference to the Group's weighted average cost of capital and similar benchmarks in the industry. As a publicly listed entity, the Group has re-calculated the discount rate for 2021 using the "capital asset pricing model" and with reference to market comparatives. The pre-tax discount rate of 11.7% (2020: 7.9%) has been applied in the value-in-use calculations.

6. Revenue

The following is an analysis of the Group's revenue for the period from continuing operations:

	53 weeks ended 2 January 2022 £'000	**52 weeks ended 27 December 2020 £'000**
Dine-in revenue	**139,497**	114,581
Dine-out revenue	**19,134**	14,104
Other revenue	**363**	403
	158,994	129,088

In 2020, click and collect was introduced by the Group allowing customers to place dine-out orders directly with Fridays for collection. A number of additional revenue streams were also introduced in 2020 including cocktails at home and drive-up cinema. Revenue generated from these is shown as "Other".

All revenue was generated in the UK and Jersey.

7. Segment information

The Group's reportable segments constituting revenue, profit, assets and liabilities are all under the Fridays Brand. '63rd + 1st' was launched within the period ended 2 January 2022 as a trading brand and is aggregated within internal reporting and is therefore not a separate reportable segment under IFRS 8 "Operating Segments". For these purposes, the Group's Chief Executive Officer and all other Board members are considered to be the Chief Operating Decision Maker, who receive information at a consolidated Group and site-by-site level. These sites share similar economic characteristics and are corporately under the TGI Fridays licensed branding, so as such, meet the aggregation criteria under IFRS 8 paragraph 12.

8. Other operating income

Included within other income is rental income from the sub-lease of properties under operating leases. Government grants received under coronavirus support programmes are also shown as other income. These pertain to the Coronavirus Job Retention Scheme as well as various hospitality related grants. There are no unfulfilled conditions or contingencies relating to the Government grant scheme.

	53 weeks ended 2 January 2022 £'000	**52 weeks ended 27 December 2020 £'000**
COVID-19 related Government grants	**14,941**	20,464
Net rents receivable	**247**	164
	15,188	20,628

9. Profit/(loss) from operations

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

	53 weeks ended 2 January 2022 £'000	**52 weeks ended 27 December 2020 £'000**
Share based payment charges	**(78)**	–
Rent on leases of low value assets	**(661)**	(687)
Variable lease payments not included in the measurement of lease liabilities	**(320)**	(19)
Depreciation	**(22,339)**	(23,273)
Impairment of property, plant and equipment and ROU assets	**(1,019)**	**(7,975)**
Exceptional items (see note 10)	**(8,121)**	–

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

	53 weeks ended 2 January 2022 £'000	**52 weeks ended 27 December 2020 £'000**
Covid-19 related rent concessions	**4,210**	1,475
Finance income on the net investment in finance leases	**28**	49

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

10. Exceptional items

Included within the profit/(loss) from operations are items which are considered to be exceptional in nature. These are as follows:.

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Costs associated with Hostmore plc listing	**8,121**	–

Exceptional items are those items that, by virtue of their unusual nature or size, warrant separate, additional disclosure in the financial statements in order to fully assess the performance of the Group. For the period ended 2 January 2022, these related to costs associated with the listing of the Company's ordinary shares on the London Stock Exchange. These costs principally comprised fees related to financial, legal, tax and accounting advice, consultancy fees, listing fees and separate audit costs relating to the listing.

11. Auditors' remuneration

During the period, the Group paid for the following services from the Group's auditors

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Fees payable to the Group's auditors for the audit of the Group's and subsidiaries financial statements	**200**	188
Fees payable to the Group's auditors and their associates in respect of:		
Non audit services		
Assurance related services	**4**	–
Reporting accountant for listing process	**607**	–

12. Employee benefit expenses

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**61,622**	60,478
Social security costs	**4,072**	3,626
Other pension costs	**921**	1,031
Share based payment charge	**78**	–
	66,693	65,135

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on page 46. Key management personnel are the Executive Team of the Group.

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Aggregate emoluments including short-term employee benefits	**2,639**	2,219
Post-retirement benefits	**119**	33
Share based payment charge	**31**	–
	2,789	2,252

The monthly average number of persons, including the Directors, employed by the Group during the period was as follows:

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Sales	**2,432**	2,705
Administration	**356**	470
	2,788	3,175

13. Directors' remuneration

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Directors' emoluments	**1,247**	961
Share based payment charge	**18**	–
	1,265	961

During the 53 week period ended 2 January 2022, no contributions (2020: none) were made or accrued by the Group in respect of Directors' defined benefit pension schemes.

As disclosed in the Prospectus, an annual bonus plan and a management incentive plan operated prior to Admission. The annual bonus plan for the year ended 2 January 2022 terminated on Admission with bonuses payable by reference to performance up to Admission. This bonus is included in the Directors' emoluments. The management incentive plan crystallised upon the Company being demerged from Electra prior to Admission which ultimately resulted in the Executive Directors and certain members of management subscribing for shares in the Company at 178p per share.

The highest paid Director's emoluments were as follows:

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Total emoluments receivable	**576**	399
Share based payment charge	**8**	–
	584	399

The highest paid director did not exercise any share options during the 53 week period ended 2 January 2022.

14. Finance income and expense

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Finance income		
Other interest receivable	**6**	129
Total finance income	**6**	129
Finance expense		
Bank interest payable	**2,576**	2,106
Amortisation of loan arrangement fees	**804**	324
Interest on lease liabilities	**10,165**	10,042
Unwinding of discount on provisions	**58**	14
Total finance expense	**13,603**	12,486

15. Tax expense

15.1 Income tax recognised in profit or loss

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Current tax		
Current tax on profits for the period	**(1,217)**	683
Adjustments in respect of prior periods	**528**	27
Total current tax	**(689)**	710
Deferred tax credit		
Origination and reversal of timing differences	**(142)**	1,881
Adjustments in respect of prior periods	**328**	13
Change in future tax rate	**1,520**	274
Total deferred tax	**1,706**	2,168
Tax credit for the period	**1,017**	2,878

The amount of tax credit is higher (2020: lower) than the UK corporation tax rate of 19% on the results for the period. This is principally due to the remeasurement of the deferred tax arising from the increase in rate of corporation tax in future periods. The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to losses for the period are as follows:

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Loss for the period before tax	**(1,584)**	(20,192)
Tax credit on Group's loss at tax rate of 19%	**301**	3,836
Expenses not deductible for tax purposes	**(1,832)**	(552)
Depreciation on assets not eligible for tax relief	**(704)**	(720)
Adjustments to tax charge in respect of prior periods	**856**	40
Non-taxable income	**108**	–
Temporary differences not recognised in the computation	**5**	–
Remeasurement of deferred tax for future changes in tax rate	**1,520**	274
Movement in deferred tax not recognised	**(15)**	–
Deferred tax credited straight to equity	**(3)**	–
Loss relief	**781**	–
Total tax credit	**1,017**	2,878

The Directors consider that adjustments similar to those above are likely to be relevant in calculating the Group's tax charge in future periods. In addition, the corporation tax rate will increase from 19% to 25% from 1 April 2023, which will increase the tax charge in future periods. The deferred tax recognised in the period ended 2 January 2022 has been calculated at this increased rate to reflect the expected rate at which it will be realised.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

15.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) in the consolidated statement of financial position:

	Opening balance £'000	Recognised in profit and loss £'000	Closing balance £'000
Deferred tax (liabilities)/assets in relation to:			
Accelerated capital allowances on Property, plant and equipment	1,318	652	**1,970**
Short term timing differences	44	27	**71**
Trading losses utilised	410	(410)	**–**
Deferred tax arising from GAAP differences	2,714	1,437	**4,151**
2 January 2022	4,486	1,706	**6,192**

	Opening balance £'000	Recognised in profit and loss £'000	Closing balance £'000
Deferred tax (liabilities)/assets in relation to:			
Accelerated capital allowances on Property, plant and equipment	703	615	1,318
Short term timing differences	26	18	44
Trading losses utilised	–	410	410
Deferred tax arising from GAAP differences	1,589	1,125	2,714
27 December 2020	2,318	2,168	4,486

Deferred tax unwinding within the 12 months from 2 January 2022 is expected to be immaterial.

16. (Loss)/earnings per share

	53 weeks ended 2 January 2022	52 weeks ended 27 December 2020
Basic earnings per share		
Weighted average outstanding shares ('000)	**118,463**	116,920
Loss after tax for the period (£'000)	**(567)**	(17,314)
Basic EPS (pence)	**(0.5)**	(14.8)
Adjusted earnings per share		
Loss after tax for the period (£'000)	**(567)**	(17,314)
Exceptional items (£'000) (note 10)	**8,121**	–
Adjusted profit for the period (£'000)	**7,554**	(17,314)
Adjusted EPS (pence)	**6.4**	(14.8)
Adjusted diluted earnings per share		
Weighted average outstanding shares ('000)	**118,463**	116,920
Dilutive shares ('000)	**–**	–
	118,463	116,920
Adjusted diluted EPS (pence)	**6.4**	(14.8)

The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share, as the Group is in a loss-making position.

Comparative (loss)/earnings per share is calculated using the current capital structure, excluding shares issued immediately prior to the listing date.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

17. Property, plant and equipment

	Right of use assets £'000	Leasehold property improve-ments £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 27 December 2020	150,151	9,874	48,899	88,087	297,011
Additions/modifications	8,632	–	1,791	1,988	12,411
Disposals	–	–	(25)	(17)	(42)
At 2 January 2022	**158,783**	**9,874**	**50,665**	**90,058**	**309,380**
Accumulated depreciation and impairment					
At 27 December 2020	28,932	9,874	39,920	48,147	126,873
Charge for the period on owned assets	–	–	3,720	5,805	9,525
Charge for the period on leased assets	12,814	–	–	–	12,814
Disposals	–	–	(7)	(13)	(20)
Impairment charge	649	–	213	157	1,019
At 2 January 2022	**42,395**	**9,874**	**43,846**	**54,096**	**150,211**
Net book value					
At 27 December 2020	121,219	–	8,979	39,940	170,138
At 2 January 2022	**116,388**	**–**	**6,819**	**35,962**	**159,169**

17.1 Assets owned and Right-of-use assets

The net book value of owned and leased assets included as "Property, plant and equipment" in the Consolidated Statement of Financial Position is as follows:

	2 January 2022 £'000	27 December 2020 £'000
Property, plant and equipment owned	**42,781**	48,919
Right-of-use assets: Property	**116,344**	121,116
Right-of-use assets: Motor vehicles	**44**	103
	159,169	170,138

Depreciation charge for right-of-use assets:

	2021 £'000	2020 £'000
Property	**12,734**	12,882
Motor vehicles	**80**	76
	12,814	12,958

Additions/modifications to right-of-use assets

	2 January 2022	27 December 2020
	£'000	**£'000**
Additions/modifications to right-of-use assets	**8,632**	1,040

17.2 Impairment losses recognised in the period

The Group performs an annual impairment assessment at the end of each reporting period. Each restaurant within the Group is considered a separate cash generating unit (CGU). An impairment charge is recognised where the recoverable amount is less than the carrying value of the right of use assets of the CGU. The recoverable amount is based on value-in-use calculations, using forecasted cashflows and each restaurant's ability to cover its costs, including an allocation of central overheads, marketing and maintenance of standards of assets.

When trading data and forecasts indicate that an impairment no longer exists, any previously recognised impairments are reversed up to the recoverable amount, without exceeding the previous carrying value less depreciation. This impairment reversal is recognised in the statement of comprehensive income.

The recoverable amount is based on value-in-use calculations with cash flow projections over the lease term of each restaurant, using the Group's forecasted performance for 2022 and the business plan for the next two years, with a long-term growth rate of 2% applied. The discount rate applied in the value-in-use-calculations reflects the Group's weighted average cost of capital and similar benchmarks in the industry. As a publicly listed entity, the Group has calculated the discount rate for 2021 using the "capital asset pricing model" and with reference to market comparatives. A pre-tax discount rate of 11.7% (2020: 7.9%) has been applied in the value-in-use calculations.

The Group has recognised an impairment charge of £1,019k for the period ended 2 January 2022 (2020: £7,975k), including £806k relating to CGUs for the impairment assessment described above and £213k for separate asset considerations.

The recoverable amounts of the CGUs in respect of which impairment has been recognised are as follows:

	2 January 2022 £'000	27 December 2020 £'000
Location		
Covent Garden	–	146
Milton Keynes	**549**	871
Cheshire Oaks	**1,032**	1,654
Jersey	**727**	1,140
Eldon Square	**2,186**	2,130

Financial statements

Sensitivities to impairment charges

The key assumptions in the impairment calculation are the predicted cashflows of the CGU and the discount rate applied. The following table shows the effect on impairment of property, plant and equipment and right of use assets for a 2% absolute change in the discount rate or 10% variation in EBITDA, with all other variables held constant:

	2 January 2022 £'000	27 December 2020 £'000
Discount rate – 2% increase	**1,382**	266
Discount rate – 2% decrease	**(285)**	–
EBITDA – 10% increase	**(457)**	–
EBITDA – 10% decrease	**1,829**	1,233

18. Leases

(i) Leases as a lessee

The Group has entered into a number of leases on properties from which it operates its restaurants. It has also entered into lease arrangements for motor vehicles for use by employees. These have all been recognised as right-of-use assets in the Consolidated Statement of financial position. The total cash outflow for leases is £23,978k for the 53 week period ended 2 January 2022 (2020: £7,593k).

Lease liabilities are due as follows:

	2 January 2022 £'000	27 December 2020 £'000
Contractual undiscounted cash flows due		
Not later than one year	**21,108**	28,238
Between one year and five years	**77,591**	102,885
Later than five years	**111,285**	100,892
	209,984	232,015

	2 January 2022 £'000	27 December 2020 £'000
Lease liabilities		
Non-current	**131,980**	133,774
Current	**19,014**	26,391
	150,994	160,165

The following amounts in respect of leases have been recognised in the Consolidated statement of comprehensive income:

	53 weeks ended 2 January 2022 £'000	52 weeks ended 27 December 2020 £'000
Leases of low-value assets, excluding short-term leases of low-value assets	**661**	687
Variable lease payments not included in the measurement of lease liabilities	**320**	19
Changes in lease payments that arose from COVID-19-related rent concessions	**4,210**	1,475

(ii) Finance leases – lessor

The Group sub-leases some of its properties to third parties for essentially the whole of the remaining term of the head lease. These are classified as finance leases.

The undiscounted lease payments receivable after the period end are as follows:

	2 January 2022 £'000	27 December 2020 £'000
Not later than one year	**106**	399
Between one and five years	**89**	399
Later than five years	**47**	420
Total undiscounted lease payments receivable	**242**	1,218
Less: unearned finance income	**(38)**	(239)
Present value of minimum lease payments receivable	**204**	979

Lease income from finance lease contracts in which the Group acts as a lessor is as follows:

	2 January 2022 £'000	27 December 2020 £'000
Finance income on the net investment in finance leases	**28**	49

During the period ended 2 January 2022, two sublease agreements were renegotiated which resulted in a reduction in the carrying value of net investment in sublease.

19. Goodwill

	2 January 2022 £'000	27 December 2020 £'000
Cost	**155,284**	155,284
Accumulated impairment	**(9,305)**	(9,305)
	145,979	145,979

The Group continues to assess goodwill for impairment at each reporting date in line with its accounting policy. No impairment charge has been necessary for the 53 weeks ended 2 January 2022 as the value in use supports the carrying value of all assets, goodwill, PPE and ROU assets.

The Directors consider that the Fridays brand is the sole cash generating unit of goodwill as it cannot be allocated to individual restaurants on a non-arbitrary basis.

20. Inventories

	2 January 2022 £'000	27 December 2020 £'000
Food and Beverages	**1,489**	703

Inventory that is perishable is reviewed by individual restaurants and written off on a weekly basis.

Inventories recognised as an expense during the period ended 2 January 2022 amounted to £31,256k (2020 - £26,183k).

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

21. Trade and other receivables

	2 January 2022 £'000	27 December 2020 £'000
Trade receivables	**1,375**	491
Loans to related parties	**–**	3,000
Prepayments and accrued income	**2,234**	1,591
Other receivables	**1,970**	1,439
Total trade and other receivables	**5,579**	6,521

All amounts are receivable within one year and are non-interest bearing.

22. Trade and other payables

	2 January 2022 £'000	27 December 2020 £'000
Trade payables	**8,746**	4,678
Payables to related parties	**–**	141,935
Other payables	**1,746**	1,012
Accruals	**12,891**	10,249
Other payables – tax and social security payments	**3,282**	5,957
Deferred income	**112**	287
Total trade and other payables	**26,777**	164,118

Trade payables and other payables are non-interest bearing and are normally settled monthly.

As part of the Capital Reorganisation referred to in note 2.2 to the financial statements, payables to related parties, which at 27 December 2020 totalled £141.9m, were capitalised. Full details were set out in the Prospectus. The Capital Reorganisation also resulted in the Company acquiring its subsidiaries as referred to in note 35 to the financial statements.

23. Contract liabilities

The Group has recognised the following assets and liabilities related to contracts with customers.

	2 January 2022 £'000	27 December 2020 £'000
Contract liabilities		
Customer loyalty programme	**478**	594
Gift vouchers	**546**	505
	1,024	1,099

The customer loyalty programme was started in July 2018. In 2020, the validity period of the loyalty points was extended due to COVID-19 which led to an increase in the associated contract liability. This has since reverted to a 12 month liability period, resulting in a reduction in liability for the period ended 2 January 2022.

Gift vouchers began to be issued in October 2017 and are valid for 18 months.

(i) Revenue recognised in relation to contract liabilities

Revenue recognised relating to brought forward contract liabilities has been as follows:

	2 January 2022 £'000	27 December 2020 £'000
Customer loyalty programme	**423**	515
Gift vouchers	**99**	237
	522	752

(ii) Assets recognised from costs to obtain a contract

	2 January 2022 £'000	27 December 2020 £'000
Amortisation recognised	**97**	96

24. Loans and borrowings

	2 January 2022 £'000	27 December 2020 £'000
Non-current		
Bank loans – secured	**33,931**	63,834
	33,931	63,834
Current		
Bank loans – secured	**9,491**	1,426
	9,491	1,426
Total loans and borrowings	**43,422**	65,260

The Group completed a refinancing of the bank loan facilities in July 2021. The new facility agreement consists of a £40m term loan and a £25m revolving credit facility. At 2 January 2022, the remaining £39.3m term loan available had been drawn and £5m had been drawn on the revolving credit facility. The Group's loans are denominated in Pounds Sterling. There is no foreign exchange risk on the Group's debt arrangements.

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximate to their fair value.

Loan Facility	Nominal interest rate	Year of maturity	Repayment schedule	2 January 2022 £'000	27 December 2020 £'000
Secured bank loan	Margin plus SONIA	2023	£500k per quarter, increasing to £1.5m per quarter from June 22, with balance on maturity	44,299	65,800
Unamortised loan arrangement fees				(877)	(540)
				43,422	65,260

The facility agreement includes the following covenants:

(i) a minimum liquidity covenant which is tested on a monthly basis until August 2022, requiring a cash balance of no less than £10.0m until 31 December 2021, £11.5m until 31 March 2022, £13.5m until 30 June 2022, and £15.0m until 31 August 2022; and

(ii) leverage and fixed cost cover ratio covenants that are tested on a quarterly basis from September 2022. The leverage ratio covenant requires that the Group's total net debt to adjusted EBITDA to not exceed 3.0 times between 30 September 2022 and 31 December 2022, and 2.5 times from March 2023. The fixed cost cover ratio covenant requires EBITDA, adjusted for rental payments, to be not less than 1.5 times the aggregation of such rental payments and bank interest charges.

The Group complied with all covenants within its bank facilities during the 53 week period ended 2 January 2022.

Interest on the Group's loan facilities is payable at the aggregate of a margin of 4% plus a compound reference rate based on SONIA. A margin rachet applies from the date on which the adjusted leverage covenant and the fixed charge cover covenant begin to be tested, with the impact on margin shown below. Any increase or decrease on the margin as a result of the margin ratchet will apply from the beginning of the next interest quarter.

	Margin % per annum
Adjusted Leverage	
Greater than or equal to 2.0x	4.00
Less than 2.0x but greater than or equal to 1.5x	3.75
Less than 1.5x but greater than or equal to 1.0x	3.50
Less than 1.0x	3.25

The borrowers and guarantors under the Facilities Agreement have provided English law fixed and floating charges over all of their assets in support of their obligations under the Facilities Agreement. Hostmore Group Limited has also provided third party security in respect of the shares that it holds in its wholly owned subsidiary Wednesdays (Bidco) Limited.

The term loan is repayable in quarterly instalments, commencing in September 2021, of £350k, increasing to £500k in March 2022, and £1.5m from 30 June 2022. The remaining balance is due for repayment at the end of the facility on 1 October 2023. At the period end there was £481k of interest owed to the provider. There is also an option to extend the facility by one year, provided that this is agreed between Wednesdays (Bidco) Ltd and the Lenders in the period prior to July 2022.

Undrawn facilities

The Group had committed borrowing floating rate facilities available to be drawn at 2 January 2022 as follows:

	2 January 2022 £'000	27 December 2020 £'000
Expiring within 1 year	–	–
Expiring between 1 and 2 years	**20,000**	–
	20,000	–

Undrawn loan facilities incur a charge at 40% of the interest rate margin on the drawn facilities.

Movement of Loans

	2 January 2022 £'000	27 December 2020 £'000
At the beginning of period	**65,260**	65,987
Loans drawn down	**5,000**	–
Loans repaid	**(26,500)**	(1,050)
Amortisation of loan arrangement fees	**804**	323
Loan arrangement fees incurred in period	**(1,142)**	–
Balance at end of period	**43,422**	65,260

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

25. Provisions

Dilapidations provision

	2 January 2022 £'000	27 December 2020 £'000
Opening balance	**3,330**	–
Increase in provision	**–**	3,330
Charged to statement of comprehensive income	**340**	–
Utilised during the period	**(43)**	–
Credited to statement of comprehensive income	**(509)**	–
Unwind of discount	**57**	–
Closing balance	**3,175**	3,330
Expected to be utilised within one year or less	**745**	509
Expected to be utilised after more than one year	**2,430**	2,821
	3,175	3,330

The Dilapidation provision arises from an obligation to return leased sites to their original condition at the end of their lease term.

26. Share capital

Issued and fully paid

	2 January 2022 Number	2 January 2022 £'000	27 December 2020 Number	27 December 2020 £'000
Ordinary shares of 20p each	**126,127,279**	**25,225**	–	–
	126,127,279	**25,225**	–	–

The Company has one class of ordinary shares, comprising the entire issued share capital of the Company.

Share issuances during the period

Upon incorporation on 14 April 2021, the Company issued 1 share with a nominal value of £1, which was settled through an intercompany receivable.

On 8 September 2021, the Company issued 50,000 ordinary shares with a nominal value of £1 to its then parent company, Electra, which was paid in cash. The 50,001 shares then in issue were split into 250,005 ordinary shares with a nominal value of 20p each.

On 11 October 2021, the Company issued 7,339,374 ordinary shares to its then parent company, Electra, which were paid for in cash.

On 11 October 2021, the Company issued a further 109,330,608 ordinary shares to its then parent company, Electra, which was settled through an intercompany receivable.

After approval of shareholders of Electra in General Meeting on 1 November 2021, a distribution in specie of all the issued share capital of the Company was declared, which resulted in each Electra shareholder receiving three shares in the Company pro-rata for each Electra share then held.

As disclosed in the Prospectus, the management incentive plan of the Group crystallised upon the Company being demerged from Electra prior to Admission. This ultimately resulted in certain members of management subscribing for 9,207,292 shares in the Company (representing 7.3% of the issued share capital in the Company) at 178p per share.

Rights attaching to Ordinary Shares

The Company's shares form a single class for all purposes, including with respect to voting, dividends and other distributions declared, made or paid on the Company's share capital. Shareholders are entitled to one vote per share at shareholder meetings of the Company.

Dividends on ordinary shares

No dividends were declared during the period ended 2 January 2022.

Market purchases of ordinary shares

Pursuant to a decision of the then sole member of the Company made on 25 October 2021, the Company was granted authority to make market purchases of shares in the Company, provided that the maximum aggregate number of ordinary shares authorised to be purchased was 12,612,727, representing 10% of its issued share capital immediately following Admission. No market purchases were made under this authority during the period ended 2 January 2022. It is proposed that a resolution proposing a renewal of this authority will be considered at the Annual General Meeting of the Company to be held on 27 May 2022. If passed, this resolution will provide authority to the Company to make market purchases within normal guidelines and will expire (unless previously revoked, varied or renewed) at the close of business on 30 June 2023 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2023.

Under the existing and proposed authority, purchases can be made at a minimum price of the nominal value of the relevant share in the Company and a maximum price of the higher of (a) 5% above the average middle market quotation for a share in the Company for the five dealing days immediately prior to the date of purchase, and (b) an amount equal to the higher of the price of a share of the Company quoted for the last independent trade and the highest current independent bid for a share of the Company on the trading venues where the purchase is carried out.

Authorities to issue share capital

Pursuant to a decision of the then sole member of the Company made on 25 October 2021, the Directors have been authorised to allot and issue ordinary shares in the Company. No issuances were made under this authority during the period from Admission to 5 April 2022, being the date of approval of these financial statements. It is proposed that a resolution proposing a renewal of this authority on near identical terms will be considered at the Annual General Meeting of the Company to be held on 27 May 2022. If passed, this resolution will provide authority to the Company to issue shares and will expire (unless previously revoked, varied or renewed) at the close of business on 30 June 2023 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2023.

27. Share based payments

Total share based payment charge for the 53 week period ended 2 January 2022 was £78k (2020: £nil).

27.1 Employee share option plan

Details of the employee share option

The Group operates a share based payment scheme for its employees.

A long-term incentive scheme was introduced in November 2021, whereby the Directors and certain employees were awarded share options in Hostmore plc. This comprises of 6 schemes, noted below, with a total of 3,184,094 options awarded on 17 November 2021.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

The following share based payment arrangements were in existence during the current period:

		Number	Grant date	Expiry date	Fair value at grant date (pence)
1. PSA (with holding period)	EPS & ROIC part TSR part	1,087,190	17 November 2021	16 November 2031	101 64
2. PSA (without holding period)	EPS & ROIC part TSR part	1,060,505	17 November 2021	16 November 2031	110 69
3. RSA	Nil cost and One-off awards	1,031,260	17 November 2021	16 November 2031	110
	Nominal Cost Option	5,139	17 November 2021	16 November 2031	91
Total		**3,184,094**			

Fair value of share options granted in the period

The different share option schemes have been valued as follows:

PSA - ROIC and EPS: These nil cost option awards are valued using the share price on the date of issue on 17 November 2021.

PSA – TSR: A Monte Carlo Simulation (“MCS”) stochastic model has been used to calculate the fair value of these nil cost option awards.

PSA – with holding period: For these awards subject to a post-vesting holding period, there is a discount for the lack of marketability which accounts for the post-vesting holding period. This discount is based on the Finnerty model.

RSA - Nil cost options: The RSA nil-cost options (including one-off awards) are valued using the share price on the date of issue on 17 November 2021.

RSA - Nominal cost options: The Black Scholes Merton option pricing formula has been used to calculate the fair value.

Volatility: Due to the short time since listing of the Company’s ordinary shares in November 2021, the volatility is based on the volatility of Electra, over a period commensurate with the projection period, adjusted to remove any periods of exceptional volatility during lockdowns of 2020.

Dividends: Dividend equivalents are paid on vesting awards. As a result, no assumption for dividend yield is required.

The weighted average fair value of those options granted during the period at the reporting date was 101p.

The following inputs were used in valuing the share based payment arrangements during the period ended 2 January 2022:

			Inputs into valuation model		
		Grant data share price (pence)	Volatility	Option life	Risk-free interest rate
1. PSA	EPS & ROIC part	110	–%	3 years	–%
	TSR part	110	41.46%	3 years	0.62%
2. RSA	Nil cost and one-off awards	110	–%	3 years	–%
	Nominal cost option	110	31.10%	3 years	0.71%

Movements in share options during the period

	53 weeks ended January 2022 Number of options
Granted during the 53 week period	**3,184,094**
Outstanding at 2 January 2022	**3,184,094**

28. Retained earnings

Retained earnings represent the cumulative retained profits less losses of the Group since incorporation of the Company.

As part of the Capital Reorganisation, referred to in note 2.2 to the financial statements, £155.9m of the Company's share premium was cancelled and recognised in retained earnings.

29. Financial instruments – fair values and risk management

The Group's financial instruments may be analysed as follows:

	2 January 2022 £'000	27 December 2020 £'000
Financial assets at amortised cost		
Cash and cash equivalents	**32,080**	37,201
Trade receivables	**1,375**	491
Other receivables	**1,970**	1,439
Amounts owed by fellow subsidiaries	**–**	3,000
Net investment in a sub-lease	**204**	979
Accrued income	**7**	115
	35,636	43,225

	2 January 2022 £'000	27 December 2020 £'000
Financial liabilities		
Borrowings	**43,422**	65,260
Lease liabilities	**150,994**	160,165
Trade payables	**8,746**	4,678
Amounts owed to fellow subsidiaries	**–**	141,935
Other payables	**1,746**	1,012
Accruals	**12,891**	10,249
	217,799	383,299
Net financial liabilities	**182,163**	340,074

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

29.1 Financial risk management objectives

The Group is exposed to a variety of financial risks through its use of financial instruments in its operating activities. All of the Group's financial instruments are classified as financial assets and financial liabilities at amortised cost.

The Group does not actively engage in the trading of financial instruments for speculative purposes. The most significant financial risks to which the Group is exposed are described below:

29.2 Credit risk management

Credit risk is the risk that a customer or counterparty to a financial instrument will not meet its obligations under a contract and arises primarily from the Group's cash at bank as well as trade and other receivables. No collateral is held in respect of any of these. There is also a credit risk for the recoverability of the net investment in subleases.

Cash is held at banks with high credit ratings with low associated credit risk. Trade and other receivables mainly relate to returns to suppliers, amounts owed by voucher houses for TGIF vouchers sold and amounts owed by delivery partners. The Group has long-standing relationships with its trading partners and there is no history of default. Net investment in sublease relates to the sublease of a number of properties to third parties, with historical long standing relationships. The Group manages its exposure to credit risk in respect of these by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, which at 2 January 2022 amounted to £35.6m.

29.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities. The Directors manage this risk by:

- maintaining adequate cash reserves through the use of the Group's cash from operations and bank borrowings; and
- continuously monitoring projected and actual cash flows to ensure the Group maintains an appropriate amount of liquidity.

All amounts are due within 12 months except amounts owed to fellow subsidiaries which are repayable on demand and lease liabilities and borrowings which have been analysed into the relevant maturity groups in notes 24 and 18.

29.4 Foreign currency risk

The Group primarily operates restaurants in the UK and all financial instruments are denominated in Pounds Sterling. The Group's principal exposure to foreign currency risk arises from the franchise fee owed to TGI Friday's Inc which is paid on a monthly basis, totalling £6.1m for the period. Sensitivity on these payments is not significant due to the franchise fee being converted into USD each month at the rate prevailing at the date of payment, with a 10% increase or decrease on the spread between the two rates paid resulting in a nominal increase or decrease in the payment made.

In order to manage our exposure to foreign currency risk with international suppliers, the Group uses an intermediary company who source and deliver products to its restaurants. These contracts are set in Pounds Sterling, with in-built hedging on the supplier's side.

29.5 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is subject to this risk exposure as it relates to changes in interest rates on its variable rate borrowings and cash at bank which earns interest at floating rate. A reasonably possible change in interest rates would not materially affect interest income earned on cash and cash equivalents.

As set out in note 24, the Group had £43,422k (2020: £65,260k) of total debt outstanding with interest rates linked to SONIA. Sensitivity on the interest rate of SONIA of +10% would increase the annual interest payable by the Group by £47k. The impact of a change of 10% has been selected as this has been considered reasonable given the volatility observed both on a historical basis and market expectations for future movements.

29.6 Capital risk management

For the purpose of the Group's capital management, capital includes interest-bearing debt. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and complies with covenant ratios in order to support its business. No changes were made in the objective, policies or processes during the 53 week period ended 2 January 2022.

The Group Directors manage the Group's capital structure and aim to adjust it in light of changes in economic conditions and the requirements of the business. The Group includes in its net debt, interest-bearing loans and borrowings (note 24), lease liabilities (note 18), less cash and cash equivalents.

Financial statements

30. Cash flows from operating activities

	2 January 2022 £'000	27 December 2020 £'000
Loss for the period	**(567)**	(17,314)
Adjustments for		
Depreciation of property, plant and equipment and ROU assets	**22,339**	23,273
Impairment of property, plant and equipment and ROU assets	**1,019**	7,975
Lease exit income	**(616)**	–
Finance income	**(6)**	(129)
Finance expense	**13,603**	12,519
COVID-19 rent concessions	**(4,210)**	(1,475)
Income tax expense	**(1,017)**	(2,878)
Share based payment charge	**78**	–
Cash flows from operating activities	**30,623**	21,971

31. Related parties

Identity of related parties with which the Group has transacted

As described in note 26 to the financial statements, the Group was previously wholly owned by Electra. During the period ended 2 January 2022, a distribution in specie of all of the issued share capital of the Company was declared, which resulted in each Electra shareholder receiving three shares in the Company pro-rata for each Electra share then held. Further details relating to the demerger were set out in the Prospectus.

The Group paid a franchise fee of £4.5m to TGI Fridays Franchisor LLC during the 52 weeks ended 27 December 2020. TGI Fridays Franchisor LLC ceased to be a related party of the Group during the 52 weeks ended 27 December 2020. Franchise fees at similar levels continue to be paid under the Group's franchise agreement.

At 27 December 2020 there were loans to related parties of £3.0m and payables of £141.9m, both of which were capitalised under the Capital reorganisation referred to in note 2.2 to the financial statements. There were no balances between the Group, to or from any related parties at 2 January 2022.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

Transactions with key management personnel

Remuneration in respect of key management personnel is disclosed in note 12.

32. Capital commitments

The Group has no outstanding capital commitments at 2 January 2022 or at the previous period end.

33. Transition to International Financial Reporting Standards ("IFRSs")

In transitioning its UK GAAP financial statements to IFRS, the Group has made adjustments in respect of its accounting for leases, amortisation of goodwill and impairments. These are described below:

a) Reclassification under previous GAAP

The Group has included an additional adjustment where necessary to reclassify the external bank loan portion that is due in less than 1 year from non-current liability to current liability.

b) IFRS 16 'Leases'

IFRS 16 specifies how the Group will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The recognition and measurement of any leases considered exempt will continue unchanged.

Details of the transition approach adopted in accordance with the provisions of IFRS 1 are included in note 2 to the financial statements.

Date of transition – 1 January 2018 – Impact on statement of financial position

From 1 January 2018, for each lease, the Group has recognised an asset reflecting the right to use the leased asset for the remaining lease term and a lease liability reflecting the obligation to make lease payments. Both the asset and the liability have been recognised on-balance sheet whereas under UK GAAP they were off-balance sheet.

Periods ended 30 December 2018, 29 December 2019 and 27 December 2020 – Impact on Statement of financial position

Following the date of transition, any movements in prepayments, accruals and onerous lease provisions recognised in accordance with FRS 102 have been reversed. Initial direct costs incurred on new leases entered into have been reclassified from property, plant and equipment and included within the carrying value of the relevant RoU asset. Where such costs have been incurred prior to the commencement of the lease they are recognised as a non-current prepayment until the date of commencement. Lease incentives received from landlords on new leases are reflected as a deduction from the carrying value of the RoU asset.

Where a lease term has changed, the lease liability has been re-assessed and a corresponding adjustment made to the RoU asset. Where a lease has terminated early, both the lease liability and RoU asset have been derecognised, and the difference has been recognised as a gain or loss in the statement of comprehensive income.

Statement of comprehensive income

Previously recognised operating lease charges has been replaced with a depreciation charge on the leased asset and an interest expense on the lease liability.

The unwinding of the dilapidations provision has been included within interest payable and similar expenses within the statement of comprehensive income.

Statement of cash flows

There has been no impact on overall cash flow. However, the classification of lease payments within the cash flow statement has changed from operating activities to financing activities, which is reflected in the statement of cash flows.

Sub-leases

The accounting of leases where the Group acts as a lessor remains unchanged except where the sub-lease is deemed to be a finance lease. For such leases, an appropriate proportion of the RoU asset has been derecognised and a net investment in sub-lease has been recognised equal to the present value of future lease payments, discounted at the same discount rate as the associated head lease. Any difference between the net investment in sub-lease and RoU asset was recognised in the opening retained earnings at the date of transition.

Rental income is no longer recognised in the statement of comprehensive income. Instead, any receipts are recognised as a reduction in the net investment in sub-leases. Any movements in deferred income balances have been reversed. Finance income over the lease term is recognised within interest receivable and similar income in the statement of comprehensive income.

c) Amortisation of goodwill

In accordance with IFRS, goodwill is subject to an annual impairment assessment instead of being amortised over an estimated useful life under FRS 102. Consequently, amortisation previously recognised in the periods ended 30 December 2018, 29 December 2019 and ended 27 December 2020 has been reversed.

d) Impairments

The Group adjusted its value in use calculations for the impact of IFRS 16 referred to above and assessed goodwill as well as RoU assets for impairments at the date of transition. Any resulting impairment losses reduced the carrying amount of RoU assets as well as property, plant and equipment on a pro-rata basis.

The Group continues to assess each CGU and goodwill for impairment at each reporting date in line with its accounting policy in note 1 to the financial statements.

e) Tax

The Group has adjusted the tax charge and deferred tax asset to account for the tax impact of the IFRS adjustments referred to above.

f) Exceptional items

On transition to IFRS, the Group no longer recognises impairment charges as exceptional.

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

Consolidated statement of comprehensive income

52 weeks ended 30 December 2018

		Impact of changes in accounting policies		
	Notes	**As previously reported £'000**	**IFRS adjustments £'000**	**As restated £'000**
Revenue		208,823	–	208,823
Cost of sales		(45,920)	–	(45,920)
Gross profit		162,903	–	162,903
Administrative expenses	b, c, d	(172,581)	12,387	(160,194)
Other income	b	836	(166)	670
Operating profit		(8,842)	12,221	3,379
Interest receivable and similar income	b	56	54	110
Interest payable and similar expenses	b	(2,810)	(11,531)	(14,341)
Loss on ordinary activities before taxation		(11,596)	744	(10,852)
Taxation	e	(735)	2,037	1,302
Loss for the financial period from continuing operations		(12,331)	2,781	(9,550)
Other comprehensive income		–	–	–
Total comprehensive loss for the period		(12,331)	2,781	(9,550)

52 weeks ended 29 December 2019

		Impact of changes in accounting policies		
	Notes	**As previously reported £'000**	**IFRS adjustments £'000**	**As restated £'000**
Revenue		214,838	–	214,838
Cost of sales		(46,708)	–	(46,708)
Gross profit		168,130	–	168,130
Administrative expenses	b, c, d	(172,239)	26,076	(146,163)
Other income	b	356	(184)	172
Operating profit		(3,753)	25,892	22,139
Interest receivable and similar income	b	161	55	216
Interest payable and similar expenses	b	(2,814)	(10,586)	(13,400)
(Loss)/Profit on ordinary activities before taxation		(6,406)	15,361	8,955
Taxation	e	(1,466)	(448)	(1,914)
Loss for the financial period from continuing operations		(7,872)	14,913	7,041
Other comprehensive income		–	–	–
Total comprehensive loss for the period		(7,872)	14,913	7,041

52 weeks ended 27 December 2020		Impact of changes in accounting policies		
	Notes	As previously reported £'000	IFRS adjustments £'000	As restated under IFRS £'000
Revenue		129,088	–	129,088
Cost of sales		(26,183)	–	(26,183)
Gross profit		102,905	–	102,905
Administrative expenses	b,c,d	(149,168)	17,800	(131,368)
Other income	b	20,678	(50)	20,628
Operating loss		(25,585)	17,750	(7,835)
Interest receivable and similar income	b	80	49	129
Interest payable and similar expenses	b	(2,477)	(10,009)	(12,486)
Loss on ordinary activities before taxation		(27,982)	7,790	(20,192)
Tax credit	e	1,753	1,125	2,878
Loss for the financial period from continuing operations		(26,229)	8,915	(17,314)
Other comprehensive income		–	–	–
Total comprehensive loss for the period		(26,229)	8,915	(17,314)

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

Consolidated statement of financial position

As at 1 January 2018

			Impact of changes in accounting policies		
		As previously reported	**IFRS adjustments**	**FRS 102 reclassification**	**As restated**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets					
Goodwill		145,979	–	–	145,979
Property, plant and equipment	b	61,668	(75)	–	61,593
Right-of-use assets	b, d	–	174,705	–	174,705
Net investment in a sub-lease	b	–	60	–	60
Prepayments	b	–	617	–	617
Deferred tax asset	e	–	–	–	–
Total non-current assets		207,647	175,307	–	382,954
Current assets					
Inventory		1,185	–	–	1,185
Net investment in a sub-lease	b	–	127	–	127
Trade and other receivables	b	12,094	(5,184)	–	6,910
Cash and cash equivalents		10,984	–	–	10,984
Total current assets		24,263	(5,057)	–	19,206
Total assets		231,910	170,250	–	402,160
Current liabilities					
Borrowings	a	–	–	(1,076)	(1,076)
Current tax liabilities		–	(1,064)	–	(1,064)
Trade and other payables	b	(169,107)	6,459	–	(162,648)
Provisions		–	–	–	–
Lease liabilities	b	–	(11,642)	–	(11,642)
Total current liabilities		(169,107)	(6,247)	(1,076)	(176,430)
Non-current liabilities					
Borrowings	a	(68,139)	–	1,076	(67,063)
Deferred tax liability		(287)	–	–	(287)
Provisions	b	(1,938)	1,316	–	(622)
Lease liabilities	b	–	(165,317)	–	(165,317)
Total non-current liabilities		(70,364)	(164,001)	1,076	(233,289)
Total Liabilities		(239,471)	(170,248)	–	(409,719)
Net liabilities		(7,561)	2	–	(7,559)
Represented by:					
Invested capital		–	–	–	–
Share premium		–	–	–	–
Share based payment reserve		3,264	–	–	3,264
Retained losses		(10,825)	2	–	(10,823)
Total deficit		(7,561)	2	–	(7,559)

As at 30 December 2018			Impact of changes in accounting policies		
	Notes	As previously reported £'000	IFRS adjustments £'000	FRS 102 reclassification £'000	As restated £'000
Non-current assets					
Goodwill	c	133,253	12,726	–	145,979
Property, plant and equipment	b	57,809	(328)	–	57,481
Right-of-use assets	b d	–	147,556	–	147,556
Net investment in a sub-lease	b	–	934	–	934
Prepayments	b	–	40	–	40
Deferred tax asset	e	618	2,037	–	2,655
Total non-current assets		191,680	162,965	–	354,645
Current assets					
Inventory		1,199	–	–	1,199
Net investment in a sub-lease	b	–	134	–	134
Trade and other receivables	b	12,282	(5,546)	–	6,736
Cash and cash equivalents		17,573	–	–	17,573
Total current assets		31,054	(5,412)	–	25,642
Total assets		222,734	157,553	–	380,287
Current liabilities					
Borrowings	a	–	–	(1,076)	(1,076)
Current tax liabilities	e	–	(353)	–	(353)
Trade and other payables	b	(169,634)	8,690	–	(160,944)
Provisions		–	–	–	–
Lease liabilities	b	–	(14,217)	–	(14,217)
Total current liabilities		(169,634)	(5,880)	(1,076)	(176,590)
Non-current liabilities					
Borrowings	a	(67,063)	–	1,076	(65,987)
Provisions	b	(5,139)	5,139	–	–
Lease liabilities	b	–	(154,029)	–	(154,029)
Total non-current liabilities		(72,202)	(148,890)	1,076	(220,016)
Total liabilities		(241,836)	(154,770)	–	(396,606)
Net liabilities		(19,102)	2,783	–	(16,319)
Represented by:					
Invested capital		–	–	–	–
Share premium		–	–	–	–
Share based payment reserve		4,054		–	4,054
Retained losses		(23,156)	2,783	–	(20,373)
Total deficit		(19,102)	2,783	–	(16,319)

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

As at 29 December 2019	Notes	As previously reported £'000	Impact of changes in accounting policies IFRS adjustments £'000	FRS 102 reclassification £'000	As restated £'000
Non-current assets					
Goodwill	c	120,527	25,452	–	145,979
Property, plant and equipment	b	55,931	(333)	–	55,598
Right-of-use assets	b, d	–	136,717	–	136,717
Net investment in a sub-lease	b	–	780	–	780
Prepayments	b	–	60	–	60
Deferred tax asset	e	729	1,589	–	2,318
Total non-current assets		177,187	164,265	–	341,452
Current assets					
Inventory		1,249	–	–	1,249
Net investment in a sub-lease	b	–	158	–	158
Trade and other receivables	b	13,073	(5,435)	–	7,638
Cash and cash equivalents		27,121	–	–	27,121
Total current assets		41,443	(5,277)	–	36,166
Total assets		218,630	158,988	–	377,618
Current liabilities					
Borrowings	a	–	–	(1,076)	(1,076)
Current tax liabilities	e	–	(408)	–	(408)
Trade and other payables	b	(171,056)	8,011	–	(163,045)
Provisions		–	–	–	–
Lease liabilities	b	–	(12,678)	–	(12,678)
Total current liabilities		(171,056)	(5,075)	(1,076)	(177,207)
Non-current liabilities					
Borrowings	a	(65,987)	–	1,076	(64,911)
Provisions	b	(8,561)	8,561	–	–
Lease liabilities	b	–	(144,778)	–	(144,778)
Total non-current liabilities		(74,548)	(136,217)	1,076	(209,689)
Total liabilities		(245,604)	(141,292)	–	(386,896)
Net liabilities		(26,974)	17,696	–	(9,278)
Represented by:					
Invested capital		–	–		–
Share premium		–	–	–	–
Share based payment reserve		4,054	–	–	4,054
Retained losses		(31,028)	17,696	–	(13,332)
Total deficit		(26,974)	17,696	–	(9,278)

Consolidated statement of financial position

As at 27 December 2020

		Impact of changes in accounting policies		
	Notes	**As previously reported £'000**	**IFRS adjustments £'000**	**As restated under IFRS £'000**
Non-current assets				
Goodwill	c	107,802	38,177	145,979
Property, plant and equipment	b	50,341	(1,422)	48,919
Right-of-use assets	b, d	–	121,219	121,219
Net investment in a sub-lease	b	–	620	620
Prepayments	b	–	60	60
Deferred tax asset	e	1,772	2,714	4,486
Total non-current assets		159,915	161,368	321,283
Current assets				
Inventory		703	–	703
Net investment in a sub-lease	b	–	359	359
Current tax assets	b	–	1,313	1,313
Trade and other receivables	b	7,226	(705)	6,521
Cash and cash equivalents		37,201	–	37,201
Total current assets		45,130	967	46,097
Total assets		205,045	162,335	367,380
Current liabilities				
Borrowings		(1,426)	–	(1,426)
Trade and other payables	b	(180,372)	15,155	(165,217)
Provisions	b	–	(509)	(509)
Lease liabilities	b	–	(26,391)	(26,391)
Total current liabilities		(181,798)	(11,745)	(193,543)
Non-current liabilities				
Borrowings		(63,834)	–	(63,834)
Provisions	b	(12,616)	9,795	(2,821)
Lease liabilities	b	–	(133,774)	(133,774)
Total non-current liabilities		(76,450)	(123,979)	(200,429)
Total liabilities		(258,248)	(135,724)	(393,972)
Net liabilities		(53,203)	26,611	(26,592)
Represented by:				
Invested capital		–	–	–
Share premium		–	–	–
Share based payment reserve		4,054	–	4,054
Retained losses		(57,257)	26,611	(30,646)
Total deficit		(53,203)	26,611	(26,592)

Financial statements

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

Consolidated statements of cash flows

52 weeks ended 30 December 2018

	Impact of changes in accounting policies		
	As previously reported £'000	**IFRS adjustments £'000**	**As restated £'000**
Cash flows from operating activities			
Profit for the financial period	(12,331)	2,781	(9,550)
Adjustments for:			
Depreciation, amortisation and impairment	26,450	15,076	41,526
Loss on lease derecognition	–	407	407
Interest receivable and similar income	(56)	(54)	(110)
Interest payable and similar expenses	2,810	11,559	14,369
Equity settles share-based payment expenses	790	–	790
Taxation	735	(2,037)	(1,302)
	18,398	27,732	46,130
(Increase)/Decrease in trade and other debtors	(188)	362	174
Increase in inventory	(14)	–	(14)
Increase/(Decrease) in trade and other payables	1,510	(2,596)	(1,086)
Increase in provisions	3,201	(3,823)	(622)
Cash used in operations	4,509	(6,057)	(1,548)
Rental income from sub-leases	–	177	177
Tax paid	(2,350)	–	(2,350)
Net cash generated from operating activities	20,557	21,852	42,409
Cash flows from investing activities			
Interest received	56	–	56
Initial direct costs incurred on new leases	–	(209)	(209)
Purchase of property, plant and equipment	(10,199)	209	(9,990)
Net cash used in investing activities	(10,143)	–	(10,143)
Cash flows from financing activities			
Lease payments	–	(21,852)	(21,852)
Repayment of bank loan	(1,400)	–	(1,400)
Interest paid on bank loan	(2,425)	–	(2,425)
Net cash used in financing activities	(3,825)	(21,852)	(25,677)
Net increase in cash and cash equivalents	6,589	–	6,589
Cash and cash equivalents at beginning of period	10,984	–	10,984
Cash and cash equivalents at end of period	17,573	–	17,573

52 weeks ended 29 December 2019	Impact of changes in accounting policies		
	As previously reported £'000	IFRS adjustments £'000	As restated £'000
Cash flows from operating activities			
Profit for the financial period	(7,872)	14,913	7,041
Adjustments for:			
Depreciation, amortisation and impairment	25,680	(2,352)	23,328
Loss on lease derecognition	—	1,889	1,889
Interest receivable and similar income	(161)	(55)	(216)
Interest payable and similar expenses	2,814	10,626	13,440
Equity settles share-based payment expenses	—	—	—
Taxation	1,466	448	1,914
	21,927	25,469	47,396
(Increase)/Decrease in trade and other debtors	(791)	(110)	(901)
Increase in inventory	(50)	—	(50)
Increase/(Decrease) in trade and other payables	1,847	1,612	3,459
Increase in provisions	3,422	(3,422)	—
Cash used in operations	4,428	(1,920)	2,508
Rental income from finance sub-leases	—	184	184
Tax paid	(1,608)	—	(1,608)
Net cash generated from operating activities	24,747	23,733	48,480
Cash flows from investing activities			
Interest received	150	—	150
Initial direct costs incurred on new leases	—	(82)	(82)
Purchase of property, plant and equipment	(11,407)	82	(11,325)
Net cash used in investing activities	(11,257)	—	(11,257)
Cash flows from financing activities			
Lease payments	—	(23,733)	(23,733)
Repayment of bank loan	(1,400)	—	(1,400)
Interest paid on bank loan	(2,542)	—	(2,542)
Net cash used in financing activities	(3,942)	(23,733)	(27,675)
Net increase in cash and cash equivalents	9,548	—	9,548
Cash and cash equivalents at beginning of period	17,573	—	17,573
Cash and cash equivalents at end of period	27,121	—	27,121

Notes to the Consolidated Financial Statements for the 53 weeks ended 2 January 2022 continued

Consolidated statements of cash flows

52 weeks ended 27 December 2020

	Impact of changes in accounting policies		
	As previously reported £'000	**IFRS adjustments £'000**	**As restated £'000**
Cash flows from operating activities			
Loss for the financial period	(26,229)	8,915	(17,314)
Adjustments for:			
Depreciation, amortisation and impairment	26,413	4,835	31,248
COVID-19 concessions	–	(1,475)	(1,475)
Interest receivable and similar income	(80)	(49)	(129)
Interest payable and similar expenses	2,477	10,042	12,519
Tax credit	(1,753)	(1,125)	(2,878)
	828	21,143	21,971
(Increase)/Decrease in trade and other debtors	5,847	(4,731)	1,116
Increase in inventory	546	–	546
Increase/(Decrease) in trade and other payables	6,572	(8,808)	(2,236)
Increase in provisions	4,055	(725)	3,330
Cash used in operations	17,020	(5,601)	2,756
Rental income from sub-leases	–	8	8
Tax paid	(970)	–	(970)
Net cash generated from operating activities	16,878	15,606	23,765
Cash flows from investing activities			
Interest received	75	–	75
Initial direct costs incurred on new leases	–	(11)	(11)
Purchase of property, plant and equipment	(3,677)	11	(3,666)
Net cash used in investing activities	(3,602)	–	(3,602)
Cash flows from financing activities			
Lease payments	–	(6,887)	(6,887)
Repayment of bank loan	(1,050)	–	(1,050)
Interest paid on bank loan	(2,146)	–	(2,146)
Net cash used in financing activities	(3,196)	(15,606)	(10,083)
Net increase in cash and cash equivalents	10,080	–	10,080
Cash and cash equivalents at beginning of period	27,121	–	27,121
Cash and cash equivalents at end of period	37,201	–	37,201

Company Balance Sheet
Hostmore plc

	Note	2 January 2022 £'000
Assets		
Non-current assets		
Investment in subsidiary undertakings	35	**176,737**
Current assets		
Trade and other receivables	37	**16,231**
Cash and cash equivalents		**2,550**
		18,781
Total assets		**195,518**
Liabilities		
Current liabilities		
Trade and other payables	38	**130**
		130
Total liabilities		**130**
Net current assets		**18,651**
Net assets		**195,388**
Issued capital and reserves attributable to owners of the parent		
Share capital	39	**25,225**
Share premium reserve		**14,583**
Retained earnings		**155,580**
Total equity		**195,388**

In accordance with the exemption permitted under section 408 of the Companies Act, the Company has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the Company for the period ended 2 January 2022 was £323k.

The notes on pages 163 to 166 form part of these financial statements.

The financial statements on pages 161 to 166 were approved and authorised for issue by the Board of Directors on 5 April 2022 and were signed on its behalf by:

Robert B. Cook
Chief Executive Officer

Alan Clark
Chief Financial Officer

Company Statement of Changes in Equity

	Share capital £'000	Share premium reserve £'000	Retained earnings £'000	Total equity £'000
Comprehensive expense for the period				
Loss for the period	–	–	(323)	(323)
Total comprehensive expense for the period	–	–	(323)	(323)
Issue of share capital	25,225	170,486	–	195,711
Cancellation of share premium	–	(155,903)	155,903	–
Total contributions by and distributions to owners	25,225	14,583	155,903	195,711
At 2 January 2022	**25,225**	**14,583**	**155,580**	**195,388**

Notes to the Company Financial Statements for the 38 weeks ended 2 January 2022

34. Accounting policies and basis of preparation

34.1 Basis of preparation

The Company financial statements have been prepared in accordance with the Financial Reporting Standards 101 'Reduced Disclosure Framework' as issued by FRC. As permitted under FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, presentation of a cash flow statement, impairment of assets and related party disclosures. Where required, equivalent disclosures are given in the consolidated financial statements.

The Company financial statements have been prepared under the historical cost convention. The company's accounting policies have been applied on a consistent basis.

The Company's functional and reporting currency is Pounds Sterling. The following principal accounting policies have been applied in the preparation of the financial statements.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Statement of Comprehensive Income in these financial statements.

The Company was incorporated on 14 April 2021 and accordingly there are no prior year comparatives. These financial statements relate to the 38 week period from incorporation to 2 January 2022

34.2 Going concern

The financial statements have been prepared on a going concern basis, with more detail to this assessment within note 4.2 in the consolidated financial statements.

34.3 Income statement

In accordance with the exemption permitted under section 408 of the Companies Act, the Company has not presented its own Income Statement in these financial statements.

The loss after tax of the Company for the period ended 2 January 2022 was (£323k).

34.4 Investments

The interest of the Company in shares of subsidiary undertakings is stated at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. An impairment is calculated by comparing the carrying amount to the higher of the recoverable amount and value in use.

34.5 Share-based transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27 to the financial statements.

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 equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Notes to the Company Financial Statements for the 38 weeks ended 2 January 2022 continued

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period.

34.6 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when they are paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting

34.7 Cash and cash equivalents

Cash is represented by cash on hand and demand bank balances. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

35. Investment in subsidiary undertakings

Movements in carrying value of investments

	38 weeks ended 2 January 2022 £'000
Opening Balance	–
Purchase of shares in Hostmore Group Limited	**176,737**
Balance at 2 January 2022	**176,737**

At 2 January 2022 the Company had four subsidiary undertakings, Hostmore Group Limited, Wednesdays (Bidco) Limited, Thursdays (Holdings) Limited and Thursdays (UK) Limited. All subsidiary undertakings are wholly owned, operate in the restaurant sector, were incorporated in the United Kingdom and are registered at Grant House, 101 Bourges Boulevard, Peterborough, PE1 1NG.

36. Employees and directors

Employee benefit expenses (including Directors) comprise:

	38 weeks ended 2 January 2022 £'000
Wages and salaries	**87**
National insurance	**5**
	92

The Company had 8 employees, including Directors, during the period. The cost for 4 employees is borne by a subsidiary company and included in the consolidated financial statements. This note discloses the remuneration for the 4 Non-executive Directors.

37. Trade and other receivables

	2 January 2022 £'000
Prepayments and accrued income	**86**
Amounts owed by Group undertakings	**16,126**
Other receivables	**19**
	16,231

All amounts are receivable within one year and are non-interest bearing. Amounts owed by Group undertakings are payable on demand.

38. Trade and other payables

	2 January 2022 £'000
Trade payables	**117**
Accruals	**13**
	130

Trade payables and other payables are non-interest bearing and are normally settled monthly.

39. Share Capital

Issued and fully paid	**2 January 2022 Number**	**2 January 2022 £'000**	27 December 2020 Number	27 December 2020 £'000
Ordinary shares of 20p each	**126,127,279**	**25,225**	–	–
Shares issued	**126,127,279**	**25,225**	–	–

The Company has one class of ordinary shares, comprising the entire issued share capital of the Company.

Share issuances during the period

Upon incorporation on 14 April 2021, the Group issued 1 share with a nominal value of £1 which was settled through an intercompany receivable.

On 8 September 2021, the Group issued 50,000 ordinary shares with a nominal value of £1 to its then parent company, Electra, which was paid in cash. The 50,001 shares then in issue were split into 250,005 ordinary shares of 20p each.

On 11 October 2021, the Company issued 7,339,374 ordinary shares to its then parent company, Electra, which were paid for in cash.

On 11 October 2021, the Company issued a further 109,330,608 ordinary shares to its then parent company, Electra, which were settled through an intercompany receivable.

After approval of shareholders of Electra in General Meeting on 1 November 2021, a distribution in specie of all of the issued share capital of the Company was declared which resulted in each Electra shareholder receiving three shares in the Company pro-rata for each Electra share then held.

As disclosed in the Prospectus, the management incentive plan of the Group crystallised upon the Company being demerged from Electra prior to Admission. This ultimately resulted in certain members of the

Financial statements

management subscribing for 9,207,292 shares in the Company (representing 7.3% of the issued share capital in the Company at 178p per share.

Rights attaching to ordinary shares

The Company's shares form a single class for all purposes, including with respect to voting, dividends and other distributions declared, made or paid on the Company's share capital. Shareholders are entitled to one vote per share at shareholder meetings of the Company.

Dividends on ordinary shares

No dividends were declared during the period ended 2 January 2022.

Market purchases of ordinary shares

Pursuant to a decision of the then sole member of the Company made on 25 October 2021, the Company was granted authority to make market purchases of shares in the Company, provided that the maximum aggregate number of ordinary shares authorised to be purchased was 12,612,727, representing 10% of its issued share capital immediately following Admission. No market purchases were made under this authority during the period ended 2 January 2022. It is proposed that a resolution proposing a renewal of this authority will be considered at the Annual General Meeting of the Company to be held on 27 May 2022. If passed, this resolution will provide authority to the Company to make market purchases within normal guidelines and will expire (unless previously revoked, varied or renewed) at the close of business on 30 June 2023 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2023.

Under the existing and proposed authority, purchases can be made at a minimum price of the nominal value of the relevant share in the Company and a maximum price of the higher of (a) 5% above the average middle market quotation for a share in the Company for the five dealing days immediately prior to the date of purchase, and (b) an amount equal to the higher of the price of a share of the Company quoted for the last independent trade and the highest current independent bid for a share of the Company on the trading venues where the purchase is carried out.

Authorities to issue share capital

Pursuant to a decision of the then sole member of the Company made on 25 October 2021, the Directors have been authorised to allot and issue ordinary shares in the Company. No issuances were made under this authority during the period from Admission to 5 April 2022, being the date of approval of these financial statements. It is proposed that a resolution proposing a renewal of this authority on near identical terms will be considered at the Annual General Meeting of the Company to be held on 27 May 2022. If passed, this resolution will provide authority to the Company to issue shares and will expire (unless previously revoked, varied or renewed) at the close of business on 30 June 2023 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2023.

40. Retained earnings

Retained earnings represent the cumulative retained profits less losses of the Company since incorporation. As part of the Capital Reorganisation referred to in note 2.2 to the financial statements, £155.9m of the Company's share premium was cancelled and recognised in retained earnings.

Definitions

The following definitions shall apply throughout this document unless the context requires otherwise:

"Adjusted EBITDA"	EBITDA before exceptional items
"Adjusted ROCE"	Adjusted EBITDA divided by total assets less current liabilities
"Admission"	the admission of the Company's ordinary shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities
"Cash Conversion"	free cash flow divided by EBITDA
"Company"	Hostmore plc, a company registered in England and Wales with company number 13334853 whose registered office is at Highdown House, Yeoman Way, Worthing, West Sussex BN99 3HH
"Demerger"	the demerger of the Company from Electra
"Directors"	the Executive Directors and the Non-Executive Directors of the Company whose names are set out on pages 46 to 49.
"EBITDA"	earnings before interest, tax, depreciation, amortisation and impairment
"Electra"	Electra Private Equity PLC (now renamed Unbound Group PLC), a company registered in England and Wales with company number 00303062 whose registered office is at 17 Old Park Lane, London, W1K 1QT
"Exceptional items"	items that, by virtue of their unusual nature or size, warrant separate, additional disclosure in the financial statements in order to assess the performance of the Group
"Free cash flow"	the profit/(loss) for a period adjusted for depreciation, non-cash items, changes in working capital, tax paid and maintenance capex, and excludes cash used in financing activities.
"Group"	the Company together with its direct and indirect subsidiaries and subsidiary undertakings
"GAAP"	Generally accepted accounting principles in the UK
"IFRS"	International Financial Reporting Standards as adopted by the UK
"Like-for-like (LFL) Sales"	the revenue performance of the Group measured on a consistent year-on-year basis
"Net Debt"	the Group's long-term borrowings and finance lease obligations less cash and cash equivalents at each period end
"Prospectus"	the document issued by the Company dated 15 October 2021 relating to Admission
"PPE"	Property, plant and equipment
"PSA"	Performance Share Awards
"ROCE"	EBITDA divided by total assets less current liabilities
"RoU asset"	Right of Use asset
"RSA"	Restricted Share Awards
"TSR"	Total Shareholder Returns over a period

Notes

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