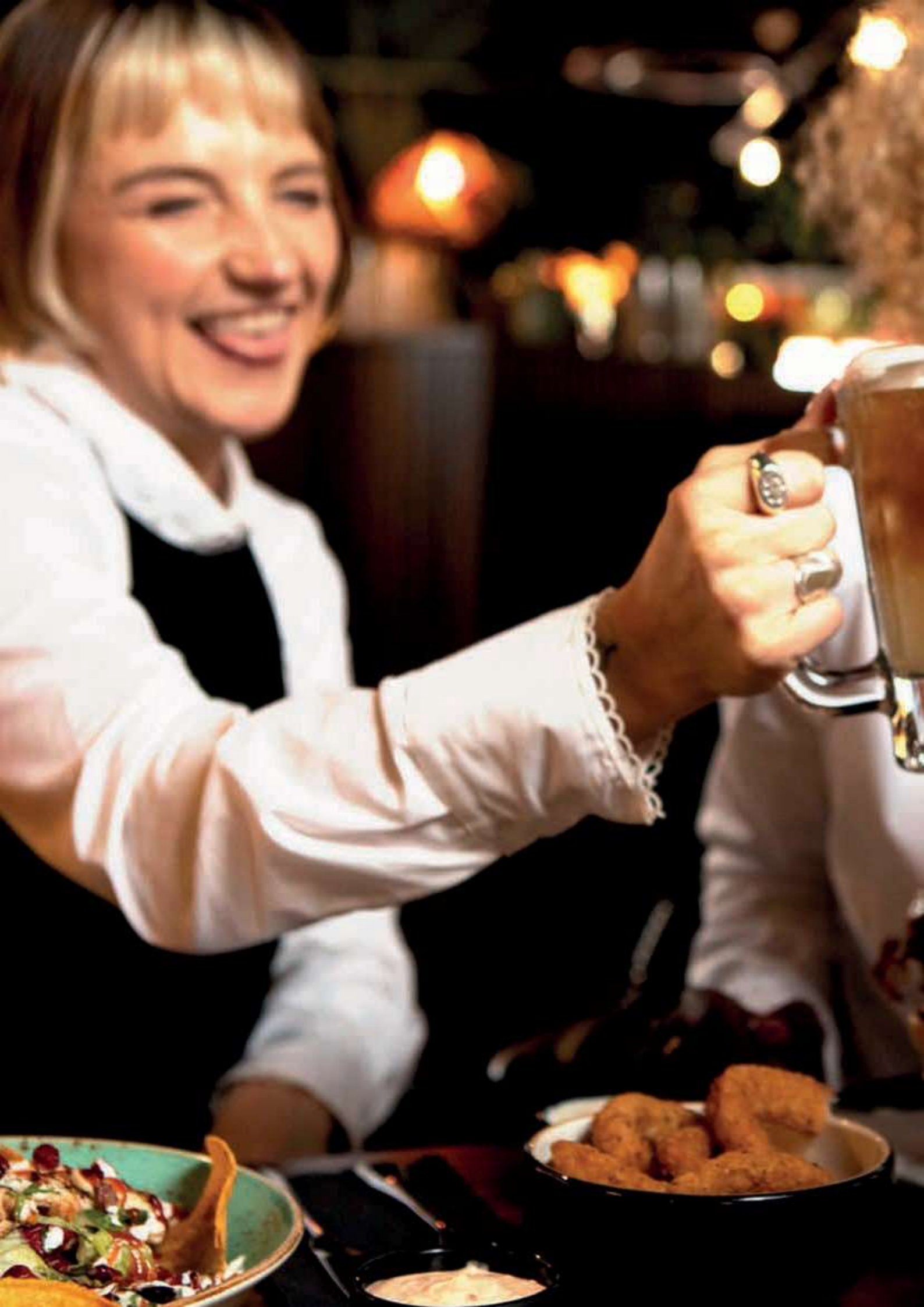




Hostmore[®]

Annual Report
2022



Contents

Strategic report

At a glance	2
Business model	4
Business strategy	6
Group highlights	8
Chairman's statement	12
Interim Chief Executive Officer's statement	14
Environmental, Social and Governance	18
Stakeholder engagement	28
How we create value	34
Chief Financial Officer's review	36
Risk management	42
Non-financial information statement	47

Governance report

Board of Directors	50
Chairman's Governance Introduction	53
Corporate Governance Report	54
Report of the Audit and Risk Committee	65
Report of the Nominations Committee	69
Annual Statement from the Chair of the Remuneration Committee	72
Hostmore Remuneration Policy	76
Annual Report on Remuneration	89
Directors' Report	98
Statement of Directors' responsibilities in respect of financial statements	105

Financial statements

Calculation of key performance indicators and alternative performance measures	108
Independent Auditor's Report	111
Consolidated Statement of Comprehensive Income	120
Consolidated Statement of Financial Position	121
Consolidated Statement of Changes in Equity	123
Consolidated Statement of Cash Flows	125
Notes to the Consolidated Financial Statements	126
Company Statement of Financial Position	158
Company Statement of Changes in Equity	159
Notes to the Company Financial Statements	160

At a glance

Who are we?

Hostmore is a UK hospitality business with its current operations focused on the American-themed casual dining brand, “TGI Fridays”, the cocktail-led bar and restaurant brand, “63rd+1st”, and the fast casual dining brand, “Fridays and Go”.

While TGI 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 and growth of attractive hospitality brands, defined by their iconic brand experience and vibrant heritage. Hostmore is focused on the organic growth of its existing brands, alongside, in the longer term, expanding through additional concepts which have roll-out potential.

The Group operates under the leadership of an experienced management team that has a track record of building businesses in the hospitality and leisure sectors.

Hostmore currently operates 91 sites in the UK, the majority of which are in high footfall locations, including retail parks, shopping centres and city centres.



63rd+1st

Our vision and strategic focus

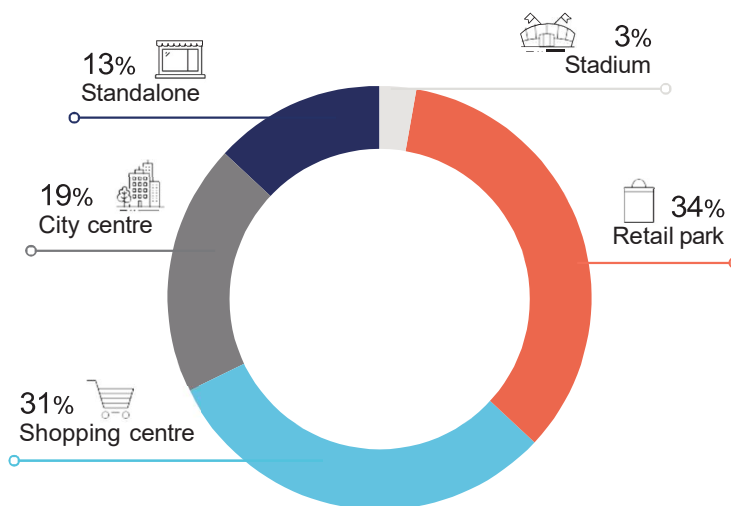
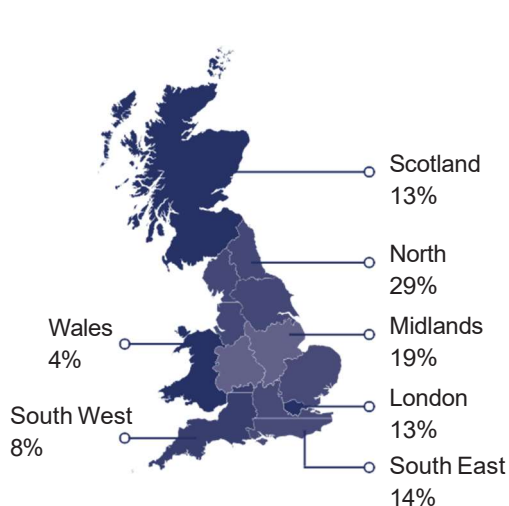
Our vision is to make every customer experience engaging and relevant, celebrating the unique heritage and character of our brands. We want our customers to feel relaxed and enlivened by their experience in an inclusive and welcoming environment.

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



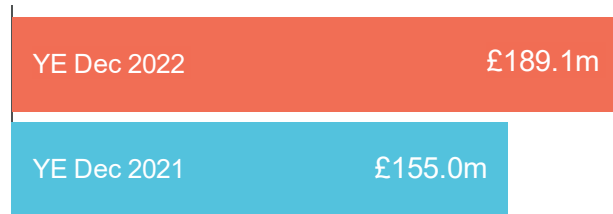
Our restaurants and bars

Our portfolio features a balanced and diversified estate of 91 restaurants across regions and location types.



Financial highlights

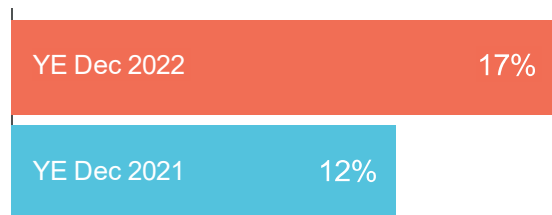
Like-for-like sales



EBITDA



Return on capital employed (ROCE)



Operational highlights

In 2022, the opening of new TGI Fridays restaurants in Chelmsford, Barnsley and Durham and a 63rd+1st restaurant in Edinburgh underlined our commitment to expanding our brand and customer experience.

We also launched our quick service restaurant offering, "Fridays and Go", and opened our first restaurant under this brand in Dundee.

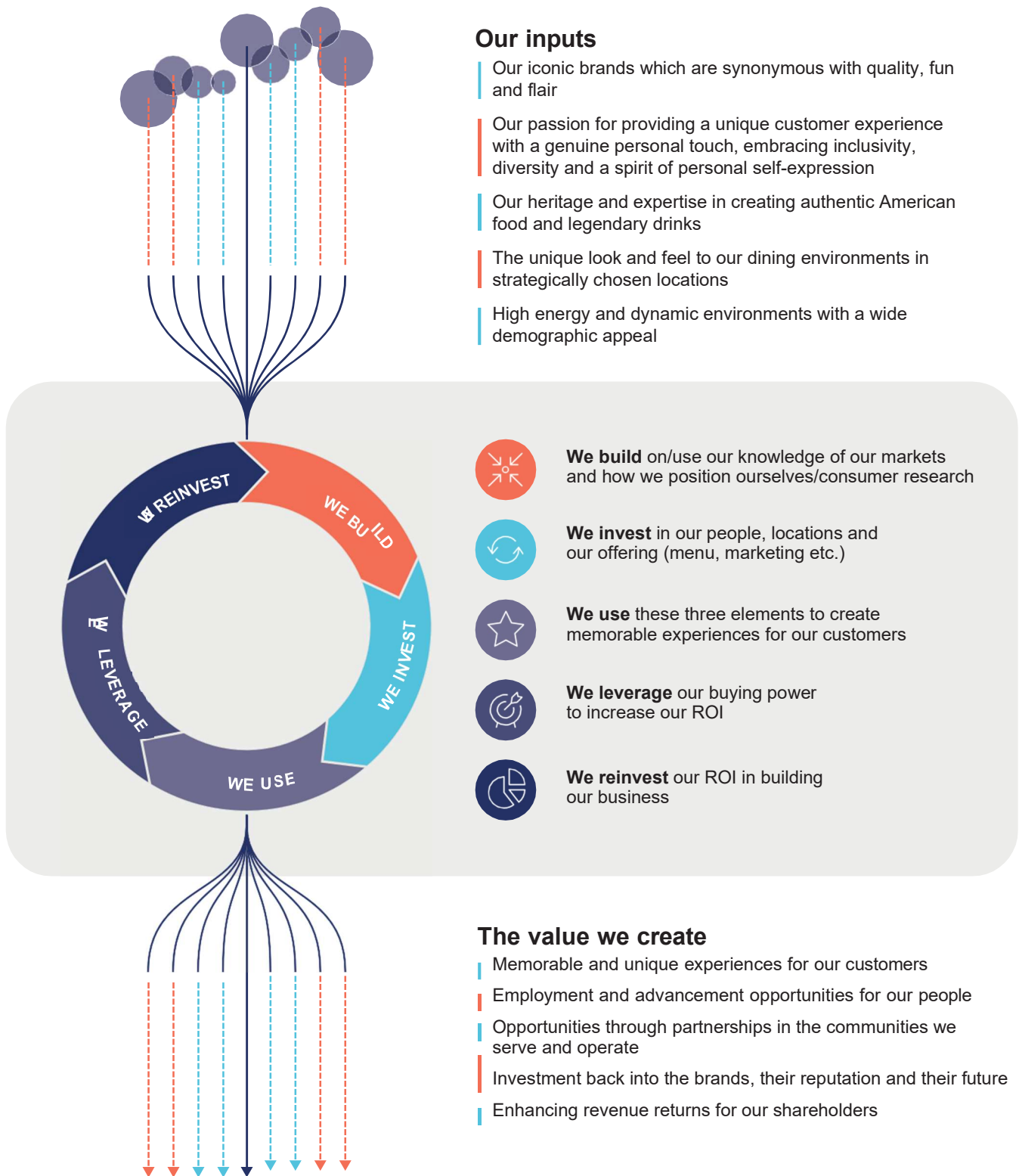
Our digital transformation strategy is feeding directly into our operational activities, with our 4D strategy having been developed to meet our customers' requirements. Our vision with this transformation is to build a single customer view that personalises the brand experience and maximises our customers' ability to engage with us as they wish.

In 2022, the Group's subsidiary that employs almost the entire workforce was accredited as a "Great Place to Work" following feedback provided in an employee survey on performance and cultural values as an employer. This constitutes a major accolade for the Group and endorses our commitment to our teams and individual employees.



Business model

Our business model





Business strategy

Our 4D approach

Our 4D strategy seeks to provide our customers with different means of engaging with each of our brands to best suit their requirements.





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

Pillar 1
Quality

Pillar 2
Relevance

Pillar 3
Simplicity



-  TGI Fridays offers the original authentic Americana experience, for young at heart adults looking for great cocktails and great comfort food.
-  TGI Fridays' signature generosity of spirit, positive energy and inclusive celebratory atmosphere means our customers enjoy That Fridays Feeling any day of the week.

Highlights



An improved NPS from 'Good' to 'Great'



Chelmsford, Barnsley and Durham restaurants opened in 2022



The relaunch of our TGI Fridays app

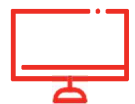


Creation of Fridays and Go, with the first venue opened in Dundee

Key targets



Maintain and improve on our service rating



Launch the new TGI Fridays website

63rd+1st

Our fashionable cocktail-led bars and restaurants which deliver fabulous drinks and food in a stylish environment. **for a third consecutive year**



Returning to our bar heritage offering a large selection of iconic cocktails, spirits, beers and wines.



The 63rd+1st brand provides a contemporary offering and stylish environment.

Highlights



Edinburgh restaurant opened in July 2022

Key targets



Maintain and improve on our 'Great' service rating

An all day bar and dining experience serving brunch, 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.



Collaborated with the celebrity chef, Tony Singh, to provide a special edition menu



Broaden the Group's demographic appeal



Group highlights to 1 January 2023



23%

improvement in revenue in FY22 across the Group over FY21, with both volume and customer spend per head increasing



5

new restaurants opened in FY22 (including three TGI Fridays, one 63rd+1st and the first Fridays and Go) (FY21: 4 new restaurants)



-10%

decrease in EBITDA in FY22 over FY21 due to Government grants and VAT reduction in FY21, as well as costs inflation



£23.3m

adjusted free cash flow for the period ended 1 January 2023, before the settlement of £6.8m of accrued 2021 listing costs



£22.5m

undrawn banking facilities available under the Revolving Credit Facility at 1 January 2023



+22%

increase in comparable like-for-like (“LFL”) revenue in FY22 compared to FY21



Group highlights to 1 January 2023

continued

Digital transformation

Our digital strategy remains a key focus for Hostmore's brands and our offerings.

What does "digital" mean to us and our customers?

Our customers are at the heart of our brands' propositions and experiences. Historically, each of TGI Fridays and 63rd+1st have been a venue-led proposition. Our people, our buildings and our dining and cocktails offerings all feed into our brand experience. In the case of TGI Fridays and 63rd+1st, we remain, first

and foremost, a dining and cocktails 'at venue' experience. So our digital strategy across our websites, apps and social media channels is shaped to reflect this model, using data and digital contact points to amplify the brand experience.

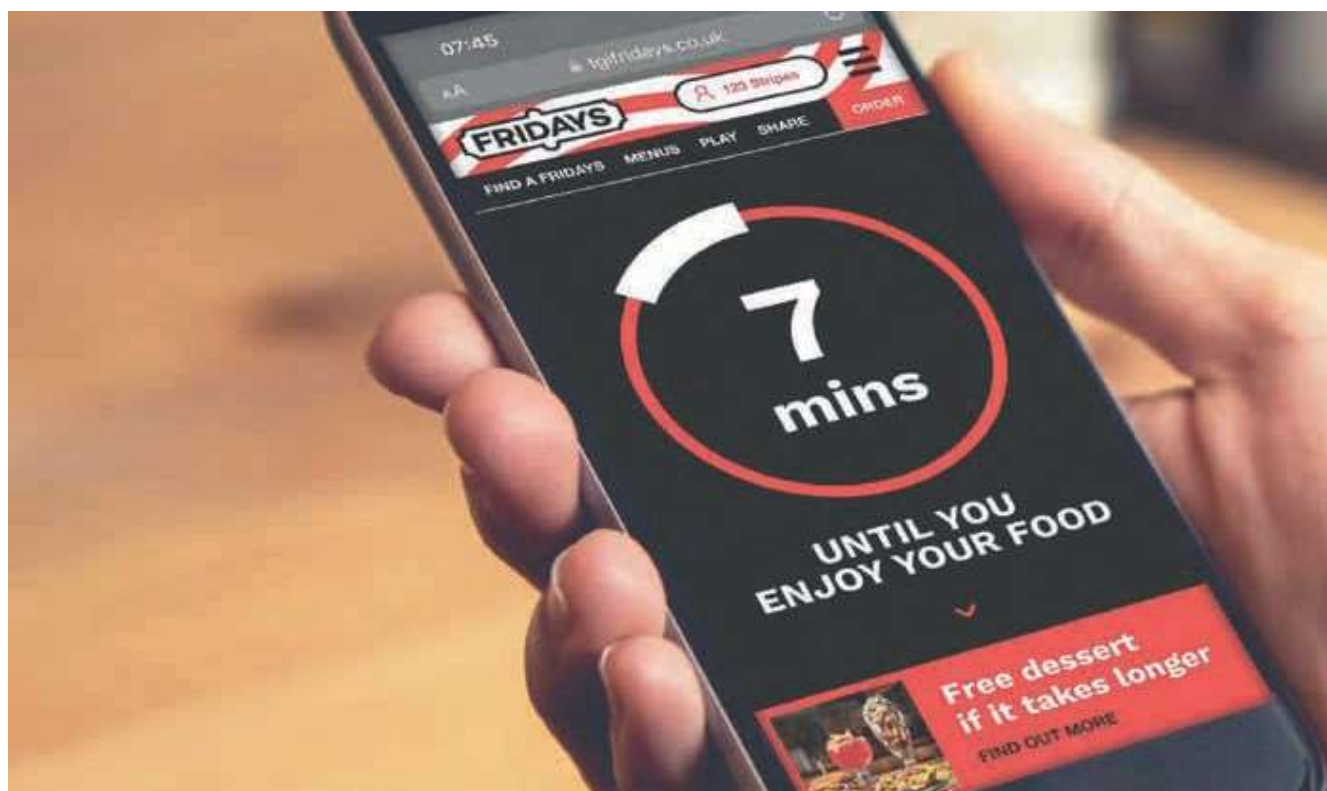
Historically, each of TGI Fridays and 63rd+1st have been a venue-led proposition. Our people, our buildings and our dining and cocktails offerings all feed into our brand experience. In 2023, bringing our digital presence to our customers continues to be a core driver in increasing footfall and customer loyalty. Representing our core values whilst inspiring new customers to visit our venues is how we strive to represent the brands digitally. We are, therefore, on a digital transformation journey, particularly with our largest brand, TGI Fridays.

What will TGI Fridays digital transformation look like?

In essence, we are rebuilding our digital infrastructure so that our customers have a personalised and relevant online experience with the brand. Using web and mobile first platforms, a data-led approach to understanding customers' needs and therefore responding to them, is vitally important and one that we are continually improving.

The change in our digital infrastructure will simplify and improve our guest journey so it is easier and more compelling to visit TGI Fridays. Specifically, we are rebuilding the TGI Fridays website platform. This is enabling us to provide a simpler guest journey which is more attractive to users and gives them an easier journey to follow to make a booking. This will involve fewer steps required to make a booking, better images, buttons, pop ups which provide information about the brand, as well as reasons to visit.

Aligning TGI Fridays' personality with an online audience creates a digital touch point with our customers which is part of the TGI Fridays experience.



Using data to better connect with our guests

Features

- Rewards app
- Loyalty/members log-in area
- Menus
- Venue locator
- Bookings and cancellations

Special functions

- Promotions, offers and redemption codes
- Feedback
- Share and endorse

Creating a 'single customer view'



Outcomes

- Using cookies and data analytics, we connect customers and their preferences with our offerings, feeding into our CRM systems, creating a single customer view
- Improve conversion rates (online visits: bookings)
- Improve brand perception
- Increase loyalty membership
- Strengthen our brand and be market competitive, digitally
- Stronger, relevant relationships with our customers

Chairman's statement



Gavin Manson
Chairman

Introduction

Hostmore's first full year of being an independent listed company has been challenging for the economy and consumers – and for the Company. Whilst the Company has made progress in several areas, we cannot avoid the fact that in 2022 our financial performance underperformed the market and our market capitalisation fell significantly more in percentage terms than our peers.

The Board has every confidence in its brands, its products and its people.

Entering 2022

Whilst inflationary headwinds had reared their heads in Q3 and Q4 of 2021, having performed well in the COVID-19 impacted period of Q2 2020 to Q4 2021 through agility and focus, we entered 2022 with relative confidence having:

1. Improved our core TGI Fridays offering through delivering our mantra of quality, relevance and simplification.
2. Launched the new '63rd+1st' brand of sophisticated cocktail and small plate bars.
3. Being in advanced preparation for the launch of the new 'Fridays and Go' concept.

We were aware that reduced levels of consumer activity during the COVID-19 impacted period made it challenging for us to demonstrate to our consumers the degree to which our core TGI Fridays offering had improved.

The Operational Environment

The impact on consumer confidence of the rapidly increasing inflationary pressures arising from the Russian invasion of Ukraine in February 2022 changed the nature of the market in which we are operating. Having started the year well, we again found ourselves in a market in which it was challenging to gain new customers and demonstrate our product quality.

Adapting our Approach

Having built an infrastructure in anticipation of a post COVID-19 environment of growth and opportunities for consolidation, we found ourselves in a difficult market with a heavy cost base.

We have adapted our marketing and capital allocation policy to these new circumstances. Until market conditions improve we are focused on:

1. Delivering improved performance from our core TGI Fridays estate – through further improvements to our marketing, operating effectiveness and site management.
2. Not undertaking new site openings for our brands until the economic backdrop has brightened.
3. Cost reduction and debt repayment.

In light of the current economic environment, we have assessed the carrying value of our property, plant and equipment, right of use assets and goodwill at the period end. The Board has assessed these by reference to our updated business plan and the higher interest rates now prevailing. This exercise has resulted in Hostmore booking impairment charges totalling £31.2m against property, plant and equipment and right of use assets, and £70.9m against goodwill. Both of these items are non-cash charges in our Statement of Comprehensive Income. By recording these non-cash charges now, the resultant net values of our property, plant and equipment at £36.1m, right of use assets at £94.6m and goodwill of £75.1m at the period end, reflect current values of our business by reference to today's market conditions. We have recorded the goodwill impairment as an exceptional item as this is a one-off item that is not expected to re-occur.

None of these charges have any impact on the operational cash performance of the Group which is unaffected by these impairment charges. EBITDA IFRS16 for the period ended 1 January 2023 totalled £31.1m (period ended 2 January 2022: £34.5m), with the Group well placed to continue its recovery in the year ahead. Our current year and future business operations are commented on in detail in the Interim Chief Executive Officer's Statement on pages 14 to 17 and further detail on the impairments is provided in the

Chief Financial Officer's Review on pages 36 to 41.

Recovery Plan

Hostmore has a recovery plan in place that is already addressing:

1. The attraction of new customers to TGI Fridays' core 'in store' offering.
2. The prior lower level of penetration by TGI Fridays in 'delivery'.
3. The cost base of the business.

The delivery of our expectations for this recovery plan will require the focus and strong support of each of our 4,500 team members. It is a feature of the business that many of our in store colleagues have been with TGI Fridays for many years and across multiple locations. It is this loyalty and inherent understanding of the brand that represents 'The Fridays Feeling' today and that we believe will be invaluable as we deliver the plan and as the brand evolves.

The Board

I started by saying that this has not been an easy year for Hostmore. Similarly, your Board has had its positives and its challenges. In August, we welcomed Stephen Welker to the Board. With his in-depth knowledge of the business from its pre-Demerger days and prior experience of leading multiple turnarounds, Stephen has added value to Board discussions from day one. It is a pleasure to have him on the Board.

"Hostmore now has a recovery plan that has absolute focus to deliver the significant rewards available to the Company and shareholders on delivery"

In December, two of our valued Non-Executive Directors resigned from the Board for reasons unconnected with the business. We wish Louise Stonier the very best with her blossoming executive career and, likewise, we wish Jane Bednall well following her departure for personal reasons. I thank them both for their valued contributions to Hostmore through its Demerger and early days as a listed company. The Board has commenced a search for two new independent Non-Executive Directors.

In January 2023, Robert B. Cook, who as CEO of TGI Fridays from late 2019 had seen us through COVID-19 when many other businesses had failed, decided, with the Board's approval, to step down. Earlier in 2022, Robert had recruited Julie McEwan as Chief Operating Officer and the Board is delighted that Julie has agreed to become our Interim CEO. The Board is committed to ensuring that the permanent CEO has the qualities necessary to enable the future success of the business. Whilst conducting an external search, we are also working with Julie to give her every opportunity to build on the extremely encouraging start she has made as Interim CEO.

At the 2022 AGM, I stepped up from being a Non- Executive Director of Hostmore to becoming Chairman. It has been an unexpectedly challenging period for, in increasing measure,

the UK economy, the casual dining market and as a result, the Company. Hostmore now has a recovery plan that has absolute focus to deliver the significant rewards available to the Company and shareholders on delivery. I am absolutely confident that it will be delivered.

In September 2022, I was asked to become an Executive Director in the turnaround of another company. With the enhanced strategy referred to above that Hostmore is handling, it has become clear to me that both roles cannot be conducted optimally together. Following the appointment of Stephen Welker to the Board in August, we have the skills required to take the Company forward to deliver value. As such, it is my intention to step down as Chairman of the Board at our AGM in May with the intention that Stephen Welker succeeds me as Chairman.

Conclusion

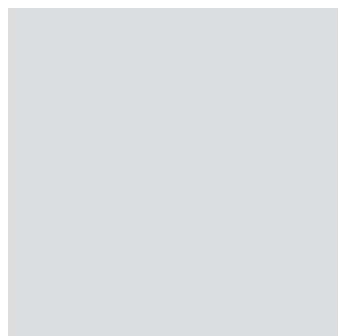
It has been my honour and pleasure to work with the Board and employees of TGI Fridays since 2017. I have a high degree of confidence that I will leave it in May this year well positioned for future success. I wish Stephen, Julie and their respective teams every success.



Gavin Manson

28 April 2023

Interim Chief Executive Officer's statement



Julie McEwan
Interim Chief
Executive Officer

Reflections on 2022

The early part of 2022 showed that the 'whiplash of COVID-19' was still evident across the hospitality sector and in our business, as the challenges continued. In addition to the COVID-19 disruption, we faced the adverse effects on our sector of the Russian invasion of Ukraine, the cost-of-living crisis, heightened inflationary pressures and various industrial strikes. Whilst we faced these headwinds, our high-quality brands were robustly placed to navigate through the economic uncertainty and dynamically shift to reflect changes in customer behaviour.

The Omicron variant of COVID-19 in the early part of 2022 saw stadium events cancelled which adversely affected our restaurants in these areas and city centre trade was affected as customers continued to work from home. Our like-for-like revenue improved significantly on the prior year and we proactively managed inflationary pressures with landlord concessions, the hedging of utilities and the mitigation of food and beverage costs by leveraging supplier relations.

Strategy

Our 4D strategy is focused on the development of our hospitality brands, underpinned by quality, relevance, and simplicity. At the heart of this is a customer-centric approach which aims to deliver memorable experiences through 'Dine-in', 'Delivery' and 'Drive To', enhanced by harnessing 'Digital' journeys and the data these provide as a key enabler across all our customer-facing channels.

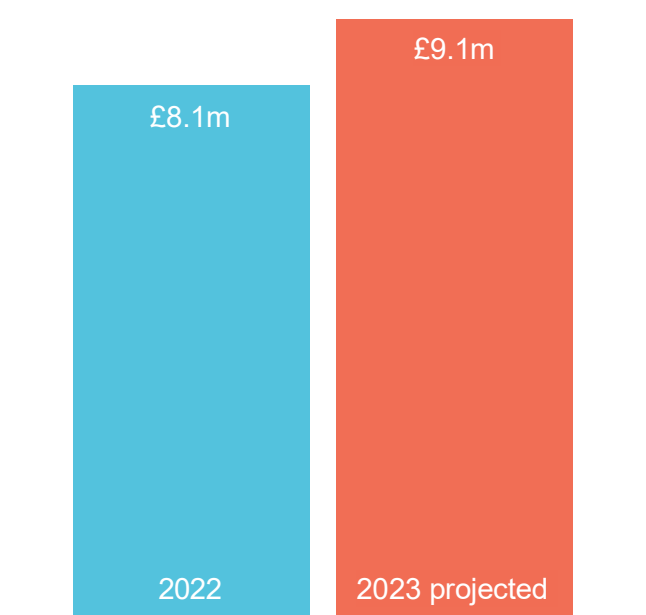
Our 'Dine-In' experience is our primary focus for 2023, remaining as it does at the heart of the TGI Fridays, Fridays and Go and 63rd+1st experience. We deliver it with pride.

The TGI Fridays iconic brand is associated with the original 'corner bar', a place in the local community to 'drop in and catch up' with friends, where one feels welcome and can step into a place of fun and warmth and where delicious food and drinks can be enjoyed. Given that TGI Fridays is famous for great food, it is pleasing that the investment in our menu and service improvements has delivered a positive impact on the overall guest experiences as evidenced by our guests' feedback. We have sought to achieve this whilst maintaining pricing discipline, particularly given the pressures on our customers' disposal income. To complement our offering and widen our appeal to new audiences, we have implemented our 'Raising the Bar' strategy in 2023. This seeks to build on TGI Fridays' heritage and values by introducing fun and innovative offers and concepts, such as the TGI Fridays Cocktail Masterclasses and new celebration packages. These will showcase the very best of our brand.

Delivery remains an important channel to our customers. In Q3 2022, we signed a contract with Uber Eats to enable our products be ordered via their platform. This is in addition to the existing relationships we have with Deliveroo and JustEat. We believe our relationships with our delivery partners are stronger going into 2023 after a root and branch overhaul of the way in which we implement delivery. We now have dedicated leadership and assigned manpower, already improving our metrics and, ultimately, our delivery offer to our customers.

In terms of the 'Drive to' component of our strategy, we created our quick service restaurant offering, Fridays and Go, and opened our first restaurant under this brand. This is an exciting new proposition in trial stage, with the potential to offer valuable diversification of future growth and brand development.

Dine-out sales*



*Dine-out sales comprise delivery and drive to sales less the dine-in proportion of drive to sales. Drive to sales include both dine-in and dine-out sales from click and collect and Fridays and Go.

Digital transformation

A significant digital transformation is underway across the business, particularly at our TGI Fridays brand. This is underpinned by an omnichannel approach heading towards a single customer view that informs, enhances and grows our customer proposition. Accompanied with highly focused marketing activity around our refreshed TGI Friday's brand, leveraging existing heritage and loyalty with our customers, will consolidate the brand and the TGI Friday's experience more effectively.

Considering the ongoing trading pressures, securing consumer spend is increasingly challenging. By taking a data-led approach, we are seeking to enhance the guest experience, optimise marketing, and leverage the power of digital to establish a competitive advantage. I look forward to reporting back during the current financial year on the progress of the digital transformation programme.

Employees

It is important that I pay tribute to our dedicated and passionate teams in our restaurants, particularly our General Managers, for their continued focus and resilience in the challenges they have faced throughout the year. Their professionalism, focus and engagement throughout the period has been obvious and we are extremely proud of their efforts. During 2022, our subsidiary that employs almost the whole of the Group's workforce, partnered with Great Place to Work on an engagement survey. The survey consisted of 60 questions focused on the employee/manager relationship, culture and values and an overall view of the business performance. Following completion of this, and reflecting the positive feedback provided in the survey, the company was accredited with being a "Great Place to Work", a major accolade for the Group as a whole.

We are well positioned with our continuous investment in attracting, developing and retaining great talent across our brands, which is critical to our overall future success. We launched our new Learning Management System for all employees in 2022. In addition, Q3 2022 saw the launch of our Aspire High Potential Development programme, which seeks to develop leading talent for the next level in our business. The first pool of Operations Managers and General Managers who have been participating in the programme are due to graduate in April 2023. We are delighted to report that three out of the eight individuals in this pool have already been promoted within the organisation. The second pool of candidates embarked on the programme in April 2023.

We have also been delivering intensive bar training which has resulted in us certifying over 200 individuals as being Master Bartenders. These individuals stand ready to assist us in successfully delivering our 2023 "Raising the Bar" strategy.

"Our high-quality brands were robustly placed to navigate through the economic uncertainty and dynamically shift to reflect changes in customer behaviour"

We remain committed to building a leaner and more focused organisation. Cost base efficiencies have been achieved for 2023, with both our operations teams and support centre having been restructured over the course of Q4 2022 and Q1 2023.

Interim Chief Executive Officer's statement continued

Guest feedback

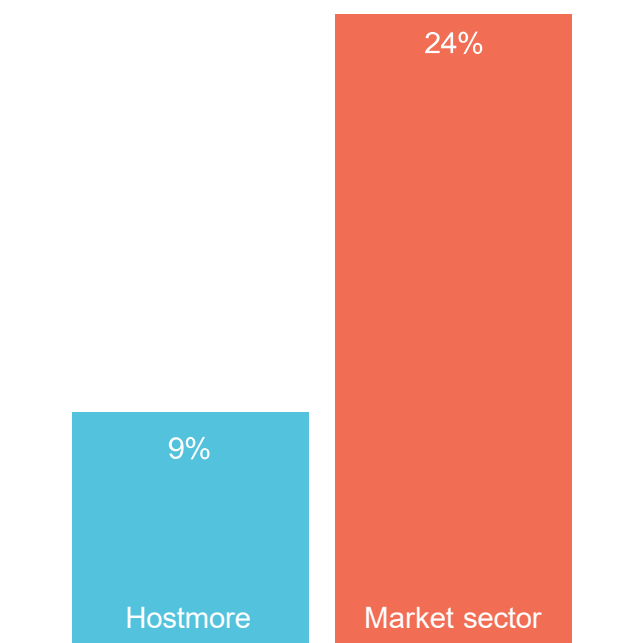
As we entered the final quarter of 2022 and the economic turbulence continued, trading remained challenging. Guest sentiment however was extremely positive in respect of TGI Fridays. Our Net Promoter Score for TGI Fridays ended the year at 30 which is on the boundary of "Good" and "Great" (FY21: 18). We also exited the year with a Trip Advisor score for TGI Fridays of 4.5 out of 5 (having been at 3.6 out of 5 at the end of 2021), with customers notably scoring TGI Fridays highly on 'value for money' and indicating that our promotions were well received. We cater for the fact that our guests are looking for more experiential occasions, as well as personalisation, while they keep an eye on costs and continue to expect value for their money.

Supply chain

In 2022, securing quality and reliable food supplies at economic prices was more challenging, following the re-opening of global trade as the effects of COVID-19 lessened. In addition, we have had to contend with the conflict in Ukraine affecting energy supply and driving increased costs in manufacturing and logistics, as well as shortages of key commodity crops driven by the war. The result of these challenges culminated in food product inflation across our sector of +24% relative to FY21 (Prestige Purchasing 2022 Foodservice Inflation Model, published Jan 2023).

Despite these challenging conditions, the Group's procurement team worked closely with our key partners to develop and implement strategies to limit the impact of inflation, whilst ensuring quality was not compromised. Where possible we secured additional stock ahead of rising costs, reduced our product range where beneficial and expanded the country of origin or source to benefit from more competitive prices. The result of these multiple strategies was to exit 2022 with food product inflation of just +9% relative to FY21 prices. The value of these mitigation strategies against the market norm of +24% delivered a saving of £5m to the Group.

Comparative food product inflation in FY22 v FY21



In 2022, we also engaged with a new beef processor and developed a partnership with Red Tractor, an assurance scheme ensuring the beef we use in our burgers is of a high standard, responsibly sourced and fully traceable. As a consequence, a new burger was introduced on our menus in February 2023, reflecting these attributes.

The 2022 drinks market was not as volatile as food, with drink inflation at +4% in 2022. To reduce the risks of supply chain challenges, we secured a contract with a UK-based spirits manufacturer in November 2022. Moving to a UK-based manufacturer for our key spirits reduced the risks related to long lead times for the supply of products and high shipping costs, as well as removing the administration burden of HMRC compliance on alcohol consignments when they are shipped into the UK. We continue to experience increased costs associated with beer, cider, wine and soft drinks production. Inflation on drinks products for 2023 has been forecasted to continue and we are working closely with our partners to seek ways to minimise this exposure.

New restaurant openings and closures

Our plan for the development of TGI Fridays continued as we delivered three new restaurant openings during 2022. We also opened our first restaurant under our new quick service offering brand, Fridays and Go, in Dundee. In addition, we opened a new 63rd+1st restaurant in Edinburgh. In 2022, we closed our TGI Fridays restaurants in Covent Garden and Guildford and our 63rd+1st restaurant in Harrogate. These restaurants were not generating the returns on investment which we expected and removing them from the estate was therefore a positive development.

Looking ahead, we are taking a prudent approach bearing in mind the current UK economic environment and not undertaking any new restaurant openings in the near term.

Conclusion

As our business continues to ride the economic headwinds that the sector is experiencing, our dedication to our brand values remains. This dedication, coupled with our innovative digital strategy, will make our guests' experience as compelling as ever. This continues to inspire our teams across all venues and disciplines, who are such an important element of our success. "A world of more" perfectly captures this approach for 2023 and beyond.

Julie McEwan.

Julie McEwan
28 April 2023



Environmental, Social and Governance



Claire Hussey
Risk & Compliance Director*

*Claire Hussey is an operational director (rather than a statutory director)

Since our inaugural public company report last year, our focus has remained steadfastly on aligning as much as possible our customer experience with the best environmental and social practices.

As a food and beverage operator, our product sourcing and menu composition remain key to meeting the high expectations of our guests and stakeholders. Some highlights in the period ended 1 January 2023 have included:

- Compliance with nutritional labelling requirements to provide calorie data on all of our menus.
- Diversification of our menus, notably in relation to kids' menu choices to provide a balanced offering with no additives which could otherwise cause hyperactivity in children.
- Continued expansion of our vegan and plant-based menu offerings
- The absence of genetically modified foods from our menu.
- The continued use of 100% RSPO (Roundtable on Sustainable Palm Oil) certified products.



All used cooking oil across the Group is recycled. As a result we saved a further 784,450kg of CO₂ from being released during the period ended 1 January 2023.

At Hostmore we are committed to embracing our environmental, social and governance responsibilities. We also have a particular focus on our brands becoming leaders in sourcing responsibly, and developing and maintaining supply chains founded on sustainability.

This report sets out the principal areas of focus and activity relating to our food and drink offering, our people, our communities and the environment. 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.

Animal welfare

Hostmore is committed to operating 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 UK and, if applicable, EU animal welfare legislation for the relevant 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: (i) freedom from hunger and thirst; (ii) freedom from discomfort; (iii) freedom from pain, injury and disease; (iv) freedom to express normal behaviours; and (v) freedom from fear and distress.

We have established a partnership with Red Tractor, an assurance scheme ensuring the beef we use in our burgers is of a high standard and responsibly sourced with assured standards of animal welfare and full supply chain traceability. It also has the additional benefit of supporting British farmers.

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.

Our ESG focus

 Environmental	 Social	 Governance
<ul style="list-style-type: none"> • Net zero roadmap • Energy consumption • Waste reduction and recycling • Plastics and packaging reduction • Water consumption • Sustainability in supply chain • Animal welfare 	<ul style="list-style-type: none"> • Fridays values and culture • Employee engagement / wellbeing • Labour standards / H&S • Community engagement • Charity contribution • Health and nutrition 	<ul style="list-style-type: none"> • Business ethics and conduct • Risk management • Remuneration / gender pay gap • Equality and diversity • Anti bribery and corruption • GDPR • Tax transparency • Certifications / accreditations

Reduction in the use of plastics

We have removed plastic straws from the business and continue to work with suppliers to reduce the amount of single use plastic in our supply chain.

Allergens

We have categorised the 14 allergens detailed in UK legislation and we follow comprehensive allergen processes 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.

Serving alcohol responsibly

We operate the Challenge 25 ID scheme in Scotland and Challenge 21 scheme in England and Wales to play our part in preventing the purchase of alcohol by underage individuals.

Health and safety

The health and safety of our guests and employees is of paramount importance to us. We have extensive procedures to ensure we mitigate risks as far as possible and clear procedures and operating standards with assured advice from our Primary Authority.

We have robust standards in place to ensure we manage fire safety effectively and protect our teams and guests. We have a Primary Authority partnership relating to fire safety that covers the whole of the Group's estate.

We also employ external auditors to perform a rolling programme of independent safety audits covering food safety, fire safety and health and safety standards across all our restaurants in line with UK legislation. A total of 16 incidents were logged as required by the reporting of injuries, disease and dangerous occurrence regulations during the period ended 1 January 2023.

Safe dining environment

We wish to lead the way in providing a safe dining environment for our guests and that includes providing a safer online experience for our visitors. In the period ended 1 January 2023, the Group became 'Friendly WiFi' accredited. We display the below 'Friendly WiFi' symbol in our restaurants to show our visitors our WiFi service has been approved and is safe to use.



Environmental, Social and Governance continued

IT, cyber and data privacy

At a time of increasing cyber security and data privacy risk, Hostmore recognises more than ever the importance of having appropriate and secure IT infrastructure and managing and securing both its and our stakeholders' data. The Group follows the National Cyber Security Centre recommendation framework in all areas relevant to its business and carried out a significant number of projects to continue to upgrade its infrastructure and safeguard its systems in the period ended 1 January 2023. The Group carries out due diligence, onboarding and monitoring of its IT suppliers, taking corrective actions where necessary. All employees are given IT and data privacy training as part of their induction process, with more advanced cyber security training provided to more senior employees. In addition to achieving the Friendly WiFi accreditation detailed above, the Group maintained its Payment Card Industry Data Security Standard Attestation of Compliance in 2022. This is a cybersecurity standard backed by all the major credit card and payment processing companies that aims to keep credit and debit card numbers safe.

Training

A new learning management system platform was rolled out in 2022 for all of our employees, providing refresher training in aspects of site and venue safety. As part of this programme, first aid and defibrillator training was given to our restaurant management teams across the business. Defibrillators are now installed in each of the Group's sites and were used successfully to support life in four scenarios in 2022.

Our Green Mission

The Group measures its electricity usage in relation to the Group's restaurants that have electricity usage meters installed. As at 1 January 2023, 75 of the 91 restaurants in the Group's estate (approximately 82%) had a meter installed. The data provided below and on the following page relates to the Group's restaurants that have electricity usage meters installed.

Group electricity usage comparison

The below comparison of the Group's electricity usage is based on actual data for Q3 2021 and 2022 and projected data for Q3 2023.

Q3 2021 actual	7,089,218 kWh
Q3 2022 actual	6,722,734 kWh
Q3 2023 projected	5,823,740 kWh

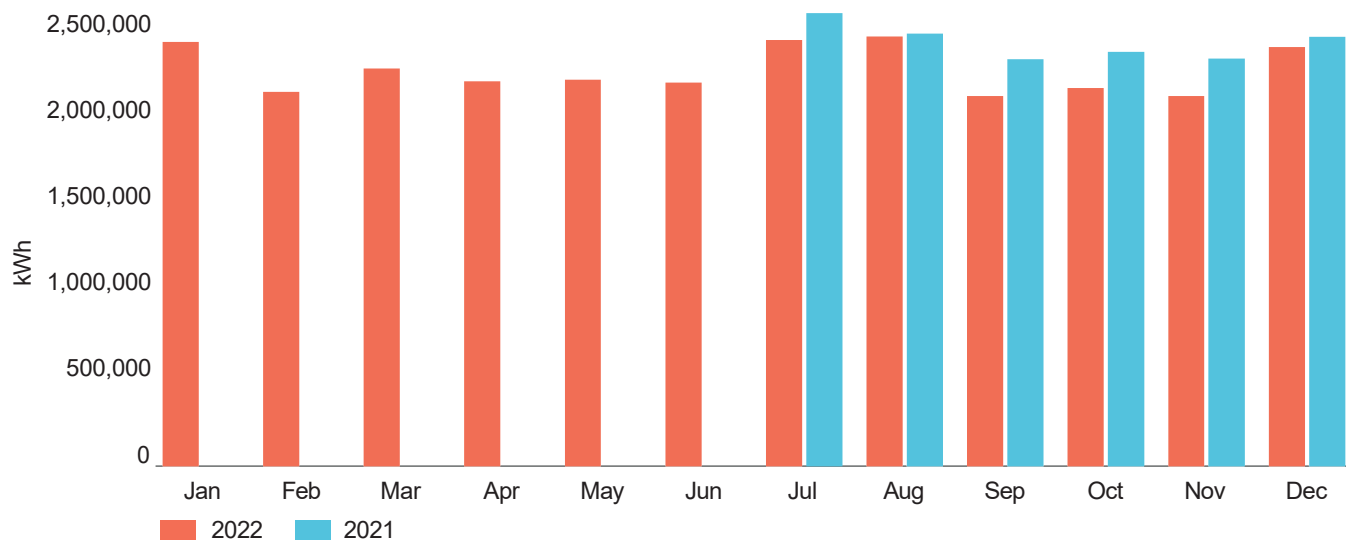
Our environment:

Key initiatives during the period ended 1 January 2023 included:

- Developing comprehensive checklists for opening and closing our restaurants, which are completed via our online due diligence system.
- Promoting our Green Mission to increase team awareness and in restaurant activity to support our green initiatives, as well as using data / meter readings to review anomalies on a weekly basis and working with our Operations team to improve and change energy usage behaviour at every one of our restaurants.
- The use of our ESG internal audit resources to support the above initiatives and review and promote compliance with the required daily checks and activities in our restaurants.
- Waste – Of the waste managed for us by our third party manager Circom (approximately 55% of the Group's waste (FY21: 65%)), no waste was sent to landfill. 60% of the total waste managed for us by Circom was recycled during the year (FY21: 55%). The remaining 40% of our waste managed by Circom was used in energy recovery processes. The disposal of our remaining waste (approximately 45% of the Group's waste) is controlled by our landlords. Nevertheless, we continue to actively work with our landlords to encourage them to operate to our high standards.
- The commencement of a trial of technologically advanced waste units in our newer venues.
- We are working with Nella, a plastics-free kitchen equipment supplier, to trial their chopping board products in our kitchens. As part of this, old and used chopping boards are being collected and recycled.

Monthly electricity use (kWh)

Active tracking of the Group's electricity consumption commenced in July 2021. The chart below details a month by month comparison of the Group's electricity usage during 2021 and 2022 and demonstrates a clear year-on-year reduction in consumption where data is available for the prior year.



Yielding results

As stated above, active tracking of the Group's electricity consumption commenced in July 2021.

Our Green Mission is yielding results. This is demonstrated by the below comparisons of electricity consumption, electricity usage and CO₂ emission savings in July 2022 to December 2022 relative to the same period in 2021. The Green Mission comprises a number of campaigns, with one of the key campaigns titled "Save while you sleep". This is an ongoing campaign to turn off equipment that does not need to be left on overnight and challenge behaviours in our restaurants to ensure that they are closed down effectively. The results of this campaign are shown in the left-hand column below. The overall results of the Green Mission initiative are shown in the right-hand column (which includes the results of the "Save while you sleep" campaign).

Save while you sleep savings in measured period 2022 in comparison to measured period 2021

Electricity consumption saving

17%

Less electricity used

1.5m kWh

CO₂ emissions saving

284tCO₂

Overall energy savings in measured period 2022 in comparison to measured period 2021

Electricity consumption saving

12%

Less electricity used

3.7m kWh

CO₂ emissions saving

704tCO₂

Environmental, Social and Governance continued

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 CO₂e (carbon dioxide equivalent (which includes CO₂ and other greenhouse gases)) for the calendar year ended 31 December 2022 are provided.

For the calendar year ended 31 December 2022, 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 has included disclosure against the TCFD framework on pages 24 to 27.

The data detailed on pages 20 and 21 relates to the Group’s restaurants with electricity usage meters and show improvements in the Group’s electricity consumption under the Green Mission initiative. The below table relates to all the Group’s restaurants and shows certain increases in the Group’s carbon emissions and energy consumption. The increases below relate to: (i) there being lengthier closures of the Group’s restaurants due to the Covid-19 pandemic in 2021 than in 2022 and therefore lower carbon emissions and energy consumption in 2021; and (ii) the net growth in the number of the Group’s restaurants in 2022.

Carbon Emissions and Energy Consumption

	Current reporting year	Benchmark year
	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Energy consumption used to calculate emissions	Gas - 31,100,057 kWh Electricity - 30,838,703 kWh	Gas - 25,684,068 kWh Electricity - 23,116,898 kWh
i) Emissions from combustion of Gas (Scope 1, location based)	5,696 tCO ₂ e	4,704 tCO ₂ e
ii) Emissions from combustion of vehicle fuels (Scope 1)	25 tCO ₂ e	41 tCO ₂ e
iii) Emissions from purchased Electricity (Scope 2, location based)	6,548 tCO ₂ e	4,908 tCO ₂ e
iv) Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing for fuel (Scope 3)	Not recorded for reporting period	Not recorded for reporting period
Total gross CO ₂ e based on above	12,269 tCO ₂ e	9,653 tCO ₂ e
v) Intensity ratio: tCO ₂ e gross figure based from mandatory fields	60.167 (tCO ₂ e/£million gross revenue)	59.524 (tCO ₂ e/£million gross revenue)

Methodology

The Group calculates its intensity ratio with reference to tonnes of CO₂e per £1,000,000 of revenue sales. The intensity ratio for the calendar year ended 31 December 2022 was 60.167 tCO₂e/£million revenue.

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

Methodology	2022	2021
i) Emissions from combustion of gas tCO ₂ e (Scope 1)	tCO ₂ e calculated from the invoiced gas consumption in kWh during the reporting period converted using the 2022 UK Government GHG Conversion Factors for Company Reporting (version 1.0) for 'Natural Gas' at Gross CV.	tCO ₂ e 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.
ii) Emissions from combustion of vehicle fuels (Scope 1) (tCO ₂ e)	Emissions are based on pro-rated contract mileage for the 2022 year. Vehicles are all owned and operated by the Group. The fuel type was identified for each vehicle and the mileage converted using UKGov CO ₂ e for 2022 to give tonnes of CO ₂ e.	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 CO ₂ e for 2021 to give tonnes of CO ₂ e.
iii) Emissions from purchased electricity tCO ₂ e (Scope 2, location based)	tCO ₂ e calculated from the product of the above stated electricity consumption in kWh during the reporting period and the 2022 UK Government GHG Conversion Factors for Company Reporting (version 1.0) for 'Electricity Generated/Electricity: UK'	tCO ₂ e 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'
iv) Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing for fuel tCO ₂ e (Scope 3)	Not recorded for 2022 reporting period	Not recorded for 2021 reporting period
v) Intensity ratio: tCO ₂ e gross figure based from mandatory fields	The intensity ratio stated above has been calculated as tonnes of CO ₂ e per £million of gross sales revenue (£203.9 million), calculated by the Company's Finance Team	The intensity ratio stated above has been calculated as tonnes of CO ₂ e per £million of gross sales revenue (£162.2 million), calculated by the Company's Finance Team

Environmental, Social and Governance continued

Taskforce on Climate-related Financial Disclosures (TCFD)

Hostmore recognises the significant impact that climate-related risks and opportunities (CRROs) have on our business and the wider society. We are exploring ways in which we can do our part. The TCFD Recommendations provide a robust framework against which companies can provide relevant disclosures. This report sets out details under the four pillars of TCFD reporting, about where we are in this journey, as well as our current considerations and plans informing our way forward.

The TCFD Guidance for All Sectors and supplemental guidance, where appropriate, was considered in making the current disclosure, even though the Company did not perform a detailed assessment against such guidance. The Company is considering a detailed assessment as part of its roadmap for data collection and resultant disclosure for the period ending 31 December 2023. The table below sets out our compliance by TCFD pillar together with consistency with the TCFD recommendations and recommended disclosures, with references where we are not yet fully consistent whilst still on our journey.

TCFD Recommendation by pillar	Disclosure provided
Governance	
Describe the board's oversight of climate-related risks and opportunities.	The Board maintains oversight of CRROs directly, as well as through the Audit & Risk Committee as further described in the Governance section on page 25.
Describe management's role in assessing and managing climate-related risks and opportunities.	Our functional area leaders and Risk and Compliance Forum have responsibility for the day-to-day consideration of CRROs with the Group's Executive Team maintaining oversight. The Governance section on page 25 provides more details.
Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Whilst they do have impacts or potential impacts on the business, none of the CRROs identified so far are material. We continuously identify and assess CRROs as described in the Strategy section on page 26.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	We consider how we impact the climate and how the climate impacts us. We have initiatives in place, which will be codified into our Roadmap by the end of 2023. Refer to the Strategy section on page 26 for further details.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Given the stage of our journey, we do not currently have scenario analysis, nor any specific climate-related resilience processes. The resilience of our business remains paramount and currently forms part of our crisis management and disaster recovery processes. Refer to the Strategy section on page 26 for further details.

TCFD Recommendation by pillar	Disclosure provided
Risk Management	
Describe the organisation's processes for identifying and assessing climate-related risks.	We have set out our process for identifying, assessing and managing CRRs in the Risk Management section on page 27.
Describe the organisation's processes for managing climate-related risks.	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	
Our risk management process for CRRs is completely integrated with our overall risk management process as explained in the Risk Management section on page 27.	
Metrics and Targets	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Given the stage of our journey, we do not currently have formal metrics. Refer to the Metrics and Targets section on page 27 for our plans.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Scope 1 and Scope 2 GHGs are disclosed in the Streamlined Energy and Carbon Reporting on page 22. Refer to the Metrics and Targets section for details regarding Scope 3 GHGs.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Given the stage of our journey, we do not currently implement any formal targets. Refer to the Metrics and Targets section on page 27 for our plans.

Governance

We include climate-related risks in our risk register, which is considered by the Board, as well as the Audit & Risk Committee, on a regular basis. The Board is aware of its responsibilities as they relate to climate and its impact on the business.

The day-to-day consideration of climate-related matters currently sits with our functional area leaders and the Risk and Compliance Forum, with oversight and responsibility provided by the Group's Executive Team. The 'Risk Management' section below expands on this process, as well as on the interactions between the functional area leaders, the Executive Team, the Risk and Compliance Forum, the risk register and the Board.

The successful implementation of each strategy to manage and respond to identified CRROs is ultimately dependent on everyone in the Group. We are therefore also focusing on training initiatives to raise awareness of the Group's responsibilities and how everyone can contribute. In addition, we provide regular communication through various channels, such as electronic notice boards, due diligence checklists, weekly feedback and regular newsletters.

Environmental, Social and Governance continued

Strategy

The Group's CRROs are assessed as described in the Risk Management section of this report on page 27. None of the identified CRROs are considered at the present time to be material to the Group whether in the short, medium or long term and, accordingly, there are no material impacts on the Group's financial results for the 52 week period ended 1 January 2023. Nevertheless, we are acutely aware of the continuously evolving landscape, its impact on our business and stakeholders, and the positive impact of small changes. Together with the Carbon Zero Forum, we are developing an emissions roadmap ("Roadmap"). This Roadmap will set out our path to a net zero position by 2050 at the latest and we aim to complete the development of the Roadmap in 2023.

As we work on our Roadmap, we are already investing in initiatives to advance our journey to net zero. These strategies include switching to LED signage and lighting; improved processing of waste and oil; water and oil saving measures; reducing waste; supply chain considerations; and our Green Mission. These strategies are being included in the development of our Roadmap and are being linked to appropriate metrics and targets.

Our Green Mission is currently focused on electricity and gas savings through raising awareness, providing training and changing ways of doing business to reduce waste whilst maintaining our quality of products and services. We are using technology to measure usage and identify potentially wasteful areas. This measurement is currently focused on electricity consumption and has shown a significant reduction in electricity waste. We are in the process of applying the same strategies to our gas usage. Further considerations include more efficient refrigeration and air conditioning through more efficient units and better maintenance to ensure existing equipment functions as best as possible. Where possible we are sourcing electricity from renewable sources and will continue to expand this programme.

In addition to our steps to reduce waste in relation to energy usage, the following initiatives are aimed at reducing physical waste. Our plastic chopping boards are now resurfaced, rather than replaced. This results in a significant reduction in plastic waste. We save water by using technology on taps to reduce the rate of flow. During our monthly maintenance inspection process, we have enhanced focus on identifying and fixing dripping or leakages from equipment. Other initiatives include the reduction of single use plastics by switching to paper-based

straws and minimising the use of plastic packaging by suppliers. We encourage suppliers to use recyclable cardboard for packaging. Our paper footprint has also been consistently reduced as we move paper-based systems to online systems. This has the additional benefit of a reduction in resources relating to storage and archiving of information.

The above focuses on reducing waste, but the production of waste products from our operations is inevitable. We ensure that all our cooking oil is recycled into biodiesel. Wherever we control our waste disposal, which is approximately 65% of our total waste, it is processed by an external partner through recycling and energy recovery processes. In properties where the owner controls our waste disposal, we look to collaborate with the owner to ensure that waste is processed in an acceptable way, providing our own advice and knowledge. Our aim is to have as much recycling as possible, with no waste heading to landfills.

Another significant area of strategy is our supply chain. We continue to use local suppliers where possible, thereby supporting our communities, enhancing reliability and reducing transport emissions. We have upgraded our supplier handbook to ensure the sustainable and ethical sourcing of sugar, cocoa, palm oil, soy, coffee and meat. This includes prescribed standards and acceptable methods of doing business. As part of our supplier assessments we require continued adherence to our supplier handbook.

Although we have not yet formally assessed our resilience against different climate scenarios, we have a crisis management and disaster recovery process to ensure we can continue to operate after shorter term shocks. In 2022, this was tested when the avian flu crisis threatened the availability of eggs. Our current processes were sufficiently robust to enable us to operate without disruption through a combination of supply chain management and consideration of our recipes, to reduce the quantity of eggs required. A formal assessment of resilience against different climate scenarios will be undertaken once our Roadmap is finalised. Operationally, we are conscious of changes in consumer attitudes and preferences, and we have introduced a wider variety of plant-based and vegan friendly dishes.

Risk Management

We have incorporated risk management processes for climate-related risks (CRRs) into our overall risk management process. These require functional leaders to identify risks, including CRRs, and populate their sections of the risk register with how the risk may impact the Group. All risks are ranked using a matrix approach, focusing on the likelihood and magnitude of impact. The risk register includes action plans to reduce, mitigate, manage, and monitor each risk, its evolution, its actual and potential impacts on the business, and our ability to address negative impacts.

This approach ensures the identification of relevant CRRs for each of our functional areas by those closest to the relevant CRR. We appreciate that due to the emerging nature of this area, the initial identification of relevant CRRs is more challenging and are exploring further ways to address this.

The risk register is considered on a regular basis at Executive Team meetings and at the quarterly Risk and Compliance Forum. The attendees at these Risk and Compliance Forum meetings include the CEO and CFO, as well as senior members of our management team, ensuring senior level oversight.

The Board also reviews the risk register on a scheduled basis during the year. We ensure that necessary focus is maintained on the most significant risks, through the ranking process referred to above.

Metrics and Targets

We have set out our Scope 1 and Scope 2 greenhouse gas ("GHG") emissions on page 22. We do not currently disclose Scope 3 GHG emissions. Although we do not currently provide disclosure of Scope 3 GHG emissions, we believe this will be useful information. As part of developing our Roadmap, we are exploring the ability to collect, process and disclose Scope 3 information.

Since we are currently focusing on developing a robust strategy as part of our TCFD journey, we do not currently have formalised metrics or targets. These will be developed alongside our Roadmap towards a net zero position by 2050. As an interim measure, we have implemented the plans described in the Strategy section above. Specifically, our Green Mission has resulted in a reduction of electricity use as explained on pages 20 and 21. Additionally, since June 2021, through a collaboration with TrailApp and Ecologi, 1,588 trees have been planted on our behalf, resulting in a CO2 reduction of 5.9 tonnes.

We are working on how best to link targets for team members across the wider business with our existing balanced scorecard appraisal system and bonus scheme. This entrenches our commitment to identify, respond, and manage our climate-related risks and opportunities and maintain accountability throughout the Group.

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 a wide set of our stakeholders into consideration when making decisions about our strategy and operations.

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

Key stakeholder	How do we engage with them?	What we believe is important to them	Key metrics and highlights for 2022
Shareholders			

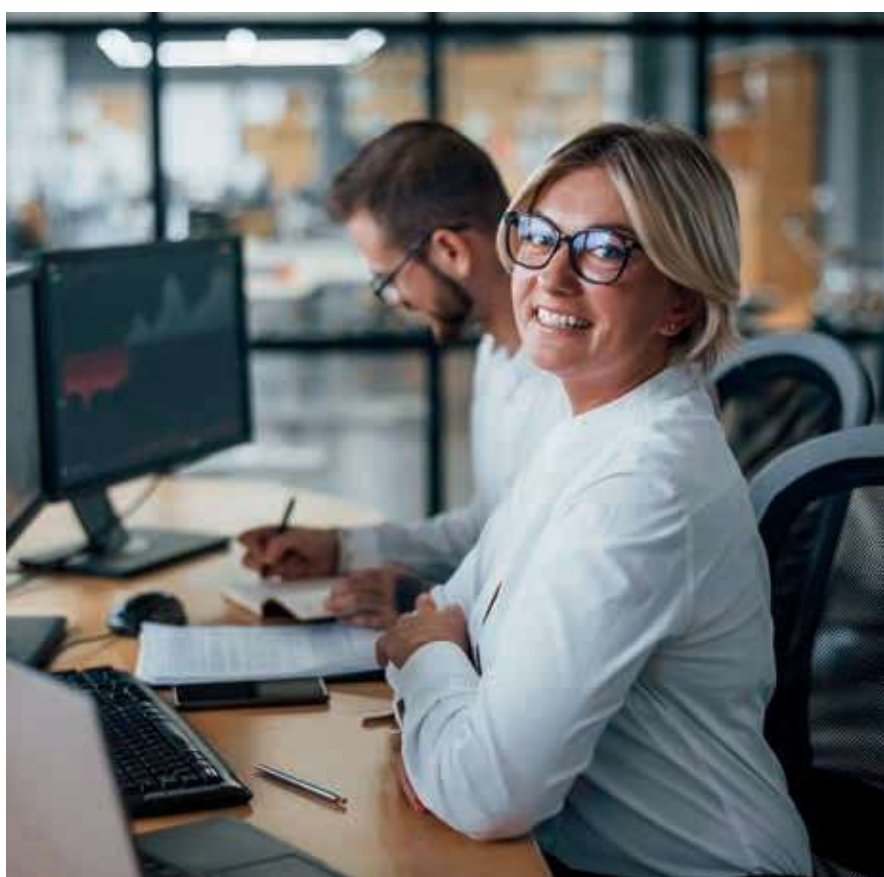
We rely on the support of our shareholders, so we work to ensure they understand our strategy and goals and can monitor our performance thorough our corporate governance processes.

Our principal means of engaging with shareholders are:

- One-to-one meetings
- General meetings
- Annual report and financial statements
- Half year and full year trading and results announcements

- Financial performance
- Dividends
- Share price appreciation
- Strategy
- Business model
- ESG

- The Company's first full year as a listed company.
- Taking actions to grow the Group's business in line with stated strategy and taking measures to mitigate costs,
- The appointment of Julie McEwan, as the new Interim Chief Executive Officer (having joined the Group in early 2022 as the new Chief Operating Officer), and Rhiannon Scarlett, as the new Chief Marketing Officer.
- A strong improvement in revenues (+23% over FY21) with both volume and customer spend per head increasing.
- Maintenance of EBITDA at £31.1m despite very challenging market conditions during FY22.
- Continuing to implement the Group's ESG strategy, with particular attention on supply chain compliance (supplier SEDEX compliance FY22: 89% (FY21: 84%)), energy consumption through the "TGI Fridays Green Mission" (see tables on pages 20 and 21 for FY22 and FY21 performance). In 2022 implementing the nutritional labelling of all the Group's dishes to comply with new legislative requirements and reviewing the calorie content across the Group's menus working to Public Health England's guidelines.



Key stakeholder	How do we engage with them?	What we believe is important to them	Key metrics and highlights for 2022
Employees			

We recognise our employees as our greatest asset: they work hard to provide a unique experience for our customers and our success is achieved through their hard work and dedication.

We engage with our employees on a regular basis, through employee forums, learning and development opportunities, career development programmes, employee surveys, annual performance and development reviews and appraisal processes. In addition, more informally we operate social and team building events.

We measure employee engagement through our annual employee engagement survey, the results of which are acted upon by the Executive Team.

- An engaging and rewarding culture and work environment
- Competitive remuneration and benefits package
- Opportunities for learning and career development

- The launch of the TGI Fridays values and cultural behaviours and the People Commitment.
- 100% of tips are shared between employees in our restaurants.
- A bonus scheme implemented for restaurant general managers to reward success in their own restaurant.
- The Company's long-term incentive plan enabling employees from restaurant manager upwards to share in the Group's success
- The launch of the new learning management system for employees.
- Over 168,000 hours of annual training provided to employee in our restaurants.
- The launch of the Ignite Leadership Development Programme and the Aspire High Potential Development Programme.



Stakeholder engagement continued

Key stakeholder	How do we engage with them?	What we believe is important to them	Key metrics and highlights for 2022
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 the Group's websites, apps and social media channels; and advertising, including social media, print media, sponsorship deals and in-restaurant promotions.

We also undertake surveys and market research to better understand our customers' needs.

- To have an enjoyable and memorable dining experience
- Quality and relevance
- Value for money
- Health and safety
- ESG

- At 31 December 2022, our Net Promoter Score for 63rd+1st of 38 (which is classified as "Great") and for TGI Fridays of 30 (which is classified as on the boundary of "Good" and "Great").
- Our monthly Guest Opinion Score for TGI Fridays improved for all our regions except one over the course of the year ended 31 December 2022. This is an aggregated score using Net Promoter Score, Facebook ratings, Google ratings, Trip Advisor ratings and data from in-house guest feedback forms.
- We received 451k pieces of feedback from TGI Fridays' guests during 2022. Of these, direct feedback channels accounted for 93% of feedback received and we received an average rating of 80%.
- The promotion of inclusivity through the launch of TGI Fridays' Show Your Stripes media campaign.
- By year end, all of the Group's restaurants bar one had achieved either a 5* food hygiene rating in England and Wales or a pass food hygiene rating in Scotland*. Just one restaurant was rated 4*, which subsequent to the period ended 1 January 2023 was re-rated at 5*.

* Scotland operates a pass or fail system, rather than a system based on stars like in England and Wales.



Key stakeholder	How do we engage with them?	What we believe is important to them	Key metrics and highlights for 2022
Franchisor			

Our Franchisor permits us to use the TGI Fridays, 63rd+1st and Fridays and Go brands, together with related trademarks, designs and intellectual property relating to the brands.

The Group's continued success and ability to compete depends on the strength of our brands.

We work with the Franchisor to ensure that the brands and associated intellectual property rights are used in a beneficial manner.

We have franchise arrangements with the Franchisor which reflect the Group's requirements in relation to the TGI Fridays, 63rd+1st and Fridays and Go brands.

We participate in dialogue with the Franchisor to discuss key developments and ways in which the Franchisor may be able to assist us.

- Mutually beneficial partnership
- Growth of our business
- Collaborative approach
- Fair payment terms

- All of the Group's sales channels operate under the TGI Fridays, 63rd+1st or Fridays and Go brand.
- Five new restaurants were opened by the Group during the year (three TGI Fridays, one 63rd+1st and one Fridays and Go). Taking into account closures of loss making restaurants (two TGI Fridays and one 63rd+1st), this resulted in a net increase in the number of restaurants operated by the Group to two.



Stakeholder engagement continued

Key stakeholder	How do we engage with them?	What we believe is important to them	Key metrics and highlights for 2022
Suppliers			
<p>We rely on our suppliers, distributors and outsourcing partners to provide critical supplies and services, in areas such as food and drink, maintenance, marketing and IT.</p> <p>We work with our suppliers to ensure beneficial, sustainable partnerships so that our business can continue to grow and thrive.</p>	<p>We hold meetings with key suppliers throughout the year, to review their performance and to address issues or concerns.</p> <p>We are committed to paying our suppliers in line with agreed payment terms.</p>	<ul style="list-style-type: none"> • Beneficial partnerships • Collaborative approach • Balanced contractual terms • Fair payment terms • Growth of our business 	<ul style="list-style-type: none"> • £45.1m cost of sales spend • £71.9m spend with suppliers, in aggregate



Key stakeholder	How do we engage with them?	What we believe is important to them	Key metrics and highlights for 2022
Local communities			
We aim to ensure that as many people as possible can benefit both from our employment opportunities and making a difference in our sector and local communities.	We provide support for our sector and local communities through a variety of initiatives, including fundraising, sponsorship and voluntarily providing our time and expertise.	<ul style="list-style-type: none"> • Employment opportunities • Facilitating contributions to the charity Hospitality Action • Participation as an active member of the local community 	<ul style="list-style-type: none"> • Employment opportunities • Facilitating charitable donations to Hospitality Action • Hosting a lunch for Ukrainian children refugees • Sponsorship of men's football • Continued sponsorship of Pride in London and women's football.



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. The table below includes sites that were open for the entirety of the years under consideration for comparability.



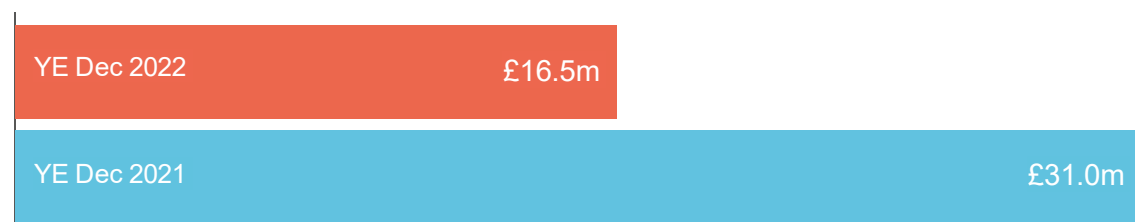
EBITDA

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



Free cash flow

Free cash flow is the cash flow from operating activities for the period, adjusted for working capital movements, rental income from sub-leases, corporation tax and maintenance capex.



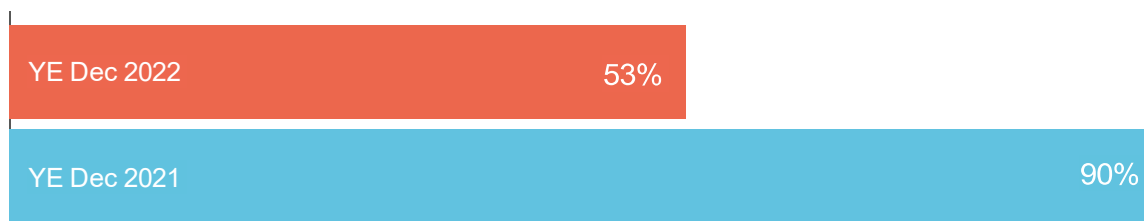
Net debt calculated in accordance with IFRS16

Net debt calculated in accordance with IFRS16 is the Group's long-term borrowings (excluding issue costs) and lease liabilities less cash and cash equivalents at each period end.



Per cent cash conversion

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



Return on capital employed (ROCE)

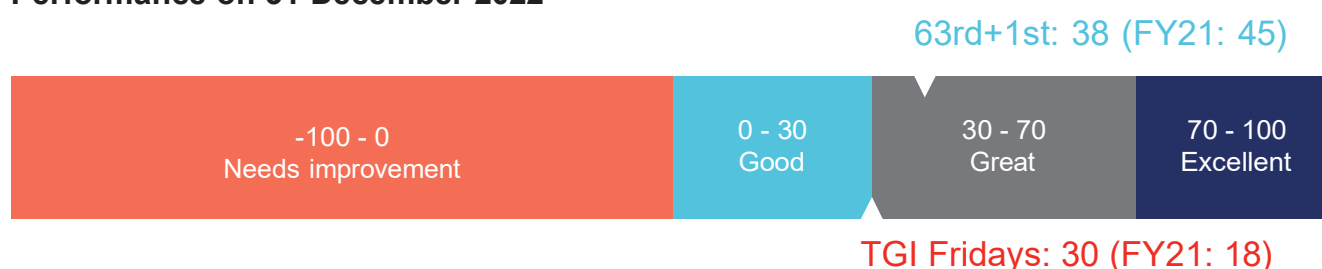
Return on capital employed is calculated as EBITDA divided by total assets less current liabilities.



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 2022



Guest Opinion Score (GOS) by brand

Guest Opinion Score is a monthly aggregated score using Net Promoter Score, Facebook ratings, Google ratings, Trip Advisor ratings and data from in-house guest feedback forms. The GOS improved in all TGI Fridays' regions bar one during the period ended 1 January 2023.

Chief Financial Officer's review



Alan Clark
Chief Financial Officer

The results for the period ended 1 January 2023 reflect the impact of the substantial changes in the market, some of which still continue. Revenue levels stabilised through the second half of the year coupled with qualitative aspects of our offering that have increased significantly. The Company's business plan for the 2023 financial period is focused on development of the Group's existing hospitality brands, underpinned by quality, relevance, and simplicity. This is enhanced by an omnichannel approach heading towards a single customer view that informs, enhances and grows our customer proposition.

Trading Results

The Group's trading results for the 52 week period ended 1 January 2023 are summarised below:

	52 weeks ended 1 January 2023	53 weeks ended 2 January 2022 ^{* Restated}
Total revenue	£195.7m	£159.0m
Gross profit	£150.6m	£127.7m
Group EBITDA (note 1)	£31.1m	£34.5m
Group EBITDA FRS102	£11.3m	£13.0m
Operating (loss)/profit	(£91.9m)	£11.0m
Basic loss per share	(77.8p)	(1.3p)
Adjusted basic earnings per share (note 2)	3.6p	7.2p
Total assets	£236.3m	£349.0m
Total liabilities	(£209.8m)	(£225.0m)
Net debt IFRS16	(£176.3m)	(£163.2m)
Net bank debt FRS102 (note 3)	(£27.7m)	(£12.2m)
Cashflows from operating activities	£28.8m	£29.7m
Net cash used in investing activities	(£10.2m)	(£4.1m)
Free cash flow (note 4)	£16.5m	£31.0m
Adjusted free cash flow (note 5)	£23.3m	£20.1m

Notes

1. Group EBITDA reflects the underlying trade of the overall business. It is calculated as statutory operating (loss)/profit adjusted for depreciation, net interest and bank arrangement fees, impairment, amortisation, loss on disposal of fixed assets and share based charges. Refer to page 38 for further details.
2. Adjusted basic earnings per share represents the net profit after tax before impairment and exceptional items, divided by shares in the Company in issue.
3. Net bank debt FRS102 is borrowings from bank facilities, excluding the unamortised portion of loan arrangement fees and leases, less cash and cash equivalents.
4. Free cash flow reflects the cash generated from operations less maintenance capital expenditures.
5. Adjusted free cash flow is free cash flow (note 4) adjusted for £6.8m of cash payments relating to listing of the Company's shares in 2021 which were settled in 2022.

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, reducing Group EBITDA and Group EBITDA FRS102 as previously reported, respectively from £35.4m and £14.0m

to £34.5m and £13.0m.

Financial results to 1 January 2023

The results reflect the impact of the substantial changes in the market that have been evident during the reporting period, some of which still continue. These include:

- Inflationary pressures, which have directly impacted the business at the basic cost of inputs, including the cost of goods purchased and utilities pricing, increasing at rates not experienced in previous years;
- Weaker consumer demand, partly driven by the inflationary effect that households are facing and also the impact that increased interest rates are having on consumer sentiment as households seek to more closely manage their financial affairs;
- Operational dislocation, particularly during the first half of the year, when the supply chain and labour markets provided resourcing deficiencies, which resulted in a reduced ability to trade normally or only at a greater cost; and
- During the second half of the year, UK events including the passing of the Queen and funeral in September and the World Cup in November and December impacted financial performance with fluctuating customer visits throughout the period.

I am pleased that the qualitative aspects of our product have increased significantly. With the monthly Guest Opinion Score for TGI Fridays increasing to 74 at the reporting date (December 2021: 68), and further to 80 at the end of the March 2023 trading period, I am confident that the loyal base of customers has been retained whilst drawing in new customers to what is a qualitative and competitively priced experience.

The Group took action to mitigate the market factors affecting revenue through a programme of cost and efficiency actions. These included the following:

- **Cost mitigation measures during 2022:** Successfully hedging the price of our gas and electricity for the duration of the period at prices determined in September 2020 when retail prices were much lower than current levels. Such hedging, based on financial year 2019 volumes, has been completed without the necessity of entering into new hedges to benefit from the reduction in wholesale prices since August 2022. Since the middle of April 2023, a programme for entering into new hedges has been commenced with the

intention of having 75% of both gas and electric forecast volumes hedged by 30 June 2023.

- **Rent reductions:** Ongoing from the previous financial period, the Group continued to engage with its landlords to determine fair treatment of obligations. £2.3m of concessions contracted have been accounted for in the current period or if enduring over longer periods, over the term of the benefit.
- **Government initiatives:** This included benefits from the introduction of a combination of schemes made available to the hospitality sector by the Government. Primarily these involved a reduction from 20% to 12.5% on output VAT on food sales until 31 March 2022, providing an important financial stimulus to the business; and secondly reduced business rates and grants also until March 2022.

Cost mitigation measures in 2023

The Board completed a cost reduction exercise in Q1 2023, closing out parts from the previous business plan that are now no longer being pursued. This has removed £1.8m of fixed overheads on an annual basis from the Group which are expected to have a recurring benefit in future years.

Impairments recorded at 1 January 2023

We have assessed the carrying value of our property, plant and equipment ("PPE") and right of use assets ("RoU assets"), and goodwill at the period end by reference to the updated business plan and the higher interest rates now prevailing. This exercise has resulted in Hostmore recording impairments of £31.2m against PPE and RoU assets and an impairment of £70.9m against goodwill. Neither of these adjustments have any impact on the operational cash performance of the Group. The goodwill impairment, by the nature of it being a non-reversible one-off adjustment, has been accounted for as an exceptional item while the PPE and RoU assets impairments may reverse to the credit of the Group's earnings if trading conditions improve with resultant increases in profitability.

Chief Financial Officer's review continued

EBITDA for period ended 1 January 2023

The Group measured its business performance on the FRS102 approach to lease accounting which is consistent with prior years. On this basis, the Group delivered EBITDA of £11.3m (2021: £13.0m) which includes the impact of the matters referred to above.

On the basis of IFRS16, the Group delivered EBITDA of £31.1m (2021: £34.5m) as reflected in these financial statements. The basic loss per share, reflecting the impact of the impairments referred to above is (77.8p) (2021: (1.3p)), while the adjusted basic earnings per share (being the loss after tax before impairment and exceptional items) is 3.6p (2021: 7.2p).

EBITDA

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Loss before tax	(104,345)	(2,549)
Depreciation	20,339	22,339
Net interest and bank arrangement fees	12,478	13,597
Net impairment of property, plant and equipment and right of use assets	31,179	1,019
Impairment of goodwill	70,858	–
Share based payment charge	581	78
EBITDA under IFRS16 for the period	31,090	34,484

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, increasing the loss before tax as previously reported from £1,584k to £2,549k.

EBITDA FRS102

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
EBITDA under IFRS16 for the period	31,090	34,484
Less: Rent paid	(19,931)	(21,669)
Add: Sublease income	101	231
EBITDA under FRS102 for the period	11,260	13,046

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, decreasing EBITDA under IFRS16 from £35,449k to £34,484k.

Cash Flow and Net Debt

The Group's consolidated statement of cash flows and movement in net bank debt for the 52 weeks ended 1 January 2023 is summarised below:

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Net cash from operating activities	19,978	32,904
New restaurant openings and purchase of other fixed assets	(10,241)	(4,075)
Net cash used in repayment of bank loans and payment of lease liabilities	(32,726)	(33,950)
Net decrease in cash in period	(22,989)	(5,121)
Net cash at start of period	32,080	37,201
Net cash at end of period	9,091	32,080
Gross bank debt at start of period	44,300	65,800
Loans drawn	10,500	5,000
Loans repaid	(18,000)	(26,500)
Gross bank debt at end of period	36,800	44,300
Net bank debt	27,709	12,220

The reduction in net cash between 2 January 2022 and 1 January 2023 reflects:

- New restaurant openings and other fixed asset purchases totalling £10.2m;
- Payment of accrued listing costs from 2021 of £6.8m;
- Settlement of pandemic period rent emanating from concessions secured during the period of £2.3m; and
- Final payment of VAT deferred under the Government pandemic business incentives of £0.8m.

To protect the business, capital expenditure was limited to existing contractual commitments, with the Group prioritising net debt reduction. New store openings were TGI Fridays stores at Chelmsford, Barnsley and Durham, a 63rd+1st store in Edinburgh and the new-concept Fridays and Go store in Dundee.

The settlement of the above items also reduced the cash conversion ratio for the year, reducing it from 90% to 53%. This is expected to increase during FY23.

In support of this debt reduction strategy, the Group has obtained the agreement of the franchisor to no longer be contractually obligated to open new restaurants during the next two financial years ending 31 December 2023 and 2024. This is expected to have a materially positive impact on overall debt reduction and provide the basis for returns being commenced to shareholders.

Exceptional Items

Exceptional costs are those items that, by virtue of their unusual nature or size, warrant separate disclosure in the financial statements to fairly assess the performance of the Group.

As referred to above, we have assessed the carrying value of our goodwill at the period end by reference to our updated business plan and the higher interest rates now prevailing. This exercise has resulted in an impairment charge of £70.9m which is a non-cash charge in our Statement of Comprehensive Income. The goodwill impairment is a non-reversing item and is treated as exceptional.

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Impairment of Goodwill	70,858	-
Costs associated with the listing of Hostmore's shares on the London Stock Exchange	-	9,086
	70,858	9,086

* Further to note 6 in the attached financial statements, in the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from previously reported of £8,121k to £9,086k.

Tax

For the period ended 1 January 2023 we recorded a corporation tax credit of £0.2m and a deferred tax credit of £6.6m, making an overall tax credit of £6.8m for the year.

Refinancing

On 28 April 2023, a subsidiary of the Company signed a bank facility restatement agreement with its lending banks. Under the terms of this agreement, certain covenants in the previous facility agreement have been amended to align with the Group's two year forward forecasts. In addition, the previous requirement for the Group to maintain a minimum cash balance of £12.5m has been reduced to £1.5m, thereby enabling the Group to repay debt from available cashflow. The previous facility comprised a term loan of £29.3m and a revolving credit facility of £30.0m. The latter has only been partly used by the Group and, with the stated intention to defer development capital expenditure for the next two years, it has been reduced to £21.0m which will reduce non-utilisation costs for the benefit of the Group. The restated facility continues with the same level of amortisation of £1.5m per quarter, with the balance repayable at maturity at the end of the extended facility on 1 January 2025.

I consider this to be a very positive outcome for the Group. It will also stand the Group in a stronger position as the Board continues to successfully advance the recovery programme and digital transformation referred to in further detail in the Interim Chief Executive Officer's Report on pages 14 to 17.

Going Concern

In considering the going concern basis of preparation of the financial statements, the Directors took account of significant elements across the business. These included FY22 underlying free cash flow of £16.5m, the cost reduction exercise completed in Q1 2023 which reduced fixed overheads on an annual basis by £1.8m, banking covenants recently reset with lending banks for the current term to 1 January 2025, the recent agreement with the franchisor to defer all new store opening obligations until FY25, and revenue, adjusted for the variance in the VAT rate on food sales between FY22 and FY23, is 2% greater than 2022 level in the first 16 weeks of FY23. This has been underpinned by the successful implementation of new revenue initiatives and improving Guest Opinion Scores and Net Promoter Scores at TGI Fridays from renewed focus on the guest experience.

Chief Financial Officer's review **continued**

The Directors reviewed the Group's forecasts and underlying assumptions in detail and monitored actual performance against forecast. They also assessed the forecast deliverability of the Group's business plan and the strategies implemented by the Executive Team to deliver forecast results in the plan. This enabled the Directors to assess the expected operating performance and cash availability for the 15 months from April 2023 to July 2024. This assessment also considered possible adverse effects, including severe but plausible downside sensitivities of trading and a worsening rate of profit conversion over the forecast period. The Board maintains a tight focus on the Group capital allocation policy and expenses, such that both can be reduced further if trading is reduced to the levels inferred in the severe but plausible downside scenario. In that scenario, if there was no corrective action by the Board, the Group has forecast potential for covenant concerns in the third quarter of 2023 and a restricted liquidity position in the first quarter of 2024.

As referred to above, on 28 April 2023, the Group completed an amendment to certain of the covenants in the Group's banking facility. The facility runs until 1 January 2025. As part of these negotiations, the Group subsidiary that is the borrower under that facility has undertaken to negotiate a refinancing of the facility during 2023. This is to be undertaken during Q3 2023, with the new facility planned to be finalised in Q4 2023.

Accordingly, the Directors have continued to adopt the going concern basis in the preparation of the financial statements.

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 2025. The Directors consider that three years is the appropriate period over which to evaluate the medium-term viability. It is also giving greater emphasis to the short term trading conditions which the wider hospitality sector faces.

The Company's business plan for the 2023 financial period is focused on development of the Group's existing hospitality brands, underpinned by quality, relevance, and simplicity. At the heart of this is a customer-centric approach, enhanced by harnessing

digital journeys and the data these provide as a key enabler across all our customer-facing channels. This is underpinned by an omnichannel approach heading towards a single customer view that informs, enhances and grows our customer proposition.

The business plan for the 2023 and 2024 financial periods was approved by the Board in January 2023. Strategically, the business plan reflects the forecast financial performance of all 91 restaurants in the Group on an individual monthly and annual basis as well as on a consolidated monthly and annual basis. It also reflects, from 2022, the results of opening five new restaurants and the closing of three loss making restaurants. Aligned with this, the Group obtained agreement from the franchisor to no longer be contractually obliged to open new restaurants during the two financial years ending 31 December 2023 and 31 December 2024. Whilst the sector in which Hostmore operates is facing external challenges, this focus on the existing business and not being required to commit capital and incur initial loss making performance from new restaurant openings is expected to have a positive impact on overall financial performance. This is reflected in the business plan. Specifically, the business plan reflects the 4D strategy referred to in detail in the Interim Chief Executive Officer's Statement on pages 14 to 17. At the heart of this is the Group's 'Dine-in', 'Delivery' and 'Drive to' operations, enhanced by a new and far more encompassing 'Digital' underpin.

The business plan was drawn up in Q4 2022 by reference to the then changed economic environment in the UK arising from factors external to the Group. These included, amongst others, increased interest and inflation rates, the cost of living crisis and its effect on the disposable incomes of customers, and a decrease in the availability of staff and the term of their retention. In addition, the effects of the risks facing the Group and the management of these risks by the Group as referred to on pages 42 to 46 were reflected in the business plan.

The business plan reflects changes in the supply chain as referred to on page 16 of the Interim Chief Executive Officer's Statement, where the Group has incurred forward cost inflation across its core food and drink supplies. The business plan also reflects the financial effects of negotiations with landlords over the relevant lease terms.

As referred to above, on 28 April 2023, the Group completed an amendment to certain of the covenants in the Group's banking facility. The facility runs until 1 January 2025. As part of these negotiations, the Group subsidiary that is the borrower under that facility has undertaken to negotiate a refinancing of the facility during 2023. This is to be undertaken during Q3 2023, with the new facility planned to be finalised in Q4 2023.

The business plan includes the cost reduction exercise that has been completed in Q1 2023, reducing fixed overheads on an annual basis by £1.8m. The business plan has recently been updated to reflect the revised banking covenants for the current term to 1 January 2025.

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

The business plan includes forecasts of expected operating performance and cash availability for the two years ending 31 December 2023 and expectations for the year ending 31 December 2024. It also considers possible adverse effects, including severe but plausible downside sensitivities of trading and a worsening rate of profit conversion over the forecast period and reflecting these in the cash flow projections and future expectations. This downside scenario includes assumptions for a lower level of overall demand in FY23 regardless of the opening of the 5 new stores in FY22, an increased store payroll cost of 2%, and a materially slower growth expectation from the stores opened in FY22. Various mitigations, which include a further costs rationalisation that is in the process of being implemented, have not been included into the model.

The business plan and related forecasts show that the Group has sufficient liquidity from its restated facilities to finance its operations for the next fifteen months to the end of July 2024, including the requisite compliance by the Group with its banking covenants and debt amortisation as it comes due under those facilities. In the severe but plausible downside case referred to above, the Group has forecast potential covenant concerns in the third quarter of 2023 and a restricted liquidity position in the first quarter of 2024. In such a downside scenario without corrective action by the Board, there would be material uncertainty about the Group's ability to continue as a going

concern. This in turn might affect the ability of the Group to continue realising its assets and discharging its liabilities in the normal course of business. The Board maintains a tight focus on the Group capital allocation policy, such that capital expenditure can be reduced further if trading is reduced to the levels inferred in the severe but plausible downside scenario. Having already successfully implemented a range of revenue initiatives and a substantial reduction in central costs, the Board is confident that these actions will create the basis for an improvement in cash generation as the trading environment improves. The Directors are confident that the business will continue to trade for a period of at least 15 months following the signing of these financial statements and therefore that it is appropriate to prepare these financial statements on a going concern basis. The Directors have continued to adopt the going concern basis in preparing these financial statements, and the financial statements do not include 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.

After careful consideration of the forecasts and the risks facing the business, including those presented within the severe but plausible downside sensitivities of trading and a worsening rate of profit conversion, together with mitigating actions that could be taken by the Group to offset the impact of such risks, the Board confirms that it 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.

Conclusion

The year under review has been challenging for the hospitality sector. Conditions remain which will continue to test the resilience of all participants as macro-economic aspects continue to have a material impact on short-term trading. Nevertheless, having already successfully implemented a range of revenue initiatives and a substantial reduction in central costs, I am confident that these actions will protect the Group from challenges whilst also creating the basis for a substantial improvement in profitability as the trading environment improves. The cash preservation to be generated by the reduction in our franchisor development agreement obligations will also deliver a meaningful reduction in net debt.



Alan Clark
28 April 2023

Risk management

Risk




The Board carries out robust assessments of the principal risks facing the Group, including emerging risks, and those that may adversely affect its business model, future performance and liquidity.


The impact of the COVID-19 pandemic and the economic climate

The COVID-19 pandemic and the ensuing adverse effects of the UK economic climate, particularly the cost of living crisis, have impacted the Group's performance and strategy during the year. They have therefore been addressed through many areas of the business, as well as 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 the adverse effects of the UK economic climate, and outlines the impact of each on 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	Impact	Our response
Brand usage	Change during the year: 	
<ul style="list-style-type: none"> • Loss of ability to use the TGI Fridays, 63rd+1st and/or Fridays and Go brands • Brand perception and reputational risk <p>>> <i>Impact on our business and ability to deliver our growth plans thus potentially affecting some of our financial and non-financial KPIs</i></p>	<p>The Group's business is dependent on its ability to use the TGI Fridays, 63rd+1st and Fridays and Go brands, which it uses under long term Franchise Agreements (in the case of the TGI Fridays and Fridays and Go brands) and a Licence Agreement (in the case of the 63rd+1st brands) entered into with the Franchisor.</p> <p>The Group relies on the intellectual property rights owned by the Franchisor and relies on it to protect such rights.</p> <p>The Group's reputation and the quality of the TGI Fridays, 63rd+1st and Fridays and Go 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.</p>	<p>The Board seeks to maintain a strong business relationship with the Franchisor.</p> <p>The Franchisor'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 areas goes beyond these contractual standards.</p> <p>The Board monitors the financial strength of the Franchisor.</p>


Risk summary	Impact	Our response
COVID-19	Change during the year: 	
<ul style="list-style-type: none"> In the early part of 2022, the COVID-19 virus had a significant impact on the Group, its staff and its customers. This restricted customer demand and increased costs in the supply chain, as well as affecting the wider economy. <p>>> <i>Impact on sales, costs, availability of staff and supplies</i></p>	<p>Another lockdown or pandemic could have a material effect on the business if the UK Government required restaurants to close again or if the UK Government reintroduced safety measures, such as social distancing.</p>	<p>The Group is focused on ensuring the safety and wellbeing of the Group's customers and its employees.</p> <p>The Group took measures to reduce costs.</p> <p>The Group accessed Government support and negotiated landlord rent reductions.</p> <p>The Group ensured it was able to reopen rapidly when the environment enabled this.</p> <p>The Group's strategy has been adapted to ensure the Group is in a stronger position to confront similar restrictions, as well as promoting delivery and click and collect services.</p>
UK economic climate	Change during the year: 	
<ul style="list-style-type: none"> Change in economic conditions, in particular the cost of living crisis, COVID-19 and Brexit related restrictions 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 spending A prolonged period of uncertainty due to the cost of living crisis, COVID-19 pandemic and Brexit related restrictions <p>>> <i>Impact on sales and ability to deliver our growth plans thus affecting some of our financial and non-financial KPIs</i></p>	<p>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.</p> <p>Leisure activities may be affected by the performance of the UK economy, the level of consumer disposable income and customer confidence to meet in social settings. These factors may continue to be impacted upon by the cost of living crisis, COVID-19 and Brexit related restrictions, as well as other matters.</p>	<p>As long as our restaurants are able to open, the Board believes that dining out should withstand a short-term economic downturn.</p> <p>The Group is adopting a multi-channel offering, which enables the Group to earn revenue through additional routes.</p> <p>The Group regularly reviews its offering including its value proposition and the quality of its venues to enhance the customer experience.</p> <p>A variety of measures have been taken in relation to the adverse economic climate to try and ensure that cost increases are mitigated, whilst continuing to offer an attractive proposition to customers.</p> <p>A wide range of measures were implemented across our restaurants to make them COVID-19 secure and to provide a safe environment for stakeholders. These measures were regularly updated as the landscape in relation to COVID-19 has evolved.</p>

Risk management continued

Risk summary	Impact	Our response
Competition risk	Change during the year: 	
<ul style="list-style-type: none"> • Loss of sales • A decrease in profitability <i>>> Impact on sales and profit</i>	<p>The Group faces competition from other market participants. The competition may result in the Group losing custom to such other participants or reducing its prices. A loss of custom or reduction in prices impacts on the Group's revenues and profitability.</p>	<p>The Group ensures that it has a compelling offering, which is attractive relative to its competitor set. The offering is refreshed periodically and backed up by appropriate marketing to ensure that it retains its appeal.</p> <p>The Group operates a loyalty programme to ensure that repeat custom is rewarded.</p>
Operational risk	Change during the year: 	
<ul style="list-style-type: none"> • Deterioration of assets over time • Loss of key personnel or an inability to attract appropriate personnel <i>>> Impact on sales, costs and customer experience</i>	<p>The Group's restaurants have high footfall and high usage, in particular at peak times.</p> <p>There is a risk that without the right level of ongoing investment or if the Group ceased to be able to attract sufficient skilled staff that the quality of the customer experience would decline, impacting the customer experience and likelihood of return visits.</p>	<p>The Group ensures that it has an ongoing maintenance and refurbishment programme across its restaurants.</p> <p>The Group is committed to fairness in the way that it pays all employees in relation to their skills, experience and performance.</p> <p>The Group has learning and development programmes in place to enhance staff capabilities and to promote staff retention.</p>
Regulatory changes	Change during the year: 	
<ul style="list-style-type: none"> • 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. <i>>> Impact on sales, costs and reputation</i>	<p>The introduction of new laws or regulations which run contrary to the Group's strategy could have a significant impact on our strategic objectives. This might result in damage to our brands, reputational loss, revocation of licences, and inability to acquire or build new sites.</p>	<p>The Board regularly considers legal, risk and compliance issues affecting the Group. 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 continues to behave in a socially responsible manner.</p>

Risk summary	Impact	Our response
Business interruption	Change during the year: 	
<ul style="list-style-type: none"> • Risk of cyber- attack • Failure or unavailability of operational or IT infrastructure • GDPR risk <p>>> <i>Impact on sales, costs and reputation</i></p>	<p>A major IT incident could impact the Group's ability to keep trading. Changing preferences mean that increasingly customers book online, which increases this risk. There has also been an increase in the level of high-profile cyber-attacks in recent years, including on providers of IT services. This increases the risk that business information could be accessed by third parties.</p>	<p>The Executive Team manages these risks by maintaining and testing business continuity plans and establishing remote IT disaster recovery capabilities. Cyber-security is of great importance to the Group. The Group adopts a multi-faceted approach to protection through internal and external sources. The Executive Team also regularly reviews the level of monitoring and threat protection systems that are in place and enhances these when increases might be warranted</p> <p>The providers of IT solutions to the Group are vetted and the Group carries out penetration testing and vulnerability scans on a regular basis.</p>
Key supplier issues	Change during the year: 	
<ul style="list-style-type: none"> • Limitations and/or issues faced by the Group's key suppliers, including supplier failure. <p>>> <i>Impact on sales, costs and customer experience</i></p>	<p>The Group has a number of key suppliers that provide its food and beverage products. Limitations and/or issues faced by these suppliers, such as driver, employee, goods or fuel shortages, escalating costs, union activity and/or capacity constraints, could impact the Group's ability to offer its customers the level of experience they would wish. A number of these risks materialised in the period ended 1 January 2023, including, the effects of the Covid-19 pandemic, the war in Ukraine, the cost of living crisis and industrial action. This risk has increased during the year.</p>	<p>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 specific KPIs and, whilst failure may lead to short-term disruption, alternative suppliers could be introduced at short notice.</p> <p>The Group also seeks to take mitigating actions, itself, such as ensuring that it has adequate stock levels and transferring stock between restaurants.</p>

Risk management continued

Risk summary	Impact	Our response
Operational – allergens	Change during the year: 	
<ul style="list-style-type: none"> Incidents related to allergies to food products offered, especially when there are changes to the menu. <p>>> <i>Impact on sales, costs and reputation</i></p>	<p>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.</p>	<p>The Group reviews all menus and menu changes for allergen-related products and wording is included on its menus to reflect these items.</p> <p>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.</p> <p>Allergen awareness is part of the staff training programme. In addition, an online allergen tool is available on the TGI Fridays and 63rd+1st websites so that customers can ascertain which items on the relevant menu they are able to safely consume.</p>

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 is included in this report.

Reporting requirement	Policies and standards which govern the Group's approach	Additional information and risk management
Description of business model	• n/a	<ul style="list-style-type: none"> • See: <ul style="list-style-type: none"> — Business Model section of the Strategic Report (page 4) — Non-Financial KPIs in the Strategic Report (page 35) — Stakeholder Engagement section of the Strategic Report (pages 28 to 33); — Environmental, Social and Governance section of the Strategic Report (page 18); — Board activities in the Corporate Governance Report (pages 58 and 59); and — Audit and Risk Committee report in the Corporate Governance Report (pages 65 to 68).
Environmental	<ul style="list-style-type: none"> • Supplier Information Pack provided to all food and drinks suppliers (which contains multiple Group policies which the relevant supplier is expected to comply with) 	<ul style="list-style-type: none"> • See Environmental, Social and Governance section of the Strategic Report (pages 18 to 27)
Employees	<ul style="list-style-type: none"> • Equal Opportunities Policy • Flexible Working Policy • Whistleblowing Policy 	<ul style="list-style-type: none"> • See: <ul style="list-style-type: none"> — Environmental, Social and Governance section of the Strategic Report (page 19); and — Section 172 Statement in the Strategic Report (pages 28 to 33) — Non-Financial Information Statement (page 48)
Human rights	<ul style="list-style-type: none"> • Modern Slavery and Human Trafficking Policy 	<ul style="list-style-type: none"> • See Environmental, Social and Governance section of the Strategic Report (page 19)
Social matters	<ul style="list-style-type: none"> • Modern Slavery and Human Trafficking Policy 	<ul style="list-style-type: none"> • See Environmental, Social and Governance section of the Strategic Report (page 18)
Anti-corruption and bribery	<ul style="list-style-type: none"> • Anti-Bribery and Corruption Policy (which includes hospitality and gifts provisions) • Conflicts of Interest Policy 	<ul style="list-style-type: none"> • See Chairman's governance introduction in the Corporate Governance Report (page 53)
Principal risks and impact	<ul style="list-style-type: none"> • Policies and procedures at Board, management and operational level controlling and managing risk 	<ul style="list-style-type: none"> • See Risk Management section of the Strategic Report (pages 42 to 46)

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 they are 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 implements and enforces 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 be registered with SEDEX. SEDEX is a virtual platform for companies to share their ethical data including audit results on 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.hostmoregroup.com/modern-slavery-statement>.

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 incorporate the Group's key principles and standards that govern business conduct towards key stakeholder groups. The Anti-Bribery and Anti-Corruption Policy includes clear restrictions and processes on 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. A communications campaign was introduced during the period ended 1 January 2023 to all employees to further raise awareness of the whistleblowing hotline and its purpose.

Environmental policy

The Group has multiple initiatives which it has implemented across its entire estate, aimed at reducing the Group's environmental footprint. See pages 18 to 21 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 management only where it supports genuine commercial activity and in doing so is committed to remaining compliant with all relevant tax laws and practices. Where it is appropriate to do so, the Group seeks external advice on tax matters.

Dividend policy

The Company's current dividend policy is to invest free cash into the business and so enhance shareholder value. It is the intention of the Board that Hostmore will commence dividend payments when it is prudent to do so. This is expected to be once the Group's net debt position has been reduced and after taking account of macro-economic and geopolitical matters.

The Strategic Report on pages 2 to 48 was approved by the Board of Directors and signed on its behalf by:

Gavin Manson
28 April 2023





Governance report

Board of Directors	50
Chairman's Governance Introduction	53
Corporate Governance Report	54
Report of the Audit and Risk Committee	65
Report of the Nominations Committee	69
Annual Statement from the Chair of the Remuneration Committee	72
Remuneration Policy	76
Annual Report on Remuneration	89
Directors' Report	98
Statement of Directors' Responsibilities in respect of the Financial Statements	105

Board of Directors



Gavin Manson
(Non-Executive Chairman)

Date joined Hostmore plc: 14 April 2021

Career and experience

Gavin was initially appointed as a Non-Executive Director of the Company in 2021 and was subsequently appointed as Chairman in 2022. Gavin is an Executive Director of Unbound Group PLC (formerly Electra Private Equity PLC), having previously been a Non-Executive Director. Gavin is a Director of Meallmore Limited. 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. TGI Fridays was a portfolio business of Electra and Gavin was a Director of the then holding company of TGI Fridays. 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 Chair of the Disclosure Committee.

External appointments:

Director of each of Unbound Group PLC, Larbeg Limited and Meallmore Limited.



Alan Clark
(Chief Financial Officer)

Date joined Hostmore plc: 8 September 2021

Career and experience

Alan was appointed Chief Financial Officer of the Company in 2021. Alan joined Thursdays (UK) Limited (trading as TGI Fridays) as Chief Finance 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 has experience in driving customer engagement from a financial and operational perspective. Alan joined TGI 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 was appointed Senior Independent Director of the Company in 2021. David was the Senior Independent Director of Electra Private Equity PLC from 2018 to 2021, after joining the company as a Director in May 2016. David is the Chairman of Wild Life Group Limited, the Senior Non-Executive Director of Melrose Industries plc and a Non-Executive Director of Dowgate Capital Limited, and has previously held non-executive director positions at 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 few 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 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 Melrose Industries PLC, Dowgate Capital Limited, Wild Life Group Limited and York Minster Fund Limited, and Member of the Finance Committee York Minster Fund.



Andrew Blurton
(Non-Executive Director)

Date joined Hostmore plc: 17 August 2021

Career and experience

Andrew was appointed an independent Non-Executive Director of the Company in 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, as well as the Chair of the Liberty Defined Benefit Pension Scheme. Previously, Andrew was the Finance Director of MWB Group Plc, the Chief Financial Officer of Landmark Limited and the Chairman of Manroy Plc. Andrew has been a Fellow of the Institute of Chartered Accountants in England & Wales for 39 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, a member of the Remuneration Committee and a member of the Disclosure 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.

Board of Directors

continued



Stephen Welker
(Non-Executive Director)

Date joined Hostmore plc: 15 August 2022

Career and experience

Stephen was appointed a Non-Executive Director in 2022. He is currently a Partner in Sherborne Investors Management LP and leads the firm's research function as the Director of Research. Stephen was previously a Non-Executive Director of Electra Private Equity PLC from July 2019 to November 2021 and was a Director of Mondays (Topco) Limited, the then-holding company of the TGI Fridays trading business, from June 2017 to November 2021. He was an advisor to F&C Asset Management plc from 2011 to 2013. Prior to joining Sherborne Investors, Stephen worked at Morgan Stanley on both real estate investment banking and principal investment transactions.

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

External Appointments:

Partner in Sherborne Investors Management LP

Chairman's Governance Introduction

Dear Shareholder,

On behalf of the Board, I am pleased to present our Corporate Governance Report for the 52-week period ended 1 January 2023.

The Hostmore Board sees corporate governance as an integral part of its business strategy. By having an appropriate governance framework, the Board has set out clearly the standards that it expects. It has also promoted a culture of accountability, transparency and 'speaking up' that applies across its brands, which, in turn, provides a foundation for building shareholder and stakeholder confidence in the Company.

Hostmore's compliance with good corporate governance is overseen by the Board and the Board Committees, who provide effective stewardship of the Company.

During 2022, the Board maintained its commitment to the highest standards of corporate governance. It has complied with the UK Corporate Governance Code, save in relation to the exceptions noted in the Corporate Governance Report below.

This year has been one of further embedding governance structures and policies and 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 related reporting.

Three areas of key focus are addressed within the Company's governance framework as follows:

- 1. Business Ethics and Conduct** – Hostmore's moral and ethical beliefs guide the values, behaviours and decisions of its businesses – and encompass 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 and Corruption** – Hostmore operates a zero-tolerance approach to bribery and corruption. Hostmore's governance framework, including its Anti-Bribery and Corruption Policy, seeks to minimise the risk of bribery and corruption occurring within its businesses.

I hope you find this report useful. I would like to encourage you to attend our Annual General Meeting ("AGM") which will be held on 7 June 2023. It is intended that the meeting will be held in person at the offices of finnCap Limited, One Bartholomew Close, London, EC1A 7BL. 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 would like to thank our shareholders for their continued support. The Non-Executive Directors and I remain available to engage with shareholders as we continue our journey as a listed company.



Gavin Manson
Chairman
28 April 2023

Corporate Governance Report

UK Corporate Governance Code – Compliance Statement

The Board is committed to the highest standards of corporate governance. The UK Corporate Governance Code applied in the Company for the 52-week period ended 1 January 2023. The Company has complied and intends to comply with the UK Corporate Governance Code, save in relation to the following provisions which are explained in this report:

- (i) Provisions 9 and 20 relating to the independence and appointment process for the Chairman of the Board, and the open advertising and/or external search consultants for chair and non-executive appointments, respectively;
- (ii) Provision 11 relating to the composition of the Board having at least half of its members, excluding the chairman, being independent non-executives;
- (iii) Provision 24 relating to the composition of the Audit and Risk Committee; and
- (iv) Provision 32 relating to the composition of the Remuneration Committee.

UK Corporate Governance Provision

Explanation for non-compliance

9 & 20 Provision 9 recommends that the chair on appointment should be independent within the meaning of the UK Corporate Governance Code.

Neil Johnson was Chairman of the Board from October 2021 until May 2022, when he retired from the Board at the end of the 2022 AGM. Gavin Manson stepped up into the role of Chairman of the Board at the end of the 2022 AGM and will be retiring as Chairman and a Non-Executive Director at the end of the Company's Annual General Meeting on 7 June 2023 (the "2023 AGM"). Subject to being elected as a Director at the 2023 AGM, Stephen Welker will step up into the role of Chairman in his place.

Neil, Gavin and Stephen are all deemed to be non-independent, within the meaning of the UK Corporate Governance Code, due to their previous connections to Electra Private Equity PLC (now renamed Unbound Group PLC) which the Company was demerged from, where they held senior positions of Chairman, Chief Financial and Operating Officer and Non-Executive Director, respectively. Additionally, Stephen is currently a significant shareholder in the Company and also a Partner in Sherborne Investors Management LP which used to hold an interest in the Company.

The Board saw continuity of stewardship as being a particularly important factor with each appointment, as well as their wide experience and knowledge of the Company. Gavin has brought broad commercial and governance experience, and Stephen brings unique strategic insight to the business. This, combined with his financial, commercial and investor relations expertise, will be invaluable as we grow and strengthen the business.

Consequently, although recommended by Provision 20 of the UK Corporate Governance Code, neither open advertising nor an external search consultancy were used for the appointment of the role of the Chairman in each case.

11 Provision 11 recommends that at least half of the board of directors, 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.

At the date of this report, the Board consists of four Non-Executive Directors (including the non-executive Chairman) and one Executive Director. The Company regards David Lis and Andrew Blurton 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. Following Louise Stonier's and Jane Bednall's departures from the Board, the Company did not comply with this recommendation for approximately four weeks until Robert B. Cook departed the Board on 9 January 2023.

**UK
Corporate
Governance
Provision**

Explanation for non-compliance

In assembling the Board, an assessment of David Lis's independence was performed and it was determined he was independent with a particular emphasis on providing insight as an experienced institutional investor. David Lis is the Senior Independent Director of the Company. As a result of the departure from the Board of Louise, Jane and Robert, the Company is looking to appoint two new independent Non-Executive Directors and a permanent Chief Executive Officer, who will also be an Executive Director of the Company, to the Board. This will ensure good governance and that the recommendation of the UK Corporate Governance Code with regards to the balance of the Board is complied with.

- 24 Provision 24 recommends that the board of directors should establish an audit committee of independent non-executive directors with a minimum membership of three, or in the case of smaller companies, two. The Company qualifies as a "smaller company". The committee as a whole should also have competence relevant to the sector in which the Company operates.
- Gavin Manson, although not being an independent Non-Executive Director for the reasons referred to above, sat on the Company's Audit and Risk Committee until he was appointed Chairman of the Board at the 2022 AGM in May 2022 at which point he stepped down from the Committee. From 27 May 2022 onwards, the Company has therefore complied with the recommendation of the UK Corporate Governance Code that all members of the Audit and Risk Committee be independent.
- 32 Provision 32 recommends that the board of directors should establish a remuneration committee of independent non-executive directors with a minimum membership of three or, in the case, of smaller companies, two. The Company qualifies as a "smaller company". The chair of such committee should have previously served on a remuneration committee for at least 12 months.
- Before she resigned from the Board for reasons external to Hostmore, Louise Stonier was the Chair of the Remuneration Committee. Louise had 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. The Company was satisfied that Louise had sufficient relevant experience to perform this role, although she had not previously served on a remuneration committee for a period of at least 12 months. David Lis was appointed as Louise's successor as Chair of the Remuneration Committee and he has previously served on a remuneration committee for a period of at least 12 months.
- Gavin Manson, although not being an independent Non-Executive Director for the reasons referred to above, sat on the Company's Remuneration Committee until he was appointed Chairman of the Board at the 2022 AGM in May 2022, at which point he stepped down from the Committee. From 27 May 2022, the Company has therefore complied with the recommendation of the UK Corporate Governance Code that all members of the Remuneration Committee be independent.

Corporate Governance Report

continued

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 has at least eight formally scheduled meetings per year. Its activity at each meeting is planned at the start of each year and is 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, material contract and litigation updates.

Roles and responsibilities

The UK Corporate Governance Code requires there to be a clear division of responsibilities between the Chairman and the Chief Executive Officer set out in writing and agreed by the Board. This document, 'Division of Responsibilities' was approved at Admission in 2021 and reviewed and approved by the Board on 28 November 2022. It is available on the Company's website.

The Board agrees with the approach set out in the UK Corporate Governance Code, but they recognise that overly prescribing the responsibilities of the Chairman 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 Chairman or the Chief Executive Officer.

Chairman and Chief Executive Officer

The Chairman 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 Chairman holds meetings with the Non-Executive Directors without the Executive Directors present.

The Chief Executive Officer leads the team with executive responsibility for running the businesses of the Group. The CEO reports to the Board and is responsible for all executive management matters of the Group.

Non-Executive Directors

The Non-Executive Directors (Gavin Manson, David Lis, Andrew Blurton and Stephen Welker) 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 and Andrew Blurton are independent. Gavin Manson and Stephen Welker are not considered to be independent. The Board considers Gavin to have been beneficial to the Company and its shareholders as he brought financial experience, in the hospitality and travel sectors, Stephen brings a knowledge and understanding of the Group's business, and a wide understanding of the City, investment banking and investor relations.

Senior Independent Director

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 appoint one of the independent non-executive directors to be the senior independent director. David Lis is the Senior Independent Director of the Company. In that role David acts as a sounding board for the Chairman, serves as an intermediary for the other Directors and shareholders and is available to shareholders if they have concerns where contact through the normal channels of the CEO, the Chairman or the other Executive Director has failed to resolve.

Company Secretary

Robert Henry has been the General Counsel and Company Secretary of the Company since 2021. The

Company Secretary supports the Board and each of the four Board Committees, and is in attendance at all their meetings. All Directors have access to the services of the Company Secretary who is available to advise on company law, governance and best practice. He also assists 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 Chairman 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 2022

From 3 January 2022 to 27 May 2022, the Board comprised eight Directors (including the Chairman). At that point it reduced to seven Directors as a result of Neil Johnson retiring from the Board. On 15 August 2022, the Board increased to eight Directors as a result of Stephen Welker being appointed a Director, before reducing to six Directors during December 2022 following Louise Stonier and Jane Bednall resigning from the Board. Details on the independence of the Non-Executive Directors are

referred to at the start of this report. Throughout the year until 19 December 2022, the Company complied with Provision 11 of the UK Corporate Governance Code relating to at least half of the Board (excluding the chair) comprising independent Non-Executive Directors. At that point on the resignation of Jane Bednall, the Company ceased to comply with Provision 11 of the UK Corporate Governance Code for approximately four weeks until Robert B. Cook departed the Board on 9 January 2023. The Company is looking to appoint two independent Non-Executive Directors and a permanent Chief Executive Officer, who will also be an Executive Director, to the Board to ensure good governance and compliance with the recommendation of the UK Corporate Governance Code with regards to the balance of the Board.

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 gender composition of the Group on a gender basis at 1 January 2023:

	Male	Female
Main Board	6 (100%) ¹	0 (0%)
Group Executive Team ²	4 (44%)	5 (56%)
Direct reports to Executive Directors ³	4 (60%)	6 (40%)
Group employees	2,179 (48%)	2,399 (52%)

Notes:

¹ Louise Stonier and Jane Bednall were on the Board throughout the period ended 1 January 2023 until they resigned on 12 December 2022 and 19 December 2022, respectively. Consequently: (i) from 3 January 2022 to 27 May 2022 (when Neil Johnson stepped down from the Board), the gender ratio was 6 males (75%) to 2 females (25%); (ii) from 27 May to 15 August 2022 (when Stephen Welker joined the Board), the gender ratio was 5 males (71%) to 2 females (29%); (iii) from 15 August 2022 to 12 December 2022 (when Louise Stonier stepped down from the Board), the gender ratio was 6 males (75%) to 2 females (25%). The lack of female representation on the Board, therefore, only arose at the very end of the period ended 1 January 2023. The Company is in the process of recruiting two independent non-executive directors and it hopes to address the gender imbalance from the results of this process.

² The Group Executive Team figures include the two Executive Directors. Following Robert B. Cook's resignation as Chief Executive Officer and as a Director with effect from 9 January 2023, there is now one Executive Director plus the interim Chief Executive Officer.

³ The direct reports to Executive Directors figure includes: (i) direct reports into Robert B. Cook, the former Chief Executive Officer, and Alan Clark, the Chief Financial Officer; and (ii) Alan Clark, the Chief Financial Officer, reporting into Robert B. Cook, the former Chief Executive Officer. Since Robert's resignation, these individuals now report into Julie McEwan, the interim Chief Executive Officer, other than Julie McEwan, herself, and one individual who reports to Alan Clark. Four other individuals also report into Julie McEwan.

Corporate Governance Report

continued

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 eight formally scheduled meetings per year, with additional meetings and calls convened to deal with matters in between. A strategy meeting was held in November 2022 which was attended by all Directors. Where Directors are unable to attend a meeting, they are encouraged to submit comments on papers or matters to be discussed to the Chair of the meeting in advance to ensure that their views are recorded and taken into account during the meeting.

Meetings are held in person or, where COVID-19 restrictions were 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 were a member during 2022. Given the nature of the matters it considers, the Disclosure Committee does not have formally scheduled meetings and, consequently, attendance figures have not been included for that Committee in the below table.

Director	Board meetings held/attended	Audit and Risk Committee meetings held/attended	Nominations Committee meetings held/attended	Remuneration Committee meetings held/attended
Independent				
David Lis	8/8	4/4	2/2	1/1
Jane Bednall	8/8	4/4	2/2	3/3
Andrew Blurton	8/8	4/4	2/2	3/3
Louise Stonier	8/8	4/4	2/2	3/3
Non-Independent				
Neil Johnson	3/3	N/A	1/1	N/A
Gavin Manson	8/8	2/2	1/1	1/1
Robert B. Cook ¹	8/7 ²	N/A	N/A	N/A
Alan Clark	8/8	N/A	N/A	N/A
Stephen Welker	2/2	N/A	N/A	N/A

Notes:

¹ Robert B. Cook stepped down as CEO and as a Director with effect from 9 January 2023.

² Robert B. Cook missed one formally scheduled Board meeting due to a family funeral but participated in an unscheduled Board meeting the previous day to ensure that he participated in discussions on the relevant issues.

Key activities of the Board during the year

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

In addition to the full content of the CEO and CFO operational and financial reports, as part of its annual governance programme the Board undertook the following:

- Considered the resignations of Louise Stonier and Jane Bednall, two independent Non-Executive Directors from the Board, and, post year end,

Robert B. Cook, the Chief Executive Officer of the Company and an Executive Director from the Board.

- Reviewed and approved the FY23 strategy and, post the period end, the FY23 budget.
- Reviewed its Schedule of Matters Reserved to the Board and the Terms of Reference of the Board Committees.
- Reviewed various governance documents, including the Division of Responsibilities between the Chair and CEO.
- Received legal and governance updates.
- Received people updates and updates 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.
- Reviewed potential M&A opportunities.
- Reviewed potential new store opening opportunities.

Training and development

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

Performance evaluation and effectiveness

A formal internal performance evaluation was conducted for the Board and each of its Committees in Q4 2022.

The performance evaluation consisted of a questionnaire which covered the following topics: (i) processes that underpinned the Board's effectiveness; (ii) Board and Committee constitution and commitment; (iii) Board dynamics; (iv) culture, stakeholder oversight and strategy; (v) questions for the individual committees; and (vi) an individual director self-evaluation. Each Board member was also asked to complete a separate Board skills matrix survey to self-assess that Director's skill set with the objective, amongst other things, of establishing any skill gaps on the Board.

Following completion of the questionnaire, the Chairman invited each of the Directors to meet with him to give the relevant Director the opportunity to expand on their responses should they wish to. An anonymised report was then drawn up and presented to the Board in early 2023.

A number of recommendations were taken from the evaluation and will be worked on during 2023.

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. 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 the Company Secretary and circulated to the Board or the relevant Committee members for approval as soon as practicable following the meetings. Specific actions arising from meetings are recorded in the minutes and, where not completed by the next Board meeting, are carried forward in the minutes until completed. This also facilitates the effective communication of actions to those responsible and allows 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 re-election or, in Stephen Welker's case, election at the Company's Annual General Meeting on 7 June 2023. 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	Notice period by Director
			(months)	(months)
Robert B. Cook ¹	CEO	15 October 2021	6	6
Alan Clark	CFO	15 October 2021	6	6

¹ Robert B. Cook stepped down as CEO and as a Director with effect from 9 January 2023. Julie McEwan was appointed as the Interim CEO on 9 January 2023 but she is not currently a Director of the Company.

Corporate Governance Report

continued

The Non-Executive Directors (including the Chairman) do not have service agreements but are instead appointed by letters of appointment. Each of the Non-Executive Directors and the Chairman 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 1 January 2023
Gavin Manson	14 April 2021	17 August 2021	1 years 8 months
David Lis	18 August 2021	18 August 2021	1 years 8 months
Andrew Blurton	17 August 2021	17 August 2021	1 years 8 months
Stephen Welker	15 August 2022	15 August 2022	2 years 8 months

Conflicts of interest

Rules concerning Directors' conflicts of interests are set out in the Company's Articles of Association and the Company's 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.

Risk management and internal controls

The Board accepts responsibility for determining the nature and extent of the significant risks the Group is willing to take in achieving its strategic objectives. The Board 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 certain risks, but many business risks are difficult to effectively insure against. In such cases the Group identifies and agrees to accept the risk but seeks to ensure it has management processes in place to protect the Group. 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 Secretary is the Whistleblowing Officer and 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 reviews the Whistleblowing Policy on an annual basis and reviews any reports which have been received throughout the year. A new communications programme was launched in October 2022 to employees across the Group to raise awareness of the whistleblowing helpline and its purpose.

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 48 and, in particular, the Section 172 statement on pages 28 to 33. The Directors recognise their duty under Section 172 of the Companies Act 2006 to consider the interests of stakeholders. The nature of our business means that the interests of our shareholders, employees, customers, franchisor, suppliers and local communities feature in the Board's decision-making process.

Engagement with the workforce

We engage with our employees on a regular basis, through employee forums, learning and development opportunities, appraisal processes, annual performance and development reviews, and a variety of social and team building events. We also measure employee engagement through an annual employee engagement survey. In the period ended 1 January 2023, Thursdays (UK) Limited, the company in the Group that employs almost the whole of the Group's workforce, partnered with Great Place to Work on an engagement survey. The survey consisted of 60 questions that focused on the employee/manager relationship, culture and values and an overall view of the business performance. Following completion of this, and reflecting the positive feedback provided in

the survey, the company was accredited with being a “Great Place to Work”, a major accolade for the Group as a whole.

Further details about our employees can be found in the Strategic Report on pages 2 to 48.

Relations with shareholders

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

The Board also welcomes feedback from shareholders and establishing a dialogue with its shareholders.

The Company’s AGM will take place at 12.00 pm on 7 June 2023 at the offices of finnCap Limited, One Bartholomew Close, London, EC1A 7BL. The Annual Report and Financial Statements and Notice of the AGM will be made available to shareholders in accordance with the required notice periods.

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 and updated 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	<ul style="list-style-type: none"> • Andrew Blurton 	<ul style="list-style-type: none"> • David Lis • Gavin Manson (until 27 May 2022) • Louise Stonier (until 12 December 2022) • Jane Bednall (until 19 December 2022)
Nominations	<ul style="list-style-type: none"> • Neil Johnson (until 27 May 2022) • Gavin Manson (from 27 May 2022 to 25 January 2023) • Stephen Welker (from 25 January 2023) 	<ul style="list-style-type: none"> • David Lis • Andrew Blurton • Louise Stonier (until 12 December 2022) • Jane Bednall (until 19 December 2022)
Remuneration	<ul style="list-style-type: none"> • Louise Stonier (until 12 December 2022) • David Lis (from 12 December 2022) 	<ul style="list-style-type: none"> • Andrew Blurton • David Lis (from 27 May 2022 to 12 December 2022, when he became Chair) • Jane Bednall (until 19 December 2022)
Disclosure	<ul style="list-style-type: none"> • Robert B. Cook (until 9 January 2023) • Gavin Manson (from 9 January 2023) 	<ul style="list-style-type: none"> • Neil Johnson (until 27 May 2022) • Gavin Manson (from 27 May 2022 to 9 January 2023, when he became Chair) • Alan Clark • Robert Henry (until 25 January 2023) • Stephen Welker (from 25 January 2023) • Andrew Blurton (from 25 January 2023) • Julie McEwan (from 25 January 2023)

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 gives 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 is also 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. The Chair of the Audit and Risk Committee will be available at annual general meetings of the Company

Corporate Governance Report

continued

to respond to questions from shareholders on the activities of the 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 or, in the case of smaller companies, two, 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. This complies with the recommendation detailed in the UK Corporate Governance Code with regards to the minimum membership of the Committee as the Company constitutes a “smaller company” for the purposes of the UK Corporate Governance Code.

Gavin Manson sat on the Audit and Risk Committee until he was appointed Chairman of the Board at the 2022 AGM, at which point he stepped down from the Committee. Louise Stonier and Jane Bednall were members of the Audit and Risk Committee until their departures from the Company on 12 and 19 December 2022, respectively. The Company is looking to appoint another two independent Non-Executive Directors and the intention is to appoint them to the Committee.

Both current members of the Committee are considered to be independent, as were Louise Stonier and Jane Bednall when there were members of the Committee. Gavin Manson was not considered to be independent when he sat on the Committee. Whilst the inclusion of Gavin Manson was not consistent with the recommendations of the UK Corporate Governance Code on independence, the Board considered that the financial experience that Gavin brought, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merited 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 stepped down as a member of the Audit and Risk Committee when he became Chairman of the Board. This brought 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 meets 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 includes time without management present. The instances where the Audit and Risk Committee meets are at times when relevant documents, such as audit plans prior to half and year end, interim reports and financial 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 Chairman, the Chief Executive Officer, and other senior executives. The Chair of the Nominations Committee is 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 Stephen Welker and its other members are David Lis and Andrew Blurton. Neil Johnson was the Chair of the Nominations Committee until he retired from the Board at the 2022 AGM, at which point he stepped down from the Committee and Gavin Manson became the Chair of the Committee. Gavin Manson was the Chair of the Committee until he stepped down from the Committee on 25 January 2023, at which point Stephen Welker became the Chair of the Committee. Louise Stonier and Jane Bednall were also members of the Nominations Committee until their departures from the Company on 12 and 19 December 2022, respectively. Other than Stephen Welker, all current members of the Committee are considered to be independent, as were Louise Stonier and Jane Bednall when they were members of the Committee. Neither Neil Johnson nor Gavin Manson were considered to be independent when they were each Chair of the Committee. Neither Neil nor Gavin chaired the Committee when it was dealing with the appointment of either of their successors.

The Nominations Committee meets 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; to consider the annual Board evaluation 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 the Chairman, each of the Executive Directors and (on the recommendation of the Chief Executive Officer) each other member of the Group's Executive Team. It also prepares an annual remuneration report for approval by the Company's shareholders at the annual general meeting. The Chair of the Remuneration Committee is 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 or, in the case of smaller companies, two. 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 was chaired by Louise Stonier until her departure from the Board on 12 December 2022 for reasons external to Hostmore. Louise Stonier had not previously served on a remuneration committee for at least 12 months, but she had 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. Hence the Company believed she had sufficient relevant experience to perform this role. The Remuneration Committee is now chaired by David Lis and includes Andrew Blurton. This complies with the recommendation detailed in the UK Corporate Governance Code with regards to the minimum membership of the Committee as the Company constitutes a "smaller company" for the purposes of the UK Corporate Governance Code.

All current members of the Committee are considered to be independent. Gavin Manson sat on the Remuneration Committee until he was appointed Chairman of the Board at the 2022 AGM, at which point he stepped down from the Committee. Gavin Manson was not considered to be independent when he sat on the Committee. Whilst the inclusion of Gavin Manson was not consistent with the recommendations of the UK Corporate Governance Code that all members of the Remuneration Committee be independent, the Board considered that the financial experience that Gavin brought, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merited 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 was not independent on appointment as Chairman of the Board and, accordingly, he stepped down as a member of the Remuneration Committee upon assuming the role of Chairman of the Board. This also brought the Company into line with the recommendation of the UK Corporate Governance Code that all members of the Remuneration Committee be independent.

The UK Corporate Governance Code requires that appropriate arrangements are in place for engagement with the Company's workforce. As Chair of the Remuneration Committee, Louise Stonier performed the role of designated non-executive director for engagement with the Company's workforce until her departure from the Company. As Chair of the Remuneration Committee, David Lis performed this role from his appointment in December 2022 until 25 January 2023 when it was decided that the Company would engage with its workforce using a formal workforce advisory panel.

The Remuneration Committee meets as often as it deems necessary but at least twice per year. A meeting takes place with relevant documents, such as the Executive Directors' remuneration policy and the Directors' remuneration report, available for consideration prior to submission for shareholder approval at the Company's annual general meeting.

Corporate Governance Report

continued

Disclosure Committee

The Disclosure Committee assists and informs the decisions of the Board concerning the identification of inside information. It also 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, prior to publication, reviewing for completeness and accuracy the Company's public disclosures, and monitoring the outcome of announcements. The Disclosure Committee meets as required where necessary or appropriate to fulfil its responsibilities.

The Disclosure Committee is chaired by Gavin Manson. Its other members are Julie McEwan, Alan Clark, Andrew Blurton and Stephen Welker. Robert B. Cook was the Chair of the Disclosure Committee until he stepped down as Chief Executive Officer and as a Director of the Company on 9 January 2023, at which point he also stepped down from the Committee. Neil Johnson sat on the Disclosure Committee until he retired from the Board at the 2022 AGM, at which point he stepped down from the Committee and Gavin Manson was appointed as his replacement. Gavin was appointed as Chair of the Disclosure Committee on 9 January 2023. Robert Henry sat on the Disclosure Committee until 25 January 2023, at which point he stepped down from the Committee, and Julie McEwan, Andrew Blurton and Stephen Welker were appointed as members of the Committee.

Report of the Audit and Risk Committee

Chair Introduction

Dear Shareholders

The Audit and Risk Committee had four formally scheduled meetings in 52-week period ended 1 January 2023 to enable the Committee to undertake its roles and responsibilities on behalf of the Board. It also held a number of additional meetings throughout the year. I am pleased to outline what the Committee has been focused on during the year.

Committee Members and Meeting Frequency

The membership of the Committee has recently changed. Andrew Blurton and David Lis are the current members of the Audit and Risk Committee (full biographical details can be found on page 51). Gavin Manson sat on the Committee until he was appointed Chairman of the Board at the AGM on 27 May 2022 (the “2022 AGM”), at which point he stepped down from the Committee. Louise Stonier and Jane Bednall were members of the Committee until December 2022 when they stepped down as independent Non-Executive Directors of the Board.

Provision 24 of the UK Corporate Governance Code provides that the Committee must comprise of at least three members or, in the case of smaller companies, two 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 Company constitutes a “smaller company” for the purposes of the UK Corporate Governance Code. The Committee complied with this requirement, save that Gavin Manson, despite not being an independent Non-Executive Director, sat on the Committee until he was appointed as Chairman of the Board at the 2022 AGM. The inclusion of Gavin Manson was not consistent with the recommendations of the UK Corporate Governance Code that all members of the Audit and Risk Committee be independent. However, the Board considered that the financial experience that Gavin brought, including in the hospitality and travel sectors, as well as his general knowledge of the Group and its history, merited 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 stepped down as a member of the Audit and Risk Committee when he became Chairman of the Board. This brought the Company into line with the recommendation of the UK

Corporate Governance Code that all members of the Audit and Risk Committee be independent. Andrew Blurton has recent and relevant financial experience with competence in accounting and auditing.

Under the Committee’s terms of reference, meetings are held at least three times a year at appropriate times in the financial reporting and audit cycle. Additional meetings are held as required. In addition to the Committee members, other regular attendees are representatives of the external auditor, PricewaterhouseCoopers LLP. In addition, the Chair of the Committee meets with representatives of the external auditor before and during their review work performed on the Group’s Interim Report for the first six months of the year and before and during their audit of the Group’s results for the full year.

Role and Responsibilities

The role of the Audit and Risk Committee is set out in its terms of reference which were originally approved by the Committee and the Board on 5 October 2021. The terms of reference were reviewed and approved by the Committee and by the Board of the Company on 13 September 2022 and on 22 December 2022. The Committee’s terms of reference are available on the Company’s website.

Duties of the Committee

The duties of the Committee include, amongst other things:

- To report to the Board on significant financial reporting issues and judgments
- To critically review the integrity of the financial statements of the Group
- 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 its risk management strategy, risk policies and to assess the 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 Committee 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, including the half and full year financial 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 re-appointment
- 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 the Board and Committee compositions, the independence of Non-Executive Directors and their time commitment was conducted in Q4 2022.

Reporting

Financial Reporting

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

Significant Issues considered in relation to the Financial Statements

Significant issues and accounting judgements are identified by the Chair, by the Group's Finance Team and by the external auditor. These are reviewed by the Committee prior to the preparation of half year and

year end financial statements. The key audit matters identified in preparing and subsequently auditing the Group's financial statements for the 52-week period ended 1 January 2023 included:

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

With reference to the appropriateness of the going concern basis of preparation of the financial statements, the Committee took account of significant elements across the business. These included:

- FY22 underlying free cash flow of £16.5m;
- FY22 net debt (FRS102) of £27.7m;
- the cost reduction exercise completed in Q1 2023 which reduced fixed overheads on an annual basis by £1.8m;
- banking covenants recently reset with lending banks for the extended term of the facility to 1 January 2025;
- the recent agreement with the TGI Fridays franchisor to defer all new restaurant opening obligations until FY25;
- revenue, adjusted for the variance in the VAT rate on food sales between FY22 and FY23, is 2% greater than the 2022 level in the first 16 weeks of FY23. This has been underpinned by the successful implementation of new revenue initiatives, and improving Guest Opinion Scores and Net Promoter Scores at TGI Fridays from renewed focus on the guest experience.

The Group's capital allocation policy has been re-set to focus primarily on delivering improved performance from the core TGI Fridays estate, with substantial improvements to marketing, operating effectiveness, and site management. These actions all resulted in an improvement in net cash generation by the Group.

The Committee reviewed the results of the Executive Team's forecasts of expected operating performance and cash availability for the 15 months ending 31 July 2024. These also 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 Team and with the external auditor. The Group's base case forecasts showed that the Group would continue to have headroom above the minimum covenant levels in the updated Group banking facilities and continued compliance with covenant tests.

The Executive Team also prepared severe but plausible downside scenarios which assessed the position in a severely depressed trading environment and worsening of performance by the Group's restaurants, with limited recovery in the second half of 2023 from the factors that affected performance in 2022 and the first quarter of 2023. The Board maintains a tight focus on the Group capital allocation policy and expenses, such that both can be reduced further if trading is reduced to the levels inferred in the severe but plausible downside scenario. In that scenario, if there was no corrective action by the Board, the Group has forecast potential for covenant concerns in the third quarter of 2023 and a restricted liquidity position in the first quarter of 2024.

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.

With reference to the valuation of property, PPE and RoU assets, the Committee reviewed in detail the impairment assessment of these assets performed by the Executive Team at 1 January 2023. For this purpose, each restaurant in 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 RoU assets of the CGU. The recoverable amount is based on value-in-use calculations, using forecast cashflows and each restaurant's ability to cover its costs, including an allocation of central overheads, marketing and maintenance. The Committee assessed the carrying value of PPE and RoU assets by reference to the Group's updated business plan and the higher interest rates now prevailing. This exercise resulted in an impairment charge calculated at £31.2m against those assets. The Committee discussed these projections in detail with the Executive Team and with the external auditor and concluded that an impairment charge of £31.2m was warranted. Accordingly this has been reflected in the financial statements for the period ended 1 January 2023.

With reference to the valuation of goodwill, the Executive Team performed an impairment assessment of goodwill in accordance with IAS 36 on the Group's consolidated statement of financial position. Goodwill relates to the TGI Fridays brand and is considered to be at an operating segment level. The Executive Team took account of the market capitalisation of the Company by reference to its share price at year end to consider whether a goodwill impairment trigger was present. At 1 January 2023, the combined carrying amount of the CGUs and goodwill calculated on this basis was assessed to be £70.9m higher than the recoverable amount of the group of all CGUs. The Committee

discussed this assessment in detail with the Executive Team and with the external auditor and concluded that an impairment charge of £70.9m was warranted. Accordingly, this has been reflected in the financial statements for the period ended 1 January 2023.

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 was also shared with the external auditor at an early stage to obtain feedback.

The Committee concluded that the Annual Report and Financial Statements is fair, balanced and understandable.

Risk Management and Internal Controls

Risk Management

The Committee, along with the Board, reviews the Group's monthly 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 assesses the changes in corporate culture and risk appetite to the extent they have changed. It also considers the impact of 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 a financial 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 complement the work of the external auditor. The Committee concluded that the financial processes and internal controls in operation in the Group are sufficient for a Group of Hostmore's size to operate effectively without a specific internal audit function in respect of its financial aspects. Separate internal audit functions exist in the operational aspects of the business. The Committee is reviewing whether some additional resource in the finance department would assist in delivery of regularly updated financial information to the Board.

Report of the Audit and Risk Committee continued

Internal assurance is achieved through three distinct lines:

First 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 oversight.

Second line:

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.

Third line:

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.

Going Concern

As referred to above, the Committee considered the going concern basis of preparation for the Company's financial statements for the 52-week period ended 1 January 2023 and whether it was appropriate for the Company's financial statements to be prepared on a going concern basis. The Committee concluded that this basis was reasonable for the Group's financial statements for the 52-week period ended 1 January 2023.

Viability Assessment

The Committee reviewed the bases of calculation used in the viability statement set out in the Chief Financial Officer's Review on pages 40 and 41 and agreed 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 the admission on 2 November 2021 of the Company's 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. PricewaterhouseCoopers LLP have been the Company's auditors since its incorporation in April 2021.

Independence and Objectivity

The Committee assesses the independence and objectivity of the auditor on an annual basis. The Chair of the Committee meets with the auditor throughout the year to discuss new accounting standards, current best practice, matters to be considered by the Committee and if there are any matters of concern. The auditor also periodically meets with the Committee without members of management present to ensure there is a forum for open discussion.

Non-Audit Services Policy

During the period ended 1 January 2023, the Group's auditor only provided non-audit services in respect of its review of the Company's interim results for the 26 week period ended 3 July 2022 as required under the Disclosure and Transparency Rules and covenant reporting as required under the Group's bank facilities. No other non-audit services have been provided by the auditor to the Group during the period ended 1 January 2023. The Committee regularly reviews this position and has no plans to authorise the provision of any other non-audit services by the auditor.

Appointment of External Auditor

The Committee recommends the re-appointment of PricewaterhouseCoopers LLP as auditor at the AGM to be held on 7 June 2023.

External Auditor Fee

Details of the fees paid to PricewaterhouseCoopers LLP during the period ended 1 January 2023 are shown in note 12 to the Financial Statements.

Compliance, Speaking-up and Fraud

The Committee undertakes an annual review of the Company's Anti-Bribery and Corruption Policy and the Whistleblowing Policy and makes recommendations. A new communications programme was launched to employees across the Group in October 2022 to raise awareness of the whistleblowing helpline and its purpose.

Committee Evaluation

An internal Board and Committee Evaluation was conducted in Q4 2022. A number of recommendations were taken from the evaluation and will be worked on during 2023.



Andrew Blurton

Chair of the Audit and Risk Committee
28 April 2023

Report of the Nominations Committee

Chair Introduction

Dear Shareholders

The Nominations Committee had two formally scheduled meetings and a number of additional meetings during the 52-week period ended 1 January 2023. These were to enable the Committee to undertake its roles and responsibilities on behalf of the Board.

I am pleased to outline what the Committee focused on during the year.

Committee Members and Meeting Frequency

The membership of the Committee has recently changed. Stephen Welker, David Lis and Andrew Blurton are the current members of the Nominations Committee (full biographical details can be found on pages 51 and 52). Neil Johnson was the Chair of the Committee until he retired from the Board at the AGM on 27 May 2022 (the “2022 AGM”), at which point he stepped down from the Committee and Gavin Manson replaced him as Chair of the Committee. Gavin Manson was the Chair of the Committee until he stepped down from the Committee on 25 January 2023, at which point Stephen Welker was elected Chair of the Committee. Louise Stonier and Jane Bednall were members of the Committee until they departed the Company in December 2022.

The UK Corporate Governance Code requires that the Committee must comprise of not less than three members, the majority of whom are to be independent Non-Executive Directors of the Company. David Lis and Andrew Blurton are independent Non-Executive Directors and accordingly the Committee complies with this requirement. Neil Johnson, Gavin Manson and Stephen Welker who separately served on the Committee during the year are not independent Non-Executive Directors.

Roles and Responsibilities

The role of the Nominations Committee is set out in its terms of reference, which were approved by the Committee and the Board on 5 October 2021. The Committee’s terms of reference were reviewed, updated and approved by the Committee and the Board on 13 September 2022. The Committee’s terms of reference 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 Board and other senior management succession plans and keeping them under review
- Reviewing and monitoring the effectiveness of the Group’s policies preventing discrimination, together with the People team’s proposals to advance an equality, diversity and inclusion policy during 2023, and linking this with Group objectives
- 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
- Reviewing annually the time required from the Non-Executive Directors
- Reviewing the results of the Board and Committee evaluation process and reviewing its own performance
- Ensuring that new Directors receive a full, formal and tailored induction
- Making recommendations to the Board on any area within its remit where action or improvement is required
- Reporting to the Board after each meeting of the Committee on all matters within the Committee’s duties and responsibilities

Focus for 2022

The Committee’s key areas of focus for 2022 included:

- Approving the appointment of Gavin Manson as Chairman of the Board
- Considering and thereafter approving the appointment of Stephen Welker as a Director of the Company
- Board and management team updates
- Reviewing the Committee’s terms of reference
- Reviewing the membership of the Board and its Committees and the Board succession plan

Report of the Nominations Committee continued

- Approving the Committee's programme for 2023
- Reviewing the time commitment from Non-Executive Directors
- Completion of the internal Committee evaluation process
- Considering the Board induction programme
- Monitoring the effectiveness of the Group's policies preventing discrimination and its linkage to Group strategy
- The Committee also considered the appointment of Julie McEwan as the Interim CEO in January 2023 as a result of Robert B. Cook stepping down as CEO on 9 January 2023.

Equality, Diversity and Inclusion Policy

Building on the Company's existing policies preventing discrimination, the Company is working on the introduction of an equality, diversity and inclusion programme to be introduced in 2023, together with a Diversity and Inclusion Committee and an appropriate Diversity and Inclusion policy. Diversity and inclusion questions were included in the 2022 Employee Engagement Survey in support of the launch of the programme. In addition, the Company provides online Equality and Diversity training, which each new employee is required to complete as part of their induction.

Board Changes and Succession Planning

As stated above, Neil Johnson stepped down from the Board at the 2022 AGM, and Gavin Manson succeeded him as Chairman of the Board.

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 Private Equity PLC ("Electra") strategy and, with the new TGI Fridays team, created Hostmore. Gavin has brought broad commercial and governance experience, significant knowledge of the Group, its strategy, management and stakeholders, and, therefore, provided the continuity of leadership that the Company needed as a newly listed business. Consequently, although recommended by the UK Corporate Governance Code, neither open advertising nor an external search consultancy were used for the appointment of Gavin to the role of the Chairman.

Stephen Welker was appointed to the Board on 15 August 2022. Stephen complements the skills and experience that the Company has on the Board. In addition, the Board values his knowledge and understanding of the Group's business, alongside his broad insight of the City, investment banking and investor relations. These will all be of great value as the Group progresses its business plan.

Gavin Manson will retire from the Board as Chairman and Non-Executive Director at the 2023 AGM. Subject to his election as a director at the 2023 AGM, Stephen Welker will succeed him as Chairman of the Board.

Stephen was previously a Non-Executive Director of Electra and was a Director of Mondays (Topco) Limited, the then-holding company of the TGI Fridays trading business. He is a significant shareholder in the Company and also a Partner in Sherborne Investors Management LP which used to hold an interest in the Company. Stephen, therefore, is not considered independent within the meaning of the UK Corporate Governance Code. In selecting Stephen, the Board again saw continuity of stewardship as being particularly important, and values his unique strategic insight to the business. Combined with his financial, commercial and investor expertise, this will be invaluable as we grow and strengthen the Company. Consequently, although recommended by the UK Corporate Governance Code, neither open advertising nor an external search consultancy were used for the appointment of Stephen to the role of the Chairman.

Louise Stonier stepped down from the Board on 12 December 2022 to focus on her expanded executive commitments external to Hostmore and Jane Bednall stepped down from the Board on 19 December 2022 for personal reasons.

Robert B. Cook stepped down as CEO of the Company and from the Board on 9 January 2023. The Board is committed to ensuring that the new permanent CEO has the qualities necessary to enable the future success of the business. Whilst conducting an external search, the Committee is also working with Julie McEwan to give her every opportunity to build on the extremely encouraging start that she has made as Interim CEO.

The Committee's focus for 2023 will be to appoint a new, permanent Chief Executive Officer, who will also be an Executive Director, and two new independent Non-Executive Directors to the Board. Details of the search processes will be included within the Committee's report for 2023.

All Directors, except Stephen Welker, will stand for re-election at the AGM on 7 June 2023, in line with

best practice. Stephen Welker will stand for election at the AGM on 7 June 2023, this being his first AGM since appointment.

The Committee received and considered the Company's succession plan in 2022. The Board members also completed a Board skills matrix to identify any skills shortages on the Board.

Committee Evaluation

An internal Board and Committee evaluation was conducted in Q4 2022. A number of recommendations were taken from the evaluation and will be worked on during 2023.



Stephen Welker

Chair of the Nominations Committee
28 April 2023

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 Directors' Remuneration Report for the 52-week period to 1 January 2023.

This report is set out in three sections:

1. This Annual Statement, which summarises the key activities and work of the Committee during the period ended 1 January 2023.
2. The Hostmore Directors' Remuneration Policy (the "Remuneration Policy") – this sets out the proposed remuneration framework for the Directors which will apply if approved by shareholder vote at the AGM on 7 June 2023 (the "2023 AGM")
3. The Annual Report on Remuneration – this sets out in detail the remuneration received by Directors for the period ended 1 January 2023 and how the Remuneration Policy will be applied in 2023. The Annual Report on Remuneration, along with this statement, will be subject to an advisory shareholder vote at the 2023 AGM.

Remuneration in context

2022 was a challenging year for our sector, with the impact of COVID-19 closely followed by a cost of living crisis and significant inflationary pressures initially triggered by the Russian invasion of Ukraine. The Group has delivered well in a challenging set of circumstances with EBITDA performance for the period ended 1 January 2023 at £31.1m, being broadly similar to the prior year (FY21 £34.5m). Over the year, the management team has responded dynamically to the challenges presented, including but not limited to the various COVID-19 related impacts. The management team has worked to ensure the continued operations of the business, to ensure we have an attractive offering and to manage costs. Ensuring our customers' and our colleagues' safety and well-being is critical to the Group and was a key priority over this difficult time. Despite the challenges presented, the management team has continued to drive innovation and make progress in the delivery of the Company's strategy.

Remuneration for the period under review

The single figure of remuneration for period ended 1 January 2023 reflects base salary and pension. No bonus was payable to the Directors in respect of the period ended 1 January 2023.

On 9 June 2022, long-term incentive awards in the form of Performance Shares Awards were granted to Robert B. Cook, the then Chief Executive Officer, and Alan Clark, the Chief Financial Officer. In the case of the then CEO, his Performance Share Award over 496,080 ordinary shares lapsed upon him resigning from the Board on 9 January 2023, as well as the Performance Share Award over 639,136 ordinary shares which was awarded to him in 2021. In the case of the CFO, his Performance Share Awards are subject to the Group achieving the relative TSR, EPS and ROIC performance measures, and if so, will vest three years after grant. 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. As was the case with the initial awards made under the scheme in November 2021, the awards made on 9 June 2022 were granted to a significant number of other employees down to restaurant manager level. In general terms, awards at executive management level were in the form of Performance Share Awards, awards at regional director level were a combination of Performance Share Awards and Restricted Share Awards and awards at heads of functional areas and other managers level, were generally Restricted Share Awards.

Remuneration Policy and implementation in FY22

The current Remuneration Policy was approved by the Company's shareholders at the 2022 AGM. The Remuneration Policy is structured to align executive remuneration with shareholder experience and to support the strategy of the Company, and its continued growth and success. The Remuneration Policy also recognises the importance of attracting and retaining high-quality talent. In developing the Remuneration Policy, account was taken of the prevailing market and best practices.

Implementation in FY22:

- The base salaries for the Executive Directors were set at Admission at £485,000 for the CEO and £340,000 for the CFO. These base salaries remained unchanged during the period ended 1 January 2023, except that the CEO and the CFO, as well as all the Non-Executive Directors and certain members of the Group's Executive Team, agreed, as part of their responsible approach to remuneration, to a voluntary reduction of 10% of salary from 1 October 2022 to

31 December 2022 in light of the difficult trading conditions faced by the Group.

- Executive Directors received a pension contribution of 3% of their base salary in line with the contribution percentage available to the majority of the Group's workforce.
- The maximum annual bonus payable was 125% of the relevant Executive Director's salary. At least one third of any Executive Director's annual bonus earned was to be deferred into the Company's shares and was required to be held for three years if the Executive Director had not met a shareholding requirement of 300% of salary. For the period ended 1 January 2023, the bonus was assessed against: EBITDA performance (70%) and strategic measures (30%) – see Annual Report on Remuneration on pages 89 to 97 for more details. The purposes of these metrics are detailed under the heading "Our performance measures" on page 75. They are also aligned to our 4D strategy which is detailed on page 6. No annual bonus has been or will be paid in respect of the period ended 1 January 2023.
- On 9 June 2022, awards were granted under the long-term incentive plan at 42% 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" on page 75 and they are aligned to our 4D strategy which is detailed on page 6. A two-year post-vesting holding period applies.
- Neil Johnson, Louise Stonier and Jane Bedhall retired as Non-Executive Directors of the Company on 27 May 2022, 12 December 2022 and 19 December 2022, respectively.

New Directors' Remuneration Policy (subject to approval at the 2023 AGM)

To address the challenges currently facing the Company, the Committee is submitting an amended remuneration policy for shareholder approval at the 2023 AGM.

This new policy does not increase the amounts available to Executive Directors, but instead provides for some discretions which will allow our remuneration structure to better support our strategy in the current exceptional circumstances.

In more detail, the changes to the Remuneration Policy are as follows:

- Provide discretion to the Remuneration Committee to set half yearly or quarterly targets and half yearly or quarterly payments for the annual bonus in exceptional circumstances. Noting the extreme volatility in the sector in which Hostmore operates, various financial metrics for 2023, including, without limitation, turnover and profit, are less straightforward to forecast accurately but there is also the possibility of a rapid turnaround. As a result, to ensure that targets remain relevant throughout 2023 and to allow for the setting of short term strategic targets that may not be relevant throughout the full financial year, the Committee intends to set a six monthly and two quarterly targets and to allow for six monthly and quarterly payments to be made for 2023. This is not possible under the current Remuneration Policy, but would be possible under the new Remuneration Policy. The new Remuneration Policy would not increase the amounts available to Executive Directors.
- Allow for the temporary suspension of the in-employment shareholding requirements in exceptional circumstances when the satisfaction of the requirement is unreasonable, for example, due to a significant fall in share price. Whilst the requirement is suspended, the requirement to defer part of bonus into shares if an Executive Director has not met a 300% of salary shareholding requirement would also be suspended. However, Executive Directors would not be permitted to sell any shares they held prior to the suspension of the requirement. In addition, the post-cessation shareholding requirement would continue to apply for a period of two years following cessation.
- Flexibility in the recruitment policy to allow for a one-off award of cash and/or shares when promoting an existing employee to the Board.

These changes would support the setting of appropriate targets for 2023, guard against excessive dilution of existing shareholders, and provide flexibility when seeking the successor for the position of CEO.

Annual Statement from the Chair of the Remuneration Committee continued

Implementation of the Remuneration Policy in FY23

The implementation for FY23 is set out below on the assumption that the new Remuneration Policy is approved by the Company's shareholders at the 2023 AGM:

- Robert B. Cook resigned as a Director of the Company on 9 January 2023. Details of the payments Robert received in connection with his departure are summarised in the Annual Report on Remuneration (see page 92).
- The base salary of the CEO remained unchanged until he resigned on 9 January 2022. The base salary of the CFO will remain unchanged for the year to 31 December 2023.
- Executive Directors receive a pension contribution of 3% of salary in line with the contribution percentage available to the majority of the Group's workforce.
- The maximum annual bonus payable remains unchanged and is 125% of the relevant Executive Director's salary. Targets have been set for the annual bonus for the first six months of the year, comprising a mixture of financial and strategic measures including number of covers, controlling corporate costs and managing consolidated net debt which will be subject to a multiplier ranging from 0% to 125% (but still subject to the overall maximum opportunity of 125% of salary) of Group EBITDA. Currently, the Committee envisages setting quarterly targets on a similar basis for the last two quarters of the year. Bonuses will be payable following determination of the outcomes. 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 in line with the Company's ESG strategy.
- Given the focus on achieving short term targets and the low share price of the Company at this time, the Committee does not currently intend to make the normal annual awards under the Company's long-term incentive plan during 2023.
- The requirement for Executive Directors to build their shareholdings to the in-employment requirement of 200% of base salary has been suspended, together with the requirement to defer one third of any annual bonus if a 300% of base salary shareholding requirement had not been met. This will be reviewed at the end of FY23.

Pay and benefits of the Group

We operate a fair and equal pay structure that enables us to attract, retain and incentivise high performing individuals to deliver our strategy. We also champion a fair and transparent service charge / TRONC / gratuities system. The Board believes that the Group implements a progressive pay structure to reflect career development.

As Chair of the Remuneration Committee, Louise Stonier held the position as the designated NED for the wider workforce until she retired in December 2022. As Louise's successor as Chair of the Remuneration Committee, I performed this role from my appointment on 12 December 2022 until 25 January 2023 when it was decided that the Group would engage with its workforce using a formal workforce advisory panel. The Group operates an Employee Forum which acts as the formal workforce advisory panel. This will be attended by the CEO and Karen Barnard, the People and Culture Director of the Group,* throughout 2023, with a range of topics to be discussed and feedback to be provided to the Committee and myself.

The Company receives and acts upon employees' feedback and also conducted a colleague engagement survey in 2022. Diversity and inclusion questions were included in the 2022 employee engagement survey in support of the launch of our diversity and inclusion agenda in 2023. The results of this survey and the discussions at the Employee Forum have continued to be considered by this Committee. It is intended that a further colleague engagement survey will be conducted in the second half of 2023. The Group is looking to introduce a Diversity and Inclusion Committee and a related formal policy as part of this programme during 2023.

* Note: Karen Barnard is not a statutory director of Hostmore plc or its subsidiaries.

The Committee's key activities

The Committee's additional activities during the period ended 1 January 2023 were as follows:

- reviewing the Committee's terms of reference;
- agreeing remuneration packages and arrangements for senior employees;
- formulating the Company's first Remuneration Policy as a listed company;
- devising and implementing a bonus plan for relevant employees in the Group; and
- implementing and making awards under the Company's share plan.

Post the period ended 1 January 2023, the Committee has been involved in the following key activities:

- agreeing amendments to the Remuneration Policy to be put to shareholders for approval at the AGM;
- negotiating the settlement agreement with the previous CEO;
- negotiating the employment terms with the new Interim CEO; and
- initiating a candidate search for a new CEO.

Our performance measures

Performance measures are used to determine the extent to which awards vest that are made under the variable elements of the Group's annual bonus and the long-term incentive plan (the "LTIP") in the Executive Directors' remuneration. The performance measures are selected because they align to our strategy, they are useful as Key Performance Indicators (KPIs) to assess the Group performance and they align the interests of the Directors to those of the Company's shareholders.

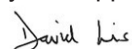
The measures used for the annual bonus for H1 2023 each fulfil a distinct purpose as set out below.

Measure	Used in*	Purpose
Group EBITDA	Annual bonus	Key strategic financial underpin
Covers	Annual bonus	Strategic imperative to improve performance
Corporate costs	Annual bonus	Strategic imperative to reduce costs in challenging business environment
Internal reporting	Annual bonus	Increased speed and quality of internal reporting to assist the Board in managing the business through this turnaround phase
Guest feedback	Annual bonus	Improved guest experience to drive covers growth
Consolidated net debt	Annual bonus	Key strategic financial measure
Aggregate of store operating expenditure and corporate office costs	Annual bonus	Cost efficiency is a key financial metric
Refinancing process commenced	Annual bonus	Key strategic imperative
Bank facilities extended	Annual bonus	Key strategic imperative

* At the date of this report, only the annual bonus measures for H1 2023 have been set and, consequently, only those are detailed in the above table.

Conclusion

I would welcome any feedback or comments on the Remuneration 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.



David Lis

Chair of the Remuneration Committee
28 April 2023

Hostmore Remuneration Policy

This Directors' Remuneration Policy (the "Remuneration Policy") 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. The Remuneration Policy takes into account the accompanying Directors' Reporting Guidance and the relevant guidelines of the shareholder representative bodies. The Remuneration Policy will be submitted to shareholders for approval at the AGM on 7 June 2023. The Committee intends that, subject to shareholder approval being obtained, the Remuneration Policy will operate for three years, effective from the date of the 2023 AGM. The previous remuneration policy was approved by shareholders at the AGM on 27 May 2022 (the "2022 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 requirements and delivering personalised customer engagement. The Remuneration Policy is aligned to the values and philosophies of the Group and is intended to incentivise and reward long-term

sustainable growth of the Group 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 key changes the previous remuneration policy are to:

- Provide discretion to set quarterly or six monthly targets and quarterly or half yearly payments for the annual bonus in exceptional circumstances.
- Allow for the temporary suspension of the in-employment shareholding requirements in exceptional circumstances when the satisfaction of the requirement is unreasonable. Whilst the requirement is suspended, the requirement to defer part of bonus into shares if an Executive Director had not met a 300% of salary shareholding requirement would also be suspended. However, Executive Directors would not be permitted to sell any shares they held prior to the suspension of the requirement. In addition, the post-cessation shareholding requirement would continue to apply for a period of two years following cessation.
- Flexibility in the recruitment policy to allow for a one-off award of cash and/or shares when promoting an existing employee to the Board.

Key principles of the Remuneration 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 risks from potentially excessive rewards are easily identified and mitigated. The Remuneration 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 are included 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. The Committee has discretion over variable pay and can adjust any pay outcomes that the Committee deems are inconsistent with the performance of the Group.
Proportionality	The Committee seeks to provide a competitive remuneration package which will attract and retain high calibre executives, as well as structuring 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.	<p>Base salaries are reviewed annually by the Committee and any changes are normally effective from 1st April each year.</p> <p>The review takes into account several factors including (but not limited to):</p> <ul style="list-style-type: none"> • 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) 	<p>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.</p> <p>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 Group or very strong performance, meriting base salary increases at greater levels than that of the wider workforce.</p> <p>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.</p>	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	<p>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.</p> <p>These benefits are not pensionable.</p> <p>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.</p> <p>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.</p>	<p>The value of each benefit is not predetermined and is based upon the cost to the Group.</p> <p>The Committee aims to review both the level of benefits provided and the overall cost of the benefits on a periodic basis.</p>	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
<p>To incentivise the achievement of stretching objectives that support the Group's corporate goals and delivery of the strategy.</p> <p>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.</p>	<p>The Committee sets Performance measures and targets for each financial year and determines the payment level after year-end by reference to the measures and targets.</p> <p>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.</p> <p>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).</p>	<p>The maximum bonus opportunity is 125% of base salary for each Executive Director.</p>	<p>The pay-out will be determined based on a range of financial and strategic and/or personal objectives.</p> <p>At least 70% of the annual bonus will be based on financial performance targets.</p> <p>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.</p> <p>The Committee has the discretion to adjust the payout 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.</p>

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.	<p>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.</p> <p>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.</p> <p>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).</p> <p>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.</p> <p>Malus and clawback provisions apply (see notes on page 83). Awards are subject to the discretions contained in the LTIP rules.</p>	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.	<p><i>During employment</i> 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.</p> <p><i>After employment</i> 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.</p>	200% of base salary	Not performance related.

Hostmore Remuneration Policy

continued

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 or her 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.

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 or her 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

(iii) negligence or gross misconduct by a participant;

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 financial statements each year, subject to limitations with regards to commercial sensitivity for the annual bonus (where general terms will be provided). The full details are also disclosed following the end of the financial year in the Company's next annual report and financial statements subject if appropriate to limitations with regards to commercial sensitivity for the annual bonus.

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 by the Company in the following circumstances by the participant:

- (i) material financial misstatement;
- (ii) significant reputational damage to the Group;

- (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 in the Group; or
- (vii) where awards were granted or vested based on erroneous or misleading data.

Committee Discretions

The Committee operates under the powers that have been delegated to it by the Board. The Committee operates the variable incentive plans in accordance with the relevant plan rules, the Listing Rules and applicable legislation. Within the plan rules, the Committee retains a number of discretions to ensure effective operation of the plans. The majority of 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 Remuneration 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 Remuneration Policy and rules of each plan;
- Determining whether to set targets at the start of the year for the annual bonus, or to set targets during the financial year, such as six monthly or quarterly targets in which case bonus payments

Hostmore Remuneration Policy

continued

could be made following determination of the outcome;

- 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 Group performance;
- Determining whether and to what extent dividend equivalents should apply to awards;
- Determining whether malus and clawback should be applied to any award in the relevant circumstances and, if so, the extent to which they should be applied;
- 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;
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and LTIP awards from year to year; and
- Temporarily suspending the in-employment shareholding requirement in exceptional circumstances in which case the requirement to defer one third of the annual bonus into shares if a 300% of salary shareholding requirement was not met would also be suspended.

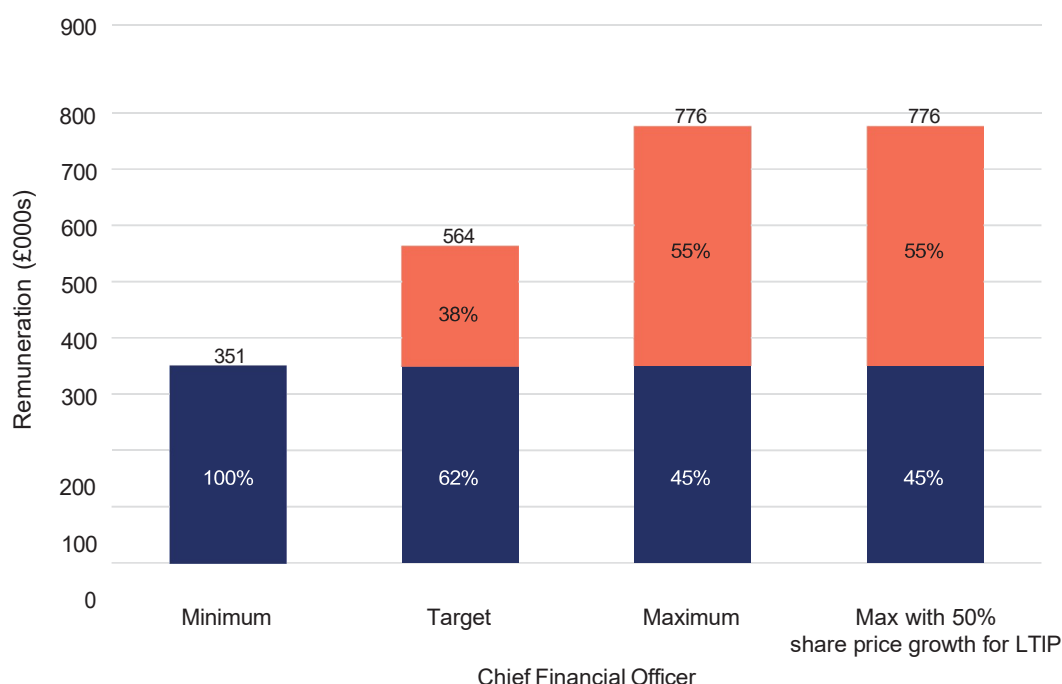
If an event occurs which results in the annual bonus plan or the LTIP performance conditions and/or the targets being deemed no longer appropriate, such as a material acquisition or divestment, the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, 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 Remuneration Policy outlined above may be honoured, even if they are not consistent with the Remuneration 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 Remuneration Policy

The chart below sets out the potential values (£’000) of the remuneration package of the Executive Director for FY23 under various performance scenarios.



■ Fixed pay ■ Annual bonus

Notes:

- Salary represents annual salary for FY23.
- Benefits have been included based on the anticipated value of benefits in FY23.
- 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 and annual bonus at 50% of maximum (62.5% of salary). No LTIP

as currently there is no intention to award LTIP in 2023.

- Maximum performance: Fixed pay and maximum annual bonus (125% of salary). No LTIP as currently there is no intention to award LTIP in 2023.
- No maximum with share price growth as no current intention to make an LTIP award in 2023.
- Scenario chart has only been shown for the Executive Director currently in role at the date of this report.

Service contracts and loss of office arrangements

The Executive Directors who served during the period ended 1 January 2023 each had or have a service contract requiring 6 months' notice on termination from either party:

Executive Director	Date of service contract	Notice period
Robert B. Cook ¹	15 October 2021	6 months
Alan Clark	15 October 2021	6 months

¹ Robert B. Cook stepped down as CEO and as a Director with effect from 9 January 2023. Details of his settlement are on page 92. There will be no further payments in respect of his exit.

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 appointments, the initial notice period may be up to 12 months, reducing to no more than 6 months after not more than 12 months.

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 reward 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. This is summarised in the following table.

Hostmore Remuneration Policy

continued

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 in shares.
Annual bonus (unvested deferred shares)	For bad leavers, awards will lapse. For good leavers, shares will ordinarily vest on the normal vesting date.
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. In addition, 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 this is appropriate. Following an internal reorganisation which results in a change of control, awards may be rolled over into awards in the acquiring company.

Non-Executive Directors 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, unless waived by the Board. 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 1 January 2023 are summarised in the table below.

Non-Executive Director	Date of appointment
Gavin Manson	17 August 2021
David Lis	18 August 2021
Andrew Blurton	17 August 2021
Stephen Welker	15 August 2022

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 Remuneration 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 on page 78. In addition, 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 recognizes 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 on page 79, and 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 on page 80. 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 recognizes 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, although the Committee may also use the flexibility provided under the Listing Rules to make awards without prior shareholder approval.

Hostmore Remuneration Policy

continued

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. In addition, the Committee recognises that it may sometimes be appropriate to provide an award of cash and/or shares on an internal appointment. Such awards would be limited to a combined value of no more than £50,000.

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 on pages 82 and 83.

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 will consider the views of shareholders and proxy agents when reviewing the remuneration of Executive Directors and other senior executives and will take into account published remuneration guidelines. The Committee will consult with the Company's key shareholders when considering significant changes to the implementation of the Remuneration Policy and when the Policy is being reviewed (typically ahead of an AGM binding vote on the Remuneration 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.

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 Committee considers executive remuneration in

the context of the wider employee population and aims to provide a market competitive package to all employees of the Group. 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. A significant number of the Group's salaried employees participate in the annual bonus and the LTIP is operated for a significant number of employees below the Executive Directors. A lower aggregate level of incentive payment applies below Executive Director level, by reference to the potential impact of the role, internal relativities, and market comparatives.

Whilst employees are not directly consulted on matters of remuneration policy, the Committee ensures there is an 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 has been attended by the Remuneration Committee Chair in their capacity as the independent Non-Executive Director for workforce engagement on behalf of the Company, and the CEO. Going forward, Karen Barnard, the People & Culture Director of the Group,* will provide updates from the Employee Forum to the Committee. This has and shall ensure that the employee voice is heard directly by the Committee. Employee engagement scores and other internal surveys are also considered by the Committee.

* Note: Karen Barnard is not a statutory director of Hostmore plc or its subsidiaries.

Minor amendments

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

Annual Report on Remuneration

This is the annual report which explains the remuneration arrangements for the period ended 1 January 2023, and how the Directors' Remuneration Policy (the "Remuneration 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 Remuneration Committee is formally constituted and operates on written terms of reference, which were reviewed and approved by the Board in October 2021. The terms of reference were updated, reviewed and approved by the Board on 22 December 2022 and are available on the Company's website. The role of the Committee is to determine the remuneration policy and individual packages for the Chairman of the Board, each Executive Director and (on the recommendation of the Chief Executive Officer) each other member of the Group's Executive Team. The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Directors. When determining these arrangements, the Committee will take into account all factors which it deems necessary, including workforce remuneration, related policies and the alignment of incentives and rewards with culture.

The Committee seeks to ensure alignment of the Remuneration Policy to the Company's purpose and values, and its link to the successful delivery of the Company's long-term strategy and 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 consists entirely of independent Non-Executive Directors. The Committee members are as follows:

- David Lis (Chair)
- Andrew Blurton

David Lis was appointed as a member of the Committee on 27 May 2022 and as Chair of the Committee on 12 December 2022. Louise Stonier was Chair of the Committee until she stepped down from the Board on 12 December 2022 due to her expanded executive commitments external to Hostmore. Gavin Manson was a member of the Committee until he stepped down on becoming

Chairman of the Board at the AGM on 27 May 2022. Jane Bednall was a member of the Committee until she stepped down from the Board on 19 December 2022 for personal reasons. Louise and Jane were independent Non-Executive Directors but Gavin was considered to be a non-independent Non-Executive Director. The Company has initiated a formal search for replacements for Louise and Jane and intends to appoint at least one of the replacements as a member of the Committee.

Please see the UK Corporate Governance Code – Compliance Statement on pages 54 and 55 for an explanation of the limited instances where the requirements of the UK Corporate Governance Code have not been complied with in relation to the Remuneration Committee.

The Committee met formally three times during the period ended 1 January 2023, with all members in attendance. The Committee also met informally on a number of occasions during the period ended 1 January 2023.

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 in 2021 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 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 during the period ended 1 January 2023 amounted to £85k (excluding VAT) charged on a time and materials basis.

In addition, during the period ended 1 January 2023, the Committee consulted with the CEO with regard to the remuneration and benefits provided to the Group's Executive Team (other than in relation to the CEO's own remuneration). The Committee also received input from Karen Barnard, the People & Culture Director of the Group.*

* Note: Karen Barnard is not a statutory director of Hostmore plc or its subsidiaries.

Annual Report on Remuneration

continued

Single figure of remuneration for the period from 3 January 2022 to 1 January 2023 (audited)

The following table sets out the single figure remuneration received or receivable during the period from 3 January 2022 to 1 January 2023 and includes the prior year comparative. The prior year's figures only cover the period from 14 April 2021 (being the date of the Company's incorporation) to 2 January 2022 and, therefore, the comparison is unable to be on a like-for-like basis.

Whilst the table covers the period from 14 April 2021 for the prior year, 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 later date in 2021 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).

£000s

Year	Relevant Date	Salary and fees	Benefits ¹	Pensions ²	Annual bonus	LTIP remuneration	Total fixed remuneration	Total variable remuneration	Total remuneration
Executive Directors									
Robert B. Cook ³	2022	483	2	14	0	0	499	0	499
	2021 5 October 2021	107	0	5	0	0	112	0	112
Alan Clark	2022	341	1	10	0	0	352	0	352
	2021 5 October 2021	76	0	3	0	0	79	0	79
Non-Executive Directors									
Neil Johnson ^{4,5}	2022	49	0	0	0	0	49	0	49
	2021 23 August 2021	25	0	0	0	0	25	0	25
Gavin Manson ^{4,6}	2022	102	0	0	0	0	102	0	102
	2021 17 August 2021	8	0	0	0	0	8	0	8
David Lis	2022	68	0	0	0	0	68	0	68
	2021 18 August 2021	26	0	0	0	0	26	0	26
Jane Bednall ⁷	2022	49	0	0	0	0	49	0	49
	2021 20 September 2021	14	0	0	0	0	14	0	14
Andrew Blurton	2022	59	0	0	0	0	59	0	59
	2021 17 August 2021	23	0	0	0	0	23	0	23
Louise Stonier ⁸	2022	56	0	0	0	0	56	0	56
	2021 20 August 2021	22	0	0	0	0	22	0	22
Stephen Welker ⁹	2022	0	1	0	0	0	1	0	1
	2021 N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

¹ This is the taxable value of benefits paid or payable in respect of the period from 3 January 2022 to 1 January 2023. These benefits typically relate to life assurance and 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 Robert B. Cook stepped down as an Executive Director with effect from 9 January 2023.

⁴ Fees payable to Neil Johnson and Gavin Manson were paid to Electra Private Equity PLC until they stepped down from their executive roles with that company on 31 January 2022.

⁵ Neil Johnson stepped down as Non-Executive Chair with effect from 27 May 2022.

⁶ Gavin Manson was appointed as Non-Executive Chairman with effect from 27 May 2022.

⁷ Jane Bednall stepped down as a Non-Executive Director with effect from 19 December 2022.

⁸ Louise Stonier stepped down as a Non-Executive Director with effect from 12 December 2022.

⁹ Stephen Welker was appointed as a Non-Executive Director with effect from 15 August 2022.

Annual bonus (audited)*

The CFO was eligible for a bonus in relation to performance over the financial period ended 1 January 2023, whereas the CEO was not eligible for a bonus due to his departure before the normal payment date. The Committee measured performance at the end of the financial year based on targets set at the start of the year and determined that the annual bonus payment would be nil. Further detail is set out below.

The annual bonus for the financial period ended 1 January 2023 was based 70% on EBITDA performance and 30% on strategic targets. EBITDA for the financial year of £11.3m was below the threshold target which resulted in no payment of this element of the bonus. Targets for EBITDA are set out below:

Measure	Threshold target (33% of element payable)	Maximum target (100% of element payable)	Actual outcome	Amount payable (% of element)
EBITDA	£28.9m	£32.0m	£11.3m	0%

* All figures in this "Annual bonus (audited)" section are provided on an FRS102 basis.

Strategic measures account for 30% of the bonus. For the CEO, these were based on expanding the business in line with the 4D strategy, underpinned by development, as set out in the Prospectus through the organic growth of the then two existing brands, and through M&A. For the CFO, these strategic measures were based on banking measures and management of energy costs. The strategic element of the bonus is only payable if the threshold EBITDA target is met. As this underpin was not met in the year, no amount was payable in relation to this element.

LTIP awards vesting during the year (audited)

No LTIP awards vested during the period under review.

LTIP awards granted during the year (audited)

The second round of awards under the LTIP scheme was granted on 9 June 2022.

LTIP awards to Executive Directors

Director	Type of award	Date of grant	Number of options awarded	Basis of award % of salary	Share price used to determine level of award pence per share	Face value £	% that vests at threshold	Vesting date ¹
Robert B. Cook ²	LTIP – Performance Share Award	9 June 2022	496,080	42%	40.7p ³	£201,905	25%	9 June 2025
	LTIP – Initial Performance Share Award	17 Nov 2021	639,136	150%	113.8p ⁴	£727,500	25%	17 Nov 2024
Alan Clark	LTIP – Performance Share Award	9 June 2022	347,767	42%	40.7p ³	£141,541	25%	9 June 2025
	LTIP – Initial Performance Share Award	17 Nov 2021	448,054	150%	113.8p ⁴	£510,000	25%	17 Nov 2024

¹ Following vesting, the awards are subject to a two-year holding period.

² Robert B. Cook stepped down as an Executive Director with effect from 9 January 2023. As a result, his awards over 1,135,216 ordinary shares in the Company lapsed with immediate effect.

³ Based on the Company's average closing share price for the five business days to the dealing date prior to the date of grant. The share price on the date of grant was 39.8p.

⁴ 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.

Annual Report on Remuneration

continued

The Performance Share Awards granted on 9 June 2022 are subject to the following performance conditions to be measured over three financial years

to FY 2024. The awards are subject to a two-year post-vesting holding period. Malus and clawback provisions apply in line with the Remuneration Policy.

Measure	Measurement basis	Proportion of total award	Threshold (25% vests)	Maximum (100% vests)
Relative TSR	Company TSR vs FTSE SmallCap (excluding Investment Trusts) from date of grant to 3 rd anniversary of date of grant	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%

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

policies on the same terms as applied on the date of

There were no payments for loss of office or payments to past Directors made during period ended 1 January 2023. Payments for fees and expenses paid for services performed up until the date of departure for each of Neil Johnson, Louise Stonier and Jane Bednall were paid in accordance with their appointment letters.

Each of Neil's, Louise's and Jane's appointment letter with the Company allowed the appointment to be terminated by either party giving to the other party three months' written notice. Neil provided three months' written notice and was paid for those three months (which he worked). Louise and Jane each wished to leave without working their notice period. Each signed a resignation letter in which they stated that, other than in respect of fees and expenses which were due to them as at their resignation date, they waived all claims against the Company.

Robert B. Cook resigned as a Director of the Company on 9 January 2023 (after the period under review). Robert received the following payments in connection with his departure: (i) base salary and contractual benefits up to and including his final date of employment on 9 January 2023; (ii) a payment in lieu of accrued but untaken holiday up to and including 9 January 2023; and (iii) a payment in lieu of his six month notice period equal to his basic salary for his six month notice period plus the cost to the Company of providing his pension and car allowance benefits for such six month notice period. The Company will continue to pay premiums to any group company appointed private medical insurance

Robert's departure from 9 January 2023 for a period of six months (equal to his notice period), subject to the rules from time to time of the relevant scheme. There have not been and will not be any payment to Robert under the Company's annual bonus plan for 2022 or 2023 and his long-term incentive plan awards over 1,135,216 ordinary shares in the Company have lapsed. There will be no further payments in respect of his exit and, save as detailed above, no payment for loss of office made by the Company to Robert in respect of his exit.

Directors' shareholdings and share interests (audited)

Details of the Directors' interests in shares of the Company are shown in the following table. Executive Directors are normally required to build and retain a holding of the Company's shares equivalent to at least 200% of their base salary. However, given the relatively low share price and the impact that this would have on the percentage of the Company's shares that the Executive Directors would need to hold to satisfy the requirement, the Committee has suspended the shareholding requirement for the 2023 financial year. However, 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 at 1 Jan 2023 ¹	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? ²
Robert B. Cook ³	3,360,662	–	1,135,216	–	200%	90.7%	N/A
Alan Clark	2,721,518	–	795,821	–	200%	104.9%	N/A
Gavin Manson	2,444,789	N/A	N/A	N/A	N/A	N/A	N/A
David Lis ⁴	415,000	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
Stephen Welker ⁵	4,501,556	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

¹ Neil Johnson resigned as a Director on 27 May 2022. As at 27 May 2022, Neil Johnson held 769,671 shares in the Company.

² The Executive Director's Shareholding Requirement Policy has been suspended for 2023, hence why whether the shareholding requirement was met has been marked "N/A" for each of Robert B. Cook and Alan Clark.

³ Robert B. Cook stepped down as an Executive Director with effect from 9 January 2023 as a result of which his awards over 1,135,216 ordinary shares in the Company lapsed with immediate effect.

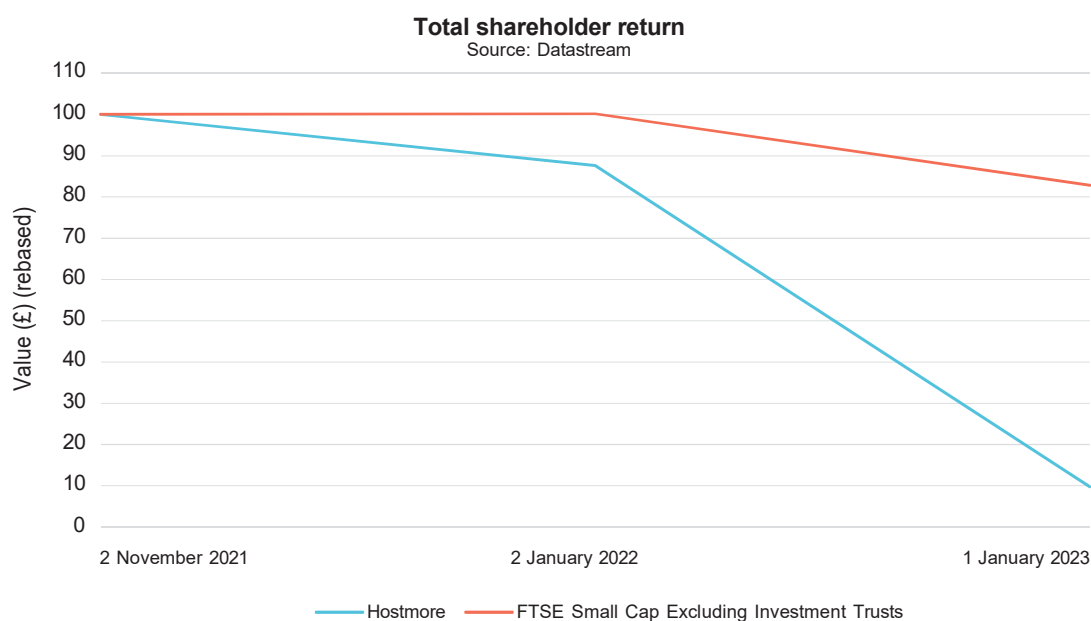
⁴ Includes 15,000 shares in the Company held by Mrs P. M. Lis.

⁵ Stephen Welker holds an aggregate of 4,501,556 shares in the Company, of which 249,374 shares are held in his own name and 4,252,182 shares are held by Beechenbrook Holdings LLC, of which Stephen Welker is the sole member.

There were no changes to the Directors' interests between 1 January 2023 and the date of approval of this report or, in the case of Robert B. Cook, between 1 January 2023 and 9 January 2023. The Company has not been notified of any changes to Robert B. Cook's interests between 9 January 2023 and the date of approval of this report.

Performance graph and table

This graph shows the value of £100 invested in Hostmore ordinary shares compared with the value of FTSE Small Cap (excluding Investment Trusts) since Admission until 1 January 2023. 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.



The data is shown as at the last close 30 December 2022.

Annual Report on Remuneration

continued

	CEO single figure total remuneration (£000)	Annual bonus (as % of maximum opportunity)	Long-term incentive plan (as % of maximum opportunity)
2022	499	0%	0%
2021	112	N/A	N/A

Percentage change in Directors' and employee remuneration (audited)

The table below shows the percentage change in the salary/fees, benefits and annual bonus of all employees and Directors of the Company during 2022. For all employees including Directors, the table covers the 52 week period to 1 January 2023 relative to the 53 week period to 2 January 2022 or, in the case of the Directors, the Relevant Date to 2 January 2022. For Directors in the subsequent rows, the table covers the 52 week period to 1 January 2023 relative to the period from the Relevant Date to the year end of 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 (other than Stephen Welker*), the later date in 2021 upon which the relevant individual was appointed as a Non-Executive Director of the Company pursuant to his or her letter of appointment. Therefore, the comparison is not able to be on a like-for-like basis as the 2021 data is in respect of only part of a year. In addition, Gavin Manson stepped up to be Chairman at the 2022 AGM meaning that his fees receivable in 2022 were greater than those as a Non-Executive Director in 2021.

* Stephen Welker was appointed as a Non-Executive Director of the Company on 15 August 2022.

	Salary 2022	Benefits 2022	Annual Bonus 2022
All employees including Directors	13%	22%	-1%
Robert B. Cook	351%	n/a	0%
Alan Clark	349%	n/a	0%
Neil Johnson	96%	n/a	n/a
Gavin Manson	1,175%	n/a	n/a
David Lis	162%	n/a	n/a
Jane Bednall	250%	n/a	n/a
Andrew Blurton	157%	n/a	n/a
Louise Stonier	155%	n/a	n/a
Stephen Welker	n/a	n/a	n/a

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	25 th percentile pay ratio	50 th percentile pay ratio	75 th percentile pay ratio
2022	Option A	23:1	20:1	17:1
2021	Option A	27:1	20:1	19:1

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

		CEO	25 th percentile	50 th percentile	75 th percentile
Total salary	2022	£482,875	£21,234	£25,519	£28,903
Total remuneration (Single figure)	2022	£498,897	£21,234	£25,519	£29,284

The above table sets out the ratios of the CEO single total figure of remuneration of £498,897 to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full time equivalent basis) from 3 January 2022 to 1 January 2023.

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 comprises base salary, benefits, pension, bonus and long-term incentives and any one-off payments. All UK employees were ranked by their total remuneration and from this the remuneration of the individuals at the 25th, 50th and 75th percentiles were confirmed.

The median (50th percentile) 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 Group performance and has the greatest alignment with shareholders. As such, we expect the ratio to vary in future years, as the single figure for the CEO does not include any variable pay for the period ended 1 January 2023.

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 3 January 2022 to 1 January 2023 compared with the prior period (5 October 2021, being the date upon which the employees became part of Hostmore's group) to 2 January 2022.

	2022 £m	2021 £m
Distributions to shareholders	0	0
Total employee pay	68.825 ¹	18.927

¹ This number is sourced from Note 13 to the financial statements for the 52 week period ended 1 January 2023, less the remuneration of the Non-Executive Directors as disclosed in Note 38.

External appointments

The Board considers whether it is appropriate for Directors to take on any additional directorships and whether Executive Directors may retain any remuneration from any external roles. Alan Clark does not currently hold any external appointments. Robert B. Cook, who resigned as Chief Executive Officer and as a Director of the Company on 9 January 2023, is a Director of two family run companies, Cookie Jar Hospitality (Consultancy) Limited and The Cookie Jar (Alnwick) Limited, and also a Director of Occupyd Limited (which trades as Obvlo), a new hospitality infotech company. He was entitled to retain fees in respect of these company directorships, so far as has been advised to the Board, no fees were payable by any of these companies for the period ended 1 January 2023.

Statement of shareholding voting

The Remuneration Report for the period ended 3 January 2022 was approved at our Annual General Meeting held on 27 May 2022, with 99.91% of the votes cast in favour, and 0.09% of the votes cast against.

Implementation of Policy in FY23

Executive Directors

Implementation for FY23 is consistent with the Policy as outlined earlier in this report.

Annual Report on Remuneration

continued

Element	Operation
Base annual salary	Base annual salaries remain unchanged: CEO: (Robert B. Cook): £485,000 (to 9 January 2023) Interim CEO (Julie McEwan): £200,000 (from 9 January 2023) ¹ CFO: (Alan Clark) £340,000
Benefits and pension	Executive Directors 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 Group's 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 The current intention of the Committee is to exercise its discretion to suspend the shareholding requirement (given the very low share price) and hence the requirement for the Executive Directors to defer at least one-third of their annual bonus earned into the Company's shares and to hold these for three years if the Executive Director has not met a shareholding requirement of 300% of salary Metrics for the first six months include: <ul style="list-style-type: none"> For the Interim CEO: <ul style="list-style-type: none"> Increasing the number of covers Controlling corporate costs Improving the quality and timeliness of internal reporting Improving guest satisfaction scores Managing net debt with the whole bonus then subject to an EBITDA underpin/multiplier. For the CFO: <ul style="list-style-type: none"> Improving the quality and timeliness of internal reporting Managing net debt Controlling corporate costs and operating expenditure against targeted levels in business plan Refinancing process commenced Extending bank facilities with the whole bonus then subject to an EBITDA underpin/multiplier The specific targets are considered to be commercially sensitive and will be retrospectively disclosed in next year's Annual Report to the extent that they are no longer considered to be commercially sensitive. Malus and clawback provisions apply in line with the Policy
Long-term incentive plan	Given the current low share price and the focus on achieving short-term objectives during the period of recovery, currently the Committee does not intend to make the normal annual grant of awards immediately following the annual results of up to 150% of base salary of the Executive Director

¹ In addition to Julie's salary, Julie will receive a one-off share award of ordinary shares of 20p each to reflect the additional responsibilities of being interim CEO with the Company meeting any income tax and National Insurance Contributions arising as a result of the making of such award. It is proposed that these shares will be transferred to Julie by Intertrust Employee Benefit Trustee Limited, the trustee of the Hostmore plc 2021 Employee Benefit Trust, from shares currently held by the Trust.

Non-Executive Director fees

The fees paid to the Non-Executive Directors for the period ended 1 January 2023 are summarised below:

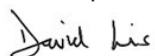
	Fee	
	2022	2021
Chairman of the Board	£150,000	£150,000
Non-Executive Director base fee ¹	£50,000	£50,000
Senior Independent Director	£20,000 ²	£20,000 ²
Chair of Board Committee (other than the Chairman of the Board)	£10,000 ³	£10,000 ³

¹ Despite being a Non-Executive Director, Stephen Welker does not receive the Non-Executive Director base fee. Instead, Stephen's expenses incurred in relation to travelling from the US to attend Board meetings are reimbursed by the Company.

² This is in addition to the Non-Executive Director base fee. This will be reduced to £10,000 once a Chairman is appointed who is considered to be independent under the UK Corporate Governance Code.

³ This is in addition to the Non-Executive Director base fee.

This report was approved on behalf of the Board of Directors on 28 April 2023.



David Lis

Chair of the Remuneration Committee

28 April 2023

Directors' Report

Introduction

The Directors present their report and audited financial statements for the 52-week period ended 1 January 2023. 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
Future business developments	Strategic Report – pages 2 to 48
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	Note 30 to the Financial Statements – pages 155 and 156
Exposure to price risk, credit risk, liquidity risk and cash flow risk	Page 43 of the Strategic Report and Note 30 to the Financial Statements
Section 172 Statement	Strategic Report – pages 28 to 33
Stakeholder engagement in key decisions	Strategic Report – pages 28 to 33
The Company's statement on corporate governance	Corporate Governance Report – pages 54 to 64
Directors' responsibility statement	Page 105
Directors' interests	Directors' Remuneration Report – pages 92 and 93
Details of long-term incentive schemes	Directors' Remuneration Report – pages 75, 80 and 81, 83 to 87, and 91 and 92

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 fully complies with the UK Corporate Governance Code, save in relation to: (i) the independence of the Chairman of the Board and the appointment process followed (which is explained further in the Corporate Governance Report on page 54); (ii) temporary exceptions concerning the compositions of the Audit and Risk Committee and Remuneration Committee (which were resolved following the Company's Annual General Meeting on 27 May 2022, as detailed on page 55); and (iii) as a result of both Louise Stonier and Jane Bednall retiring as independent Non-Executive Directors of the Company in December 2022, a temporary exception regarding the recommendation that at least half the Board, excluding the Chairman, should be Non-Executive Directors whom the board considers to be independent (which was resolved when Robert B. Cook stepped down as Chief Executive Officer and as a Director of the Company on 9 January 2023). Following the departures of Louise, Jane and Robert, the Company has commenced a search to appoint two independent Non-Executive Directors and a permanent Chief Executive Officer, who will also be an Executive Director, to the Board to ensure good governance and to accord with the recommendation of the UK Corporate Governance Code with regards

to the balance of the Board. Further details are set out on pages 54 and 55 of the Governance Report.

Directors

The Directors of the Company who were in office during the year are stated below with (each Director being in office for the full year unless otherwise stated):

- Neil Johnson (Non-Executive Chair until he retired from the Board on 27 May 2022)
- Gavin Manson (Non-Executive Director until he became Non-Executive Chairman on 27 May 2022)
- Robert B. Cook (Chief Executive Officer)
- Alan Clark (Chief Financial Officer)
- David Lis (Senior Independent Non-Executive Director)
- Jane Bednall (Independent Non-Executive Director until she retired from the Board on 19 December 2022)
- Andrew Blurton (Independent Non-Executive Director)
- Louise Stonier (Independent Non-Executive Director until she retired from the Board on 12 December 2022)
- Stephen Welker (Non-Executive Director appointed on 15 August 2022)

The biographies of the Directors in office as at the date of this Annual Report and Financial Statements are set out on pages 50 to 52 of the Corporate

Governance Report. Robert B. Cook resigned as Chief

Executive Officer and as a Director of the Company on 9 January 2023. There have been no other changes to the members of the Board since 1 January 2023 to the date of this report.

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. Subject to the Articles, the Directors may also 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 previous 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 on 13 October 2021. 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 authorities, 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' 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 reviews the 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 by the Company in 2021 indemnifying:

- (i) the then 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, has been in force since the 2021 financial year and remains in force.

Compensation for loss of Office on a takeover

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 Policy on page 86.

Results and Dividends

The results of the Group for the period ended 1 January 2023 are set out in the Consolidated Statement of Comprehensive Income on page 120. The financial position of the Group is disclosed in the Consolidated Statement of Financial Position

Directors' Report

continued

on pages 121 and 122. The financial position of the Company is disclosed in the Company Statement of Financial Position on page 158. The Directors are not proposing a dividend for the 52-week period ended 1 January 2023.

Review of Business

A review of the business can be found in the Strategic Report on pages 2 to 11.

Going Concern

The going concern statement and viability statement can be found in the Strategic Report on pages 39 to 41.

Political Donations

The Company did not make any political donations during the period ended 1 January 2023.

Research and Development

There was no expenditure on Research and Development during the period ended 1 January 2023.

Share Capital Structure

Details of the Company's share capital are set out in Note 28 to the Financial Statements. At 1 January 2023, 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) has

one vote, and on a poll every shareholder who is present in person or by proxy has 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 Ordinary shares.

No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority for Company to Purchase its own Shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase. At the Company's annual general meeting held on 27 May 2022, the Company's shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market up to a maximum number of 12,612,727 shares in the Company, representing 10% of its issued share capital at 27 May 2022, within normal guidelines. No market purchases were made under this authority during the period from the Company's annual general meeting on 27 May 2022 to the date of approval by the Board of this Report.

Significant Interests

At 1 January 2023, 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:

Name of shareholder	At 1 January 2023	
	Number of Ordinary shares of 20 pence each held	Percentage of total voting rights held
Witan Investment Trust plc	16,656,417	13.21
Fidelity International	13,866,200	10.99
First Equity Limited	8,850,000	7.02
Oryx International Growth Fund Limited	7,500,000	5.95
Edward J. Bramson	5,120,185	4.06
Crown Sigma UCITS	4,518,000	3.58
Stephen L. Welker	4,501,556	3.57

Notes:

* Edward J. Bramson held 5,120,185 Ordinary shares of 20 pence each in the Company at 1 January 2023, of which 205,993 were held in his own name and 4,914,192 were held in the name of Wykeham LLC of which Edward J. Bramson was and is the sole member.

** Stephen L. Welker held 4,501,556 Ordinary shares of 20 pence each in the Company at 1 January 2023, of which 249,374 were held in his own name and 4,252,182 were held in the name of Beechenbrook Holdings LLC, of which Stephen Welker was and is the sole member.

Since 1 January 2023 and up to 26 April 2023, the Company had also been notified that Harwood Capital LLP had an indirect interest of 7.18% (9,050,000 shares), of which 7,500,000 were held in the name of Oryx International Growth Fund Limited (5.95%) (as already shown in the table above) and 1,550,000 were held in the name of Rockwood Strategic plc (1.23%).

Employee Engagement

The Group seeks to provide employees with information on matters which may affect them as employees. The principal means by which this is achieved is via team meetings, operational national and regional meetings, less formal events (such as the 4th July, Thanksgiving and Christmas celebrations), site visits, webinars, the Group's intranet (including through its news feed) and e-mail systems, monthly business updates, 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 may affect their interests.

In the period ended 1 January 2023, Thursdays (UK) Limited, the company in the Group that employs almost the whole of the Group's workforce, partnered with Great Place to Work on an engagement survey and was accredited with being a "Great Place to Work". The survey consisted of 60 questions that focused on the employee/manager relationship, culture and values and an overall view of the business performance.

The Company implemented a long-term incentive plan which employees in the Group at restaurant general manager level and above 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, including those highlighted above. The Chief Executive Officer attends and, in her role as the independent NED for workforce engagement, Louise Stonier, the Chair of the Remuneration Committee, attended the Employee Forum meetings. During 2023 Karen Barnard, the People & Culture Director of the Group,* will provide updates on the Employee Forum to the Committee. 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. The opportunities for learning and career development have been strengthened by the launch of a new learning management system and the "Aspire" future leaders' programme.

* Note: Karen Barnard is not a statutory director of Hostmore plc or its subsidiaries.

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.

Equality, Diversity and Inclusion

We foster a fully inclusive culture and environment, where 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. In living these Values and Philosophies, we welcome and celebrate individuals of 'all stripes' which aligns with our "Show Your Stripes" media campaign.

Building on the Company's existing policies preventing discrimination, the Company is working on the introduction of a diversity and inclusion programme to be introduced in 2023, including a Diversity and Inclusion Committee and an aligned policy. Diversity and Inclusion questions were included in the 2022 Employee Engagement Survey in support of the launch of our Diversity and Inclusion agenda for 2023. In addition, each new starter is required to complete online Equality and Diversity training as part of their induction.

The Group 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.

Directors' Report

continued

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**

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 and further amended on each of 5 July 2022 and 20 September 2022. On 28 April 2023 the Borrower signed a bank facility restatement agreement with the Lenders.

Under the terms of this agreement, certain covenants in the previous facility agreement have been amended to align with the Group's two year forward forecasts. Pursuant to the agreement, the Lenders make certain banking facilities available to the Borrower. 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 for TGI Fridays casual dining restaurants**

The development agreement dated 2 November 2021 amongst TGI Fridays Franchisor, LLC (as Franchisor), Thursdays (UK) Limited (as Developer) and the Company (as Principal), as amended on 2 March 2023. 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 Franchisor'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 Franchisor's prior written consent, which the Franchisor 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 Franchisor 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.

- **Franchise agreements for TGI Fridays casual dining restaurants**

TGI Fridays Franchisor, LLC (as Franchisor), 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 TGI 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 Franchisor'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 Franchisor'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.

- **Letter agreement for Fridays and Go quick service / fast casual restaurants**

The letter agreement dated 27 May 2022 between TGI Fridays Franchisor, LLC (Fridays) and Thursdays (UK) Limited (as Franchisee). Pursuant to the letter agreement, the Franchisee is granted the exclusive right to develop and operate Fridays and Go 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 letter agreement provides that Fridays will neither develop or operate, nor authorise any other person to develop or operate, Fridays and Go restaurants (or similar restaurants) in the Territory until the development agreement (referenced above) expires or is terminated. Consequently, where there is a change of control of the Company which results in the development agreement being terminated, Fridays could develop or operate, or authorise any other person to develop or operate, Fridays and Go restaurants (or similar restaurants) in the Territory.

The letter agreement states that the term of the letter agreement will expire on the last day of the term of the development agreement, unless (amongst other things) the development agreement is terminated in accordance with its terms in which case the term of the letter agreement shall expire on such date. Consequently, where there is a change of control of the Company which results in the development agreement being terminated, the letter agreement will expire on such date. The termination or expiry of the letter agreement could have various consequences for the Franchisee, including, without limitation, the Franchisee having no further right to develop Fridays and Go restaurants in the Territory.

The letter agreement states that Fridays shall be entitled to terminate the letter agreement for any material breach by the Franchisee if such breach is not remedied within the relevant period set out in the letter agreement. The termination of any Fridays and Go franchise agreement (as described below) will not constitute a material breach of the letter agreement, unless, amongst other things, the termination of the relevant Fridays and Go franchise agreement occurs before the date upon which Franchisee is operating five Fridays and Go restaurants. A change of control of the Company which constitutes a "Transfer" to a "Non-Permitted Transferee" or which does not otherwise comply with the "Transfer" requirements detailed in a Fridays and Go franchise agreement could result in such Fridays and Go franchise agreement being terminated, which could, in turn, lead to the letter agreement being terminated if, at the relevant time, the Franchisee is operating fewer than five Fridays and Go restaurants. At the date of this Annual Report and Financial Statements, the Franchisee is operating one Fridays and Go restaurant.

- **Franchise agreements for Fridays and Go quick service / fast casual restaurants**

TGI Fridays Franchisor, LLC (as Franchisor), Thursdays (UK) Limited (as Franchisee) and the Company (as Principal) are, pursuant to the letter agreement described above, required to enter into a separate Fridays and Go franchise agreement upon the opening of and in respect of carrying on business in each of the Fridays and Go restaurants in the Territory. Each Fridays and Go franchise agreement is based on the standard Fridays and Go franchise agreement and places various obligations on the Principal.

Each Fridays and Go franchise agreement states that, provided certain requirements detailed in the development agreement and the relevant Fridays and

Directors' Report

continued

Go 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 Franchisor'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 (although this is defined differently from the franchise agreement for the TGI Fridays restaurants) 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).

In each Fridays and Go franchise agreement the terms relating to the prohibition on Transfers that are not "Permitted Transfers" without the Franchisor's consent, the potential consequences of any Transfer that occurs other than as permitted in accordance with the relevant provisions of the relevant Fridays and Go 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.

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 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.

2023 AGM

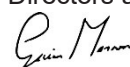
The Annual General Meeting will be held on 7 June 2023. The Notice of Annual General Meeting is contained in a separate letter from the Chairman accompanying this report, together with details of the business to be considered and explanatory notes for each resolution. A copy of the Notice is also available on the Company's website.

Post Balance Sheet Events

Robert B. Cook resigned from the Board on 9 January 2023, details of which are summarised on pages 13 and 92. On 2 March 2023, the development agreement dated 2 November 2021 referred to on page 102 was amended to, amongst other things, extend the term of the agreement until 31 December 2026 and defer the requirement for the Developer to open any new restaurants during each of the years ending 31 December 2023 and 31 December 2024. In addition, on 28 April 2023, the parties to the facilities agreement referred to on page 102 and in note 26 to the financial statements signed a bank facility restatement agreement. Under the terms of this agreement, amongst other matters, certain covenants in the previous facility agreement have been amended to align with the Company's updated business plan. There have been no other material post balance sheet events involving the Company or any of the Company's subsidiaries since the year end to the date of this report.

The Strategic Report on pages 2 to 48 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:



Gavin Manson
Chairman
28 April 2023

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 UK-adopted international accounting standards 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).

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 UK-adopted international accounting standards 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 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 UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
 - they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.
- The statement of Directors' responsibilities in respect of the financial statements was approved by the Board of Directors and signed on its behalf by:



Gavin Manson

Chairman



Alan Clark

Chief Financial Officer

28 April 2023

for the 52 weeks ended 1 January 2023





Consolidated Financial Statements

Calculation of key performance indicators and alternative performance measures	108
Independent auditor's report	111
Consolidated statement of comprehensive income	120
Consolidated statement of financial position	121
Consolidated statement of changes in equity	123
Consolidated statement of cash flows	125
Notes to the consolidated financial statements	126
Company statement of financial position	158
Company statement of changes in equity	159
Notes to the Company financial statements	160

Consolidated Financial Statements

for the 52 weeks ended 1 January 2023

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. 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.

Sales

Like-for-like ("LFL") sales measure the performance of the Group on a consistent year-on-year basis. The table below includes sites that were open for all of 2021 for comparability and separately includes sites opened since 2021 or subsequently disposed of.

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
LFL sales	189,087	154,987
Additions since January 2021	6,422	2,516
Disposals since January 2021	359	1,129
Deferred revenue provisions	(148)	362
Total	195,720	158,994

EBITDA

EBITDA is the Group's earnings before interest and bank arrangement fees, tax, depreciation, amortisation, impairment and share based payment charges.

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Loss before tax	(104,345)	(2,549)
Depreciation	20,339	22,339
Net interest and bank arrangement fees	12,478	13,597
Net impairment of property, plant and equipment and right of use assets	31,179	1,019
Impairment of goodwill	70,858	–
Share based payment charge	581	78
EBITDA	31,090	34,484

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, increasing the loss before tax as previously reported from £1,584k to £2,549k.

Calculation of key performance indicators and alternative performance measures continued

EBITDA FRS102

EBITDA FRS102 is the Group's EBITDA under IFRS, adjusted for rent paid to lessors and rent received from subleases.

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Loss before tax	(104,345)	(2,549)
Depreciation	20,339	22,339
Net interest and bank arrangement fees	12,478	13,597
Net impairment of property, plant and equipment and right of use assets	31,179	1,019
Impairment of goodwill	70,858	–
Share based payment charge	581	78
EBITDA	31,090	34,484
Less: Rent paid	(19,931)	(21,669)
Add: Sublease income	101	231
EBITDA FRS102	11,260	13,046

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, decreasing EBITDA from £35,449k to £34,484k and decreasing EBITDA (FRS102) from £14,011k to £13,046.

Free cash flow

Free cash flow is the cashflow from operating activities for the period, adjusted for working capital movements, rental income from sub-leases, corporation tax and maintenance capex.

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Cashflow from operating activities	28,800	29,658
Change in working capital	(8,070)	1,931
Rental income from subleases	105	337
Corporation taxes (paid)/recovered	(857)	978
Cash generated from operations	19,978	32,904
Maintenance capex	(3,496)	(1,929)
Free cash flow	16,482	30,975

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, reducing cashflow from operating activities as previously reported of £30,623k to £29,658k.

Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Calculation of key performance indicators and alternative performance measures continued

Net debt

Net debt, calculated in accordance with IFRS16, is the Group's long-term borrowings (excluding issue costs) and lease liabilities less cash and cash equivalents at each period end.

	1 January 2023 £'000	2 January 2022 £'000
Gross bank loans and borrowings	(36,800)	(44,299)
Lease liabilities	(148,555)	(150,994)
Cash & cash equivalents	9,091	32,080
Net debt	(176,264)	(163,213)

% Cash conversion

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

	1 January 2023 £'000	* Restated 2 January 2022 £'000
Free cash flow	16,482	30,975
EBITDA	31,090	34,484
% Cash conversion	53%	90%

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, decreasing EBITDA as previously reported from £35,449k to £34,484k.

Return on capital employed (ROCE)

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

	1 January 2023 £'000	* Restated 2 January 2022 £'000
EBITDA	31,090	34,484
Total assets less current liabilities	188,113	292,367
ROCE	17%	12%

* Refer to note 6 to the financial statements. In the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from £8,121k to £9,086k, decreasing both EBITDA as previously reported from £35,449k to £34,484k and total assets less current liabilities from £293,332k to £292,367k.

Independent Auditor's Report

Independent auditors' report to the members of Hostmore plc

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 1 January 2023 and of the group's loss and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions 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, including 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 statement of financial position as at 1 January 2023; 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 of the company.

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 12, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 4.2 to the financial statements concerning the group's and the company's ability to continue as a going concern. Based on the Directors' forecasts, under a severe but plausible downside scenario, the Group is forecast to breach the monthly cumulative EBITDA covenant and the Net debt to EBITDA ratio covenant within 12 months from the date of approval of the financial statements, due to the possible impact of reduced demand following significant energy and cost of food inflation, which would make the loans repayable on demand. In addition, in the severe but plausible model, there is uncertainty over the adequacy of liquidity within 12 months from the date of approval of the financial statements. These conditions, along with the other matters explained in note 4.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern.

Independent Auditor's Report continued

The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's 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' 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.
- engaging with internal specialists to assess the reasonableness of assumptions used in the base case scenario;
- obtaining and inspecting the loan agreement and subsequent revised terms agreed to ensure the latest terms and covenants were fully reflected in management's assessment.
- obtaining and inspecting the amendment to the franchisor agreement to allow the group to not open any new restaurants in the period;
- considering the extent to which the group's and company's future cash flows might be adversely affected by economic environment and geo-political impacts; reviewing management's cash flow forecasts, assessing the existing sources of finance, and considering the overall impact of liquidity;
- ensuring 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;
- observing that climate change is expected to have a limited impact during the period of the going concern assessment;
- considering the adequacy of the disclosures in the financial statements.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, other than the material uncertainty identified in note 4.2 to the financial statements, 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, or in respect of the directors' identification in the financial statements of any other material uncertainties to the group's and the 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.

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

Our audit approach

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

- Material uncertainty related to going concern
- Valuation of Property, plant and equipment and Right of use assets (group)
- Valuation of Goodwill (group)
- Recoverability of the company's investments in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £1,210,000 based on 0.75% of three year average of total consolidated revenues.
- Overall company materiality: £1,800,000 based on 1% of total company assets (capped at 90% of group materiality for the purposes of our group audit).
- Performance materiality: £907,500 (group) and £1,359,000 (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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of Property, plant and equipment and Right of use assets (group)</i></p> <p>The group has non-current assets that include: • PP&E – £36.1m • ROU assets – £94.6m. As set out in Note 4.13, Note 5, Note 18 and Note 19 management have outlined their considerations of impairment indicators as well as their definitions of a CGU. As the geo-political events in the current period have had a significant impact on the performance of the restaurants in the period this is 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.</p>	<p>We obtained management's impairment assessment and ensured the calculations were mathematically accurate.</p> <p>We challenged the key assumptions used within the model to which the value was most sensitive, including the discount rate, the cash flows for 2023, future revenue growth and inflation on both revenue and costs.</p> <p>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.</p> <p>We considered the adequacy of management's disclosure in respect of the impairment recorded and the key sensitivities in their estimates.</p> <p>Based on the work performed, as summarised above, we concluded that the carrying value of the individual site assets is materially correct after the impairment charges recorded.</p>

Independent Auditor's Report *continued*

<p><i>Valuation of Goodwill (group)</i></p> <p>The group has impaired the Goodwill balance of £146m by £70.9m in the period. As set out in Note 4.14, Note 5, and Note 21 management has outlined their considerations of impairment indicators as well as their definition of group CGUs to be assessed. There is an indicator of impairment in relation to goodwill, in respect of the market capitalisation of the company as well as the performance of the business in the current period. Management has performed a value in use calculation to assess the recoverability of the goodwill based on the entire group. This involves several key estimates in relation to management's assumptions used, including the cash flows for FY23, the discount rate and the future cash flows.</p>	<p>We obtained management's impairment assessment and ensured the calculations were mathematically accurate.</p> <p>We challenged the key assumptions used within the model to which the value was most sensitive, including the discount rate, the cash flows for 2023, future revenue growth and inflation of revenue and costs.</p> <p>We obtained supporting evidence for those assumptions.</p> <p>We compared the forecast used for the impairment test to the latest Board-approved plans.</p> <p>We have obtained and inspected third party industry reports, addressed forecast accuracy and recent results to determine the validity of the forecasts.</p> <p>We have considered the gap between the enterprise value and compared this against the value in use model provided.</p> <p>We considered the adequacy of management's disclosure in respect of the impairment recorded and the key sensitivities in their estimates.</p> <p>Based on the work performed, as summarised above, we concluded that the carrying value of the Goodwill is materially correct after the impairment charges recorded.</p>
<p><i>Recoverability of the company's investments in subsidiary undertakings (parent)</i></p> <p>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 1 January 2023. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiary undertakings 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 Friday's brand, owned by the subsidiary Thursdays (UK) Limited. The carrying value of the investment is supported by the recoverable amount which is calculated using the value in use basis.</p>	<p>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 1 January 2023.</p> <p>We have concluded that there is no impairment required.</p>

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.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

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
<i>Overall materiality</i>	£1,210,000.	£1,800,000.
<i>How we determined it</i>	0.75% of three year average of total consolidated revenues	1% of total company assets (capped at 90% of group materiality for the purposes of our group audit)
<i>Rationale for benchmark applied</i>	A revenue benchmark has been considered an appropriate measure due to a relatively high fixed cost base of the business and the focus of the group to increase footfall into the sites. 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 £907,500 for the group financial statements and £1,359,000 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.

Independent Auditor's Report continued

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £61,000 (group audit) and £61,000 (company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 1 January 2023 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 Report on Remuneration 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, except for the matters reported in the section headed 'Material uncertainty related to going concern', 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 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 and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' processes 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 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.

Independent Auditor's Report continued

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 Company 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 members 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 Report on Remuneration 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 year ended 2 January 2022 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 2 January 2022 to 1 January 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



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

28 April 2023

Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Consolidated statement of comprehensive income for the 52 week period ended 1 January 2023

	Note	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Revenue	7	195,720	158,994
Cost of sales		(45,103)	(31,256)
Gross profit		150,617	127,738
Underlying administrative expenses		(141,152)	(121,773)
Exceptional items*	11	(70,858)	(9,086)
Administrative expenses	6	(212,010)	(130,859)
Impairment reversal of property, plant and equipment and right of use assets	18, 19	5,712	–
Impairment of property, plant and equipment and right of use assets**	18, 19	(36,891)	(1,019)
Other operating income	9	705	15,188
(Loss)/profit from operations	10	(91,867)	11,048
Finance income	15	78	6
Finance expense	15	(12,556)	(13,603)
Loss before tax		(104,345)	(2,549)
Tax credit	16	6,801	1,017
Loss for the period		(97,544)	(1,532)
Total comprehensive expense		(97,544)	(1,532)

* Refer to note 6 for further details.

** In prior periods, impairment of property, plant and equipment and right of use assets were disclosed as part of administrative expenses but are now disclosed separately to provide greater analysis of trading operations.

All operations are continuing operations.

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

	Note	52 weeks ended 1 January 2023	* Restated 53 weeks ended 2 January 2022
(Loss)/earnings per share in pence			
Basic loss per share*	17	(77.8)	(1.3)
Diluted loss per share*	17	(77.8)	(1.3)
Adjusted basic earnings per share*	17	3.6	7.2
Adjusted diluted earnings per share*	17	3.6	7.2

* Refer to note 6 for further details.

Adjusted basic and diluted earnings per share excludes impairments and exceptional items.

Consolidated statement of financial position at 1 January 2023

	Note	1 January 2023 £'000	* Restated 2 January 2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	18	36,140	42,781
Right of use assets	19	94,568	116,388
Goodwill	21	75,121	145,979
Net investment in subleases	20	95	106
Deferred tax assets	16	12,801	6,192
Total non-current assets		218,725	311,446
Current assets			
Inventories	22	1,464	1,489
Trade and other receivables*	23	6,285	3,870
Current tax assets		740	–
Net investment in subleases	20	12	98
Cash and cash equivalents		9,091	32,080
Total current assets		17,592	37,537
Total assets		236,317	348,983
Liabilities			
Non-current liabilities			
Loans and borrowings	26	23,146	33,931
Lease liabilities	20	133,261	131,980
Provisions	27	5,143	2,430
Total non-current liabilities		161,550	168,341
Current liabilities			
Trade and other payables*	24	18,136	26,033
Contract liabilities	25	1,004	1,024
Current tax liabilities		–	309
Loans and borrowings	26	13,295	9,491
Lease liabilities	20	15,294	19,014
Provisions	27	475	745
Total current liabilities		48,204	56,616
Total liabilities		209,754	224,957
Net current liabilities		(30,612)	(19,079)
Net assets		26,563	124,026

* Refer to note 6 for further details.

Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Consolidated statement of financial position at 1 January 2023 *continued*

	Note	1 January 2023 £'000	* Restated 2 January 2022 £'000
Issued capital and reserves attributable to owners of the Company			
Share capital	28	25,225	25,225
Share premium reserve		14,583	14,583
Merger reserve		(181,180)	(181,180)
Share based payment reserve		634	53
Retained earnings*		167,301	265,345
Total equity		26,563	124,026

* Refer to note 6 for further details.

The notes on pages 126 to 157 form part of these financial statements.

The financial statements on pages 120 to 157 were approved and authorised for issue by the Board of Directors on 28 April 2023 and were signed on its behalf by:



Gavin Manson
Chairman



Alan Clark
Chief Financial Officer

Consolidated statement of changes in equity for the 52 week period ended 1 January 2023

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 28 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)
Correction of error*	–	–	–	–	(965)	(965)
Total comprehensive expense for the period (restated)	–	–	–	–	(1,532)	(1,532)
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 extinguishing 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 incentives	–	–	–	(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 (restated)*	25,225	14,583	(181,180)	53	265,345	124,026

* Refer to note 6 for further details.

Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Consolidated statement of changes in equity for the 52 week period ended 1 January 2023 *continued*

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 3 January 2022 (restated)	25,225	14,583	(181,180)	53	265,345	124,026
Comprehensive expense for the period						
Loss for the period	–	–	–	–	(97,544)	(97,544)
Total comprehensive expense for the period	–	–	–	–	(97,544)	(97,544)
Contributions by and distributions to owners						
Share purchases by EBT	–	–	–	–	(500)	(500)
Share based payment charge	–	–	–	581	–	581
Total contributions by and distributions to owners	–	–	–	581	(500)	81
At 1 January 2023	25,225	14,583	(181,180)	634	167,301	26,563

Consolidated statement of cash flows for the 52 week period ended 1 January 2023

		52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
	Note		
Cash flows from operating activities*	31	28,800	29,658
Movements in working capital:			
(Increase)/decrease in trade and other receivables	23	(2,415)	2,711
Decrease/(increase) in inventories	22	25	(787)
(Decrease)/increase in trade and other payables*	24	(8,071)	163
Increase/(decrease) in provisions and employee benefits		2,391	(156)
Cash generated from operations		20,730	31,589
Corporation taxes (paid)/recovered		(857)	978
Rental income from finance subleases	20	105	337
Net cash from operating activities		19,978	32,904
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,311)	(4,075)
Interest received		70	-
Net cash used in investing activities		(10,241)	(4,075)
Cash flows from financing activities			
Repayment of bank borrowings		(18,000)	(26,500)
Payment of loan arrangement fees		-	(816)
Receipt of bank borrowings		10,500	5,000
Interest paid on bank borrowings		(2,291)	(1,751)
Proceeds from share issue		-	13,094
Share purchases by EBT		(500)	-
Payment of lease liabilities		(22,435)	(22,977)
Net cash used in financing activities		(32,726)	(33,950)
Net cash decrease in cash and cash equivalents		(22,989)	(5,121)
Cash and cash equivalents at the beginning of period		32,080	37,201
Cash and cash equivalents at the end of the period		9,091	32,080

* Refer to note 6 for further details.

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023

1. Reporting entity

Hostmore plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom. 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 transitioned to UK-adopted international accounting standards with effect from 3 January 2022.

The Group reports its results for the 52 week or 53 week period ending on the nearest Sunday to 31 December. The results for 2022 are for the 52 weeks that ended 1 January 2023 and those for 2021 are for 53 weeks ended 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 in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments.

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 37, 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.

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 1 January 2023 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 1 January 2023. There is no material impact on the Group in relation to new standards, amendments and interpretations that have been announced, for the current and future reporting periods.

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 ("£'000"), 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 its respective subsidiaries following implementation of a group reorganisation.

The financial statements have been prepared in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments.

Accounting policies have been applied consistently.

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings. The results of subsidiary undertakings are included in the consolidated statement of comprehensive income 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.

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. The impact on consumer confidence of the rapidly increasing inflationary pressures arising from the Russian invasion of Ukraine in February 2022, together with increases in interest rates, adversely affected the nature of the market in which the Group operates. Having started 2022 well, Hostmore's market became more challenging during the year in terms of gaining new customers, despite a continuing improvement in product quality. The Board responded proactively to these changes. The Group's capital allocation policy was re-set to focus primarily on delivering improved performance from the core TGI Fridays estate, with substantial improvements to marketing, operating effectiveness, and site management. The Board also negotiated an amendment to the development agreement with the brand's US franchisor, resulting in no new site openings being required during the two years ending 31 December 2023 and 31 December 2024. These actions will result in an immediate improvement in net cash generation by the Group. These actions have also been complemented by a major cost reduction programme and resultant debt repayment programme, all of which are reflected in the Group's forecasts for FY 2023 and 2024.

The Group has prepared forecasts of the expected position for the next 15 months from the date of approval of these financial statements, which includes a severe but plausible downside scenario. Due to an anticipated breach of covenants at the end of March 2023, the banking facilities available to the Group and the Company have been revised. These changes involve an extension of the term from 1 October 2024 to 1 January 2025, a reduction in the size of the revolving credit facility by £8.5m, a reduction in the minimum liquidity required to be maintained by the Group by £11.0m, as well as revised adjusted leverage and EBITDA requirements and a new covenant of monthly EBITDA performance, referred to in more detail in note 26. The restated facility also waives the previous fixed charge cover covenant. Under the restated facility, the Group will provide increased reporting to the banks, confirmation that no new restaurant openings will be actioned during the term of the facility in line with the amended development agreement with the brand's franchisor (resulting in no new site openings being required during the two years ending 31 December 2024 ensures that capital expenditure has been further reduced), and confirmation that the Group will seek to refinance the bank facility during 2023 with this being internally scheduled to be undertaken during the third quarter of 2023. Having already successfully implemented

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

a range of revenue initiatives and a substantial reduction in central costs, the Board is confident that these actions will create the basis for an improvement in cash generation as the trading environment improves.

The severe but plausible downside scenario assesses the position in a severely depressed trading environment and worsening of performance by the Group's restaurants, with limited recovery in the second half of 2023 from the factors that affected performance in 2022 and the first four months of 2023. This includes, amongst other assumptions, a reduction in covers on prior year regardless of the opening of five new stores in FY22, and a materially slower growth expectation from the stores opened in FY22. These scenarios are based on the business plan of the Group but apply a downturn in trading of its restaurants for the remainder of 2023 and into 2024, with a worsening profit conversion and cash generation of the Group. As a result, they also model the impact this would have on the covenant calculations of the Group.

In the Group's forecasts, the Group has sufficient liquidity from its restated facilities to finance its operations for the next fifteen months to the end of July 2024, including the requisite compliance by the Group with its banking covenants and debt amortisation as it comes due under those facilities. In the severe but plausible downside case, the Group has forecast a potential covenant breach in the third quarter of 2023 and a restricted liquidity position in the first quarter of 2024. In such a downside scenario without corrective action by the Board, or the ongoing support of the lending banks, there would be a breach of covenants resulting in the loans being repayable on demand, creating a material uncertainty about the Group's and the Company's ability to continue as a going concern. This in turn would affect the ability of the Group and the Company to continue realising its assets and discharging its liabilities in the normal course of business.

The Directors are confident that the business will continue to trade for a period of at least 15 months following the signing of these financial statements and therefore that it is appropriate to prepare these financial statements on a going concern basis. The Directors have continued to adopt the going concern basis in preparing these financial statements, and the financial statements do not include 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.

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 cash generating unit ("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.

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 three streams, dine-in, delivery, drive to and other revenue.

(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 TGI 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.

For customers enrolled in the Group loyalty scheme, an additional performance obligation is the promise to redeem loyalty points for these purchases which entitle customers to discounts on future purchases.

2. Payments are made fully in cash or credit card at the time of 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) Delivery revenue

The Group has a single performance obligation which is the sale of food and drinks through third-party delivery partners. 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 consolidated statement of comprehensive income.

(iii) Drive to revenue

The Group has a single performance obligation which is the sale of food and drinks through click and collect where customers place their orders directly with TGI Fridays and Fridays and Go. The sale of food and drinks is recognised in the point at which customers collect their orders.

(iv) Other revenue

Revenue from gift card vouchers is recognised when the gift vouchers expire 18 months after their sale. The customers' deposits are recognised as other revenue when the customers fail to cancel and honour their restaurant bookings.

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 their sale. Commission paid to third parties on sale of gift cards is recognised as an asset and recognised in the consolidated statement of comprehensive income as a revenue offset when the gift card is redeemed or expires.

4.5 Leases

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 lessee

The principal leasing activity of the Group is the leasing of property for the operation of restaurants.

- A lease liability is measured at the present value 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. Any variable payments that are based on an index or a rate, are initially measured using the index or rate at the commencement date.
- A right-of-use (RoU) asset is measured at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments, and net of any dilapidations and onerous lease provisions.
- The Group does not recognise leases with remaining term of 12 months or less or where the underlying asset is considered of low value.

Subsequent to initial measurement, lease liabilities are reduced for lease payments made and increase as a result of interest charged at a constant rate on the balance outstanding. 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

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

lease liability using a revised discount rate. RoU 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 RoU asset, with the revised carrying amount being amortised over the remaining revised lease term.

(ii) 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.

(iii) 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 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.

4.6 Borrowing costs

Borrowing costs comprise of interest payable on bank borrowings expensed in the period in which is incurred, and loan arrangement fees amortised over the term of the facility.

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 consolidated statement of comprehensive income on a systematic basis over the period in which the Group recognises as an 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 is recognised in the consolidated statement of comprehensive income in the period in which it becomes receivable.

4.8 Employee benefits

A liability is recognised for short-term and long-term employee 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 employees 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 consolidated

statement of financial position. The assets of the plans are held separately from the Group in independently administered funds.

4.10 Share based payments

Equity-settled share based payment charges 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 29.

The fair value determined at the grant date of equity-settled share based payment charges is expensed on a straight-line basis over the vesting period, based on managements' 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 the consolidated statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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 the consolidated statement of comprehensive income for the period.

4.11 Tax

Income tax expense represents the current 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) Current and deferred tax for the period

Current and deferred tax are recognised in the consolidated statement of comprehensive income, 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.

(iii) 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. Deferred tax assets are not discounted.

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

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

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 deferred tax assets and liabilities.

4.12 Earnings per share

The Group complies with the IAS 33 requirement of a publicly listed company in presenting earnings per share ("EPS") in the financial statements. These financial statements contain basic EPS, adjusted EPS, diluted EPS and adjusted diluted EPS, in-line with accounting standards. Adjusted EPS and adjusted diluted EPS are calculated using profit before tax adjusted for exceptional items and impairment. The calculation of diluted EPS and adjusted diluted EPS does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on EPS 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, they are accounted for as separate major components of property, plant and equipment. Any gain or loss on disposal of property, plant and equipment is recognised in the consolidated statement of comprehensive income. Subsequent expenditure is capitalised only if it is probable that 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. Depreciation is provided at the following annual rates:

Leasehold property improvements	Leasehold term
Plant and machinery	3 – 8 years depending on nature of asset
Fixtures and fittings	4 – 20 years depending on nature of asset

4.14 Impairment of tangible and intangible assets other than goodwill

At each reporting date, the Group assesses whether an item of property, plant and equipment is impaired. Each restaurant is considered to be a separate CGU of 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.

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 and credited to the consolidated statement of comprehensive income. The reversal is allocated to the CGU's assets on a pro-rata basis. The carrying amount of an individual asset is not increased above the higher of its recoverable amount or its historical depreciated cost.

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 consolidated statement of financial position when the Group 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. These estimates of cost to settle are reviewed annually and based on readily available information and past transactions of this nature. The evaluation is based on current leased end dates and management have estimated a proportion of leases will be extended based on expected profitability of those leases.

4.17 Financial instruments

On initial recognition as a financial asset, the Group classifies the component parts of financial instruments as 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 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. 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 date.

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.

5. Critical accounting estimates and judgements

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

5.1 Judgements

Goodwill

The Group does not allocate goodwill to individual CGUs. This is because 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. This includes TGI Fridays, 63rd+1st and Fridays and Go.

Lease term

Several leases of restaurant properties contain extension options or break clauses. The non-cancellable period and enforceable period are both considered to be the lease term in the contract in place at the period end, including leases which have been extended.

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

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Deferred tax asset

The Group has recognised £12,801k (2021: £6,192k) deferred tax assets based on all deductible temporary differences on the basis that there will be future taxable profits available. The Group has projected profits for the next 48 months for the purposes of this assessment, consistent with the projections used for impairment assessment, and has ascertained, that the deferred tax assets recognised will be utilised within the next 12 years at the longest.

5.2 Estimates and assumptions

Goodwill

The Group tests all cash generating units ("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 value-in-use calculations are based on future projected cashflows of the operating business, over the life of the leases, with management assuming profitable stores' leases will be extended and therefore projected into perpetuity, discounted back using a pre-tax discount rate of 15.8%.

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.

Impairment

The Group performs an impairment assessment at the end of each reporting period. For this purpose, each restaurant in the Group is considered a separate CGU. An impairment charge is recognised where the recoverable amount is less than the carrying value of the RoU assets of the CGU. The recoverable amount is based on value-in-use calculations, using discounted forecasted cashflows and each restaurant's ability to cover its costs, including an allocation of central overheads, marketing and maintenance standards of assets. An impairment charge is not recognised where the assets have been trading for less than 12 months at the reporting date.

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 budget of performance for 2023, significantly risked from the target 2023 budget, and the business plan growth rate for the next two years, applying a long-term growth rate of 2%.

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. A pre-tax discount rate of 14.2% (2021: 11.7%) has been applied in the value-in-use calculations.

6. Prior period restatement

The Company has restated prior period administrative expenses (exceptional costs) associated with the listing of the Company's ordinary shares on the London Stock Exchange, by increasing this amount by £965k within administrative expenses. The restatement was due to a late invoice not being accrued for at the prior period end. Additionally, other receivables of £1,709k relating to VAT on property rent demands have been reclassified, of these £937k remained unpaid and have therefore been reclassified as a deduction to trade payables. The paid proportion of £772k that will be settled with the VAT payable, has been reclassified as a deduction to tax and social security. Finally, in prior period, impairment of property, plant and equipment and right of use assets were disclosed as part of administrative expenses, with these being now disclosed separately for clarity of disclosure, constituting only a change in presentation.

This reclassification has no effect on net assets of the Group at 2 January 2022. The under accrual and reclassification has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	Previously reported 53 weeks ended 2 January 2022 £'000	Inclusion of under accrual £'000	* Restated 53 weeks ended 2 January 2022 £'000
Consolidated statement of comprehensive income (extract)			
Administrative expenses (excluding impairment of property, plant and equipment and right of use assets)	(129,894)	(965)	(130,859)
Impairment of property, plant and equipment and right of use assets	(1,019)	–	(1,019)
Administrative expenses (including impairment of property, plant and equipment and right of use assets)	(130,913)	(965)	(131,878)
Profit from operations	12,013	(965)	11,048
Finance income	6	–	6
Finance expense	(13,603)	–	(13,603)
Loss before tax	(1,584)	(965)	(2,549)
Tax credit	1,017	–	1,017
Loss for the period	(567)	(965)	(1,532)

	Previously reported 53 weeks ended 2 January 2022 £'000	Inclusion of under accrual £'000	* Restated 53 weeks ended 2 January 2022 £'000
Consolidated statement of comprehensive income (extract)			
Basic loss per share (pence)	(0.5)	(0.8)	(1.3)

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Consolidated statement of financial position (extract)	Previously reported 2 January 2022 £'000	Inclusion of under accrual £'000	Inclusion of other receivables reclassification £'000	* Restated 2 January 2022 £'000
Trade and other receivables	5,579	–	(1,709)	3,870
Total current assets	39,246	–	(1,709)	37,537
Total assets	350,692	–	(1,709)	348,983
Trade and other payables	26,777	965	(1,709)	26,033
Total current liabilities	57,360	965	(1,709)	56,616
Total liabilities	225,701	965	(1,709)	224,957
Net current liabilities	(18,114)	(965)	–	(19,079)
Net assets	124,991	(965)	–	124,026

Consolidated statement of cash flows (extract)	Previously reported 53 weeks ended 2 January 2022 £'000	Inclusion of under accrual £'000	Inclusion of other receivables reclassification £'000	* Restated 53 weeks ended 2 January 2022 £'000
Cash flows from operating activities	30,623	(965)	–	29,658
Movement in working capital				
Decrease in trade and other receivables	1,002	–	1,709	2,711
Increase in trade and other payables	907	965	(1,709)	163

7. Revenue

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

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Dine-in revenue	187,190	139,497
Delivery revenue	6,610	11,414
Drive to revenue	1,834	7,720
Other revenue	86	363
Total revenue	195,720	158,994

* In the 53 week period ended 2 January 2022, dine-out revenue of £19,134k was reallocated into delivery and drive to revenue, as reported above, to align revenue disclosure in this note with the Group's three main sources of revenue.

Delivery revenue includes revenue where customers place their orders through third party delivery service, such as Deliveroo, Just Eats and Uber Eats.

Drive to revenue includes revenue from click and collect takeaway service where customers place their orders directly with TGI Fridays and Fridays and Go.

All revenue was generated in the UK and Jersey.

8. Segment information

The Group's reportable segments are all under the TGI Fridays brand. 63rd+1st and Fridays and Go, which was launched within the 52 week period ended 1 January 2023 as a trading brand, is aggregated with TGI Fridays within internal reporting and is therefore not a separate reportable segment under IFRS 8 (Operating Segments). 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 Group and site-by-site level. These sites share similar economic characteristics and are corporately under the TGI Fridays licensed branding and meet the aggregation criteria under IFRS 8 paragraph 12.

9. Other operating income

Included within other operating income is rental income from sub-leasing of properties under operating leases and Government grants received such as the Coronavirus Job Retention Scheme as well as various hospitality related grants. There are no unfulfilled conditions or contingencies relating to these Government grant receipts.

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Covid-19 related Government grants	552	14,941
Net rents receivable	153	247
Total other operating income	705	15,188

10. (Loss)/profit from operations

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

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Share based payment charges	(581)	(78)
Rent on leases of low value assets	(711)	(661)
Variable lease payments not included in the measurement of lease liabilities	(629)	(320)
Depreciation of property, plant and equipment and right of use assets	(20,339)	(22,339)
Impairment reversal of property, plant and equipment and right of use assets	5,712	–
Impairment of property, plant and equipment and right of use assets	(36,891)	(1,019)
Exceptional items (see note 11)	(70,858)	(9,086)

* In the 53 week period ended 2 January 2022, exceptional items have been increased by £965k from previously reported of £8,121k to £9,086k. Further details are included in note 6.

The (loss) / profit from operations is stated at after crediting:

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Covid-19 related rent concessions	2,290	4,210
Finance income on the net investment in finance leases	8	28

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

11. Exceptional items

Exceptional items are those items that, by virtue of their unusual nature or size, warrant separate, additional disclosure in the financial statements to fairly assess the underlying performance of the Group.

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

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Costs associated with the listing of Hostmore's shares on the London Stock Exchange	–	9,086
Impairment of goodwill	70,858	–
	70,858	9,086

* Further to note 6, in the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from previously reported of £8,121k to £9,086k.

12. Auditors' remuneration

During the period, the Group recognised the following payable to its auditors:

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Fees payable to the Group's auditors for the audit of the Group's and subsidiaries' financial statements	253	200
Assurance related services	49	4
Reporting Accountant for listing process	–	607

During the 52 week period ended 1 January 2023, the Group's auditors provided non-audit services at a cost of £45k in respect of the Company's half year review, as required under the Disclosure and Transparency Rules, and covenant reporting of £4k as required under the Group's bank facilities. No other non-audit services have been provided by the auditors to the Group during the period.

13. Employee benefit expense

Employee benefit expense, including Directors, comprises:

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Wages and salaries	63,356	61,622
Social security costs	4,370	4,072
Other pension costs	948	921
Share based payment charge	581	78
Total employee benefit expense	69,255	66,693

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 50 and key management personnel, who are the Executive Team of the Group.

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Wages and salaries	2,344	2,639
Social security costs	417	364
Other pension costs	69	119
Share based payment charge	118	31
Total key management personnel compensation	2,948	3,153

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

	52 weeks ended 1 January 2023	53 weeks ended 2 January 2022
Sales	2,747	2,432
Administration	378	356
Total employees	3,125	2,788

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

14. Directors' remuneration

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Directors' emoluments	1,359	1,247
Share based payment charge	66	18
Total Directors' remuneration	1,425	1,265

During the 52 week period ended 1 January 2023, no contributions (2021: none) were made or accrued by the Group in respect of Directors' defined benefit pension schemes.

The highest paid Director received total emoluments inclusive of a share based payments charge of £529k (2021: £584k) during the period ended 1 January 2023.

The Directors did not exercise any share options during the 52 week period ended 1 January 2023.

15. Finance income and expense

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Finance income		
Other interest receivable	78	6

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Finance expense		
Bank interest payable	2,569	2,576
Amortisation of loan arrangement fees	209	804
Interest on lease liabilities	9,726	10,165
Unwinding of discount on provisions	52	58
Total finance expense	12,556	13,603

16. Tax credit

16.1 Tax credit recognised in consolidated statement of comprehensive income

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Current tax credit/(charge)		
Current tax on profits for the period	–	(1,217)
Adjustments in respect of prior periods	192	528
Total current tax credit/(charge)	192	(689)
Deferred tax credit		
Origination and reversal of temporary differences	4,842	(142)
Adjustments in respect of prior periods	27	328
Change in future tax rate	1,740	1,520
Total deferred tax credit	6,609	1,706
Tax credit for the period	6,801	1,017

The amount of tax credit is higher (2021: higher) 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:

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Loss for the period before tax	(104,345)	(2,549)
Tax credit on Group's loss at tax rate of 19%	19,826	484
Expenses not deductible for tax purposes	(131)	(2,015)
Goodwill impairment charges not deductible for tax purpose	(13,464)	–
Depreciation on assets not eligible for tax relief	(1,408)	(704)
Adjustments to tax charge in respect of prior periods	219	856
Non-taxable income	–	108
Temporary differences not recognised in the computation	–	5
Remeasurement of deferred tax for future changes in tax rate	1,740	1,520
Movement in deferred tax not recognised	16	(15)
Deferred tax credited straight to equity	3	(3)
Loss relief	–	781
Tax credit for the period	6,801	1,017

* Further to note 6, in the 53 week period ended 2 January 2022 exceptional costs have increased by £965k from previously reported £8,121k to £9,086k, increasing the loss before tax from previously reported £1,584k, to £2,549k.

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 corporation tax charge in future periods. The deferred tax recognised in the period ended 1 January 2023 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 52 weeks ended 1 January 2023 continued

16.2 Deferred tax assets

Deferred tax assets in the consolidated statement of financial position arose as follows:

	3 January 2022 £'000	Recognised in consolidated statement of comprehensive income £'000	1 January 2023 £'000
Deferred tax assets in relation to:			
Property, plant and equipment differences	1,970	1,141	3,111
Other temporary differences	71	5	76
Losses carried forward	–	228	228
Deferred tax arising from leases	4,151	5,235	9,386
Total deferred tax assets	6,192	6,609	12,801

	28 December 2020 £'000	Recognised in consolidated statement of comprehensive income £'000	2 January 2022 £'000
Deferred tax assets in relation to:			
Property, plant and equipment differences	1,318	652	1,970
Other temporary differences	44	27	71
Losses utilised	410	(410)	–
Deferred tax arising from leases	2,714	1,437	4,151
Total deferred tax assets	4,486	1,706	6,192

Deferred tax unwinding within the next 12 months from 1 January 2023 is expected to be immaterial.

17. (Loss)/earnings per share

	52 weeks ended 1 January 2023	* Restated 53 weeks ended 2 January 2022
Basic loss per share		
Weighted average outstanding number of shares ('000)	125,427	118,463
Loss after tax for the period (£'000)	(97,544)	(1,532)
Basic loss per share (pence)	(77.8)	(1.3)
Diluted loss per share		
Weighted average outstanding number of shares ('000)	125,427	118,463
Dilutive shares ('000)	–	–
	125,427	118,463
Loss after tax for the period (£'000)	(97,544)	(1,532)
Diluted loss per share (pence)	(77.8)	(1.3)
Adjusted basic earnings per share		
Weighted average outstanding number of shares ('000)	125,427	118,463
Loss after tax for the period (£'000)	(97,544)	(1,532)
Exceptional items (£'000) (note 11)	70,858	9,086
Net impairment of property, plant and equipment and right of use assets (£'000)	31,179	1,019
Adjusted profit for the period (£'000)	4,493	8,573
Adjusted basic earnings per share (pence)	3.6	7.2
Adjusted diluted earnings per share		
Weighted average outstanding number of shares ('000)	125,427	118,463
Dilutive shares ('000)	656	–
	126,083	–
Loss after tax for the period (£'000)	(97,544)	(1,532)
Exceptional items (£'000) (note 11)	70,858	9,086
Net impairment of property, plant and equipment and right of use assets (£'000)	31,179	1,019
Adjusted profit for the period (£'000)	4,493	8,573
Adjusted diluted earnings per share (pence)	3.6	7.2

* The calculation of adjusted earnings per share and adjusted diluted earnings per share excludes the impairment of property, plant and equipment, right of use assets and exceptional items. In the 53 week period ended 2 January 2022, adjusted earnings per share and adjusted diluted earnings per share have been increased from the previously reported 6.4 pence to 7.2 pence in line with details included in note 6. The exceptional items within this calculation have also been restated in line with note 6.

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

18. Property, plant and equipment

	Leasehold property improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 3 January 2022	9,874	50,665	90,058	150,597
Additions	–	4,322	5,699	10,021
Disposals	–	(397)	(88)	(485)
At 1 January 2023	9,874	54,590	95,669	160,133
Accumulated depreciation and impairment				
At 3 January 2022	9,874	43,846	54,096	107,816
Depreciation charge for the period	–	3,096	5,510	8,606
Impairment reversal for the period	–	–	(757)	(757)
Impairment charge for the period	–	–	8,756	8,756
Disposals	–	(392)	(36)	(428)
At 1 January 2023	9,874	46,550	67,569	123,993
Net book value				
At 2 January 2022	–	6,819	35,962	42,781
At 1 January 2023	–	8,040	28,100	36,140

19. Right of use assets

	Property £'000	Motor vehicles £'000	Total £'000
Cost			
At 3 January 2022	158,521	262	158,783
Additions and modifications	13,093	–	13,093
At 1 January 2023	171,614	262	171,876
Accumulated depreciation and impairment			
At 3 January 2022	42,177	218	42,395
Depreciation charge for the period	11,701	32	11,733
Impairment reversal for the period	(4,955)	–	(4,955)
Impairment charge for the period	28,135	–	28,135
At 1 January 2023	77,058	250	77,308
Net book value			
At 2 January 2022	116,344	44	116,388
At 1 January 2023	94,556	12	94,568

Impairment losses recognised in the period

The Group performs an impairment assessment at the end of each reporting period. For the purposes of impairment of right of use assets, each restaurant in the Group is considered a separate cash generating unit ("CGU"). An impairment charge is recognised when the recoverable amount is less than the carrying value of the right of use assets. Where there is an indication that an impairment loss recognised in prior periods no longer exists, the impairment loss is reversed and credited to the consolidated statement of comprehensive income.

The recoverable amount is based on value-in-use calculations, using discounted forecasted cashflows of each restaurant and its ability to cover its costs, including an allocation of central overheads, marketing and maintenance standards of assets. The recoverable amount is assessed over the lease term of each restaurant, using the Group's budget of performance for 2023, significantly risked from the target 2023 budget, and the business plan growth rate for the next two years, applying a long-term growth rate of 2%. The discount rate applied in the value-in-use calculations has been calculated by reference to the Group's weighted average cost of capital and similar benchmarks in the industry. A pre-tax discount rate of 14.2% (2021: 11.7%) has been applied in the value-in-use calculations.

The Directors have assessed the carrying value of property, plant and equipment and right of use assets at the period end by reference to the Group's updated business plan and the higher interest rates now prevailing. This exercise resulted in an impairment charge totaling £36,891k (2021: £1,019k) and an impairment reversal of £5,712k (2021: nil) against these assets. This is a non-cash charge to the statement of comprehensive income during the period ended 1 January 2023 by reference to today's market conditions. This impairment charge does not have an impact on the operational cash performance of the Group which is unaffected by this charge.

Sensitivities to impairment charges

The key assumptions in the calculation of impairment of property, plant and equipment and right of use assets are the predicted cashflows of the CGU and the discount rate applied. The Group has conducted a sensitivity analysis taking into consideration the impact of key impairment test assumptions arising from a range of reasonably possible trading and economic scenarios. The reasonably possible effect on impairment of property, plant and equipment and right of use assets for a 2% absolute change in the discount rate or a 10% variation in EBITDA, with all other variables held constant is as follows:

	1 January 2023 £'000	2 January 2022 £'000
Discount rate – 2% increase	3,113	1,382
Discount rate – 2% decrease	(2,541)	(285)
EBITDA – 10% increase	(3,926)	(457)
EBITDA – 10% decrease	4,738	1,829

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

20. Leases

20.1 Group 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 was £23,775k for the 52 week period ended 1 January 2023 (2021: £23,978k).

Lease liabilities are due as follows:

	1 January 2023 £'000	2 January 2022 £'000
Contractual undiscounted cash flows due		
Not later than one year	20,925	21,108
Between one year and five years	80,764	77,591
Later than five years	104,673	111,285
Total contractual undiscounted cash flows	206,362	209,984
	1 January 2023 £'000	2 January 2022 £'000
Contractual discounted cash flows of lease liabilities		
Non-current	133,261	131,980
Current	15,294	19,014
Total lease liabilities	148,555	150,994

The contractual cash flows due have been discounted by applying 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.

The following amounts have been recognised in the consolidated statement of comprehensive income:

	1 January 2023 £'000	2 January 2022 £'000
Charges:		
Rent on leases of low value assets	(711)	(661)
Variable lease payments not included in the measurement of lease liabilities	(629)	(320)
Credits:		
Covid-19-related rent concessions	2,290	4,210

20.2 Group as a 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:

	1 January 2023 £'000	2 January 2022 £'000
Not later than one year	19	106
Between one and five years	89	89
Later than five years	29	47
Total undiscounted lease payments receivable	137	242
Less: unearned finance income for receipts due within 1 year	(7)	(8)
Less: unearned finance income for receipts due after more than 1 year	(23)	(30)
Present value of current minimum lease payments receivable	12	98
Present value of non-current minimum lease payments receivable	95	106

Annual lease income from finance lease contracts in which the Group acts as a lessor:

	52 weeks ended 1 January 2023 £'000	53 weeks ended 2 January 2022 £'000
Finance income on the net investment in finance leases	8	28

21. Goodwill

	£'000
Cost	
At 3 January 2022 and 1 January 2023	155,284
Accumulated impairment	
At 3 January 2022	9,305
Impairment charge for the period	70,858
At 1 January 2023	80,163
Net book value	
At 2 January 2022	145,979
At 1 January 2023	75,121

The Directors consider that the TGI Fridays brand is the sole cash generating unit of goodwill as it cannot be allocated to individual restaurants on a non-arbitrary basis. The Group continues to assess goodwill for impairment at each reporting date. At 1 January 2023, the combined carrying amount of the CGUs and goodwill was assessed to be £70,858k higher than the recoverable amount of all CGUs. An impairment charge of £70,858k has therefore been recorded at that date and reflected in these financial statements. This is a non-cash charge to the statement of comprehensive income for the period ended 1 January 2023. This impairment charge does not have an impact on the operational cash performance of the Group which is unaffected by this charge.

The value-in-use calculations are based on future projected cashflows of the operating business, over the life of the leases, assuming profitable stores' leases will be extended, discounted back using a pre-tax discount rate of 15.8%.

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

Sensitivities to impairment charges

The key assumptions in the impairment calculation of goodwill are the predicted cashflows of the CGU and the discount rate applied. The Group has conducted a sensitivity analysis taking into consideration the impact of key impairment test assumptions arising from a range of reasonably possible trading and economic scenarios. The reasonably possible effect on impairment of goodwill for a 2% absolute change in the discount rate or a 10% variation in EBITDA, with all other variables held constant is as follows:

	1 January 2023 £'000	2 January 2022 £'000
Discount rate – 2% increase	23,799	-
Discount rate – 2% decrease	(32,130)	-
EBITDA – 10% increase	(20,984)	-
EBITDA – 10% decrease	21,154	-

22. Inventories

	1 January 2023 £'000	2 January 2022 £'000
Food and beverage	1,464	1,489

Inventory that is perishable is reviewed by staff at individual restaurants and written off on a weekly basis. Inventories recognised as an expense during the period ended 1 January 2023 amounted to £45,103k (2021: £31,256k).

23. Trade and other receivables

	1 January 2023 £'000	*Restated 2 January 2022 £'000
Trade receivables	2,040	1,375
Prepayments	3,737	2,234
Other receivables	508	261
Total trade and other receivables	6,285	3,870

* Further to note 6, in the 53 week period ended 2 January 2022 other receivables of £937k have been reclassified to trade payables and further £772k of other receivables have been reclassified to tax and social security payments balance, decreasing other receivables by £1,709k as previously reported from £1,970k to £261k.

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

24. Trade and other payables

	1 January 2023 £'000	*Restated 2 January 2022 £'000
Trade payables	5,512	8,774
Other payables	1,860	1,746
Accruals	9,440	12,891
Tax and social security payments	1,099	2,510
Deferred income	225	112
Total trade and other payables	18,136	26,033

* Further to note 6, in the 53 week period ended 2 January 2022 exceptional costs have been increased by £965k from previously reported of £8,121k to £9,086k, and other receivables of £937k reclassified to trade payables, increasing trade payables balance as previously reported from £8,746k to £8,774k. Further £772k of other receivables have been reclassified to tax and social security payments, decreasing tax and social security payments balance as previously reported from £3,282k to £2,510k.

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

25. Contract liabilities

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

	1 January 2023 £'000	2 January 2022 £'000
Customer loyalty programme	550	478
Gift vouchers	454	546
Total contract liabilities	1,004	1,024

Revenue recognised in relation to contract liabilities

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

	1 January 2023 £'000	2 January 2022 £'000
Customer loyalty programme	439	423
Gift vouchers	319	99
Total revenue recognised in consolidated statement of comprehensive income	758	522

Costs incurred to secure contract liabilities

	1 January 2023 £'000	2 January 2022 £'000
Amortisation recognised	81	97

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

26. Loans and borrowings

	1 January 2023 £'000	2 January 2022 £'000
Secured bank loans and borrowings		
Non-current	23,146	33,931
Current	13,295	9,491
Total secured bank loans and borrowings	36,441	43,422

The Group completed an extension and restatement of the bank loan facilities on 28 April 2023. The restated facility agreement now consists of a £26.1m term loan and a £21.5m (previously £30.0m) revolving credit facility, with a term date of 1 January 2025. Arrangement fees of £190k were incurred in respect of this refinancing exercise. At the period end, £7.5m 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 loan arrangements.

The carrying value of loans and borrowings classified as financial liabilities are measured at amortised cost, which approximates to their fair value. The balances at the period end are summarised below:

Loan Facility	Nominal interest rate	Date of maturity	Repayment schedule	1 January 2023 £'000	2 January 2022 £'000
Secured bank loan	Margin plus compound reference rate based on SONIA	1 January 2025	£1.5m per quarter from June 2022, with balance on maturity	36,800	44,299
Unamortised loan arrangement fees				(359)	(877)
				36,441	43,422

The Group complied with all covenants within its bank facilities during the 52 week period ended 1 January 2023 which have continued to the date of approval of these financial statements. The leverage ratio covenant required that the Group's total net debt to adjusted EBITDA not exceed 3.0 times between 30 September 2022 and 31 December 2022, and the fixed cost cover ratio required EBITDA, adjusted for rental payments, to be not less than 1.5 times the aggregation of such rental payments and bank interest charges. The minimum liquidity covenant was to not fall below £12.5m of both cash balance and undrawn RCF and the aggregated capital expenditure was not to exceed 110% of the budget measured for the full financial year.

The restated facility agreement includes the following covenants:

- a minimum liquidity covenant tested on a two-weekly basis, requiring an aggregated cash balance and undrawn RCF of no less than £1.5m (previously £12.5m) tested by reference to quarterly forward forecasts;
- adjusted leverage covenant that is tested on a quarterly basis from June 2023. For the 2023 financial year, the leverage ratio covenant requires that the Group's total net debt to EBITDA must not exceed prescribed ratios set out in the restatement agreement, and thereafter no more than 2.5 times from 31 March 2024;
- cumulative monthly EBITDA covenant that is tested monthly from 30 June 2023 to 31 December 2023, and reverts to a 12-month 'look back' EBITDA test from 31 March 2024. The covenant requires the Group's EBITDA for the test period to exceed prescribed values as set out in the restatement agreement; and
- capital expenditure covenant that is tested annually on 31 December, requiring the Group to have not incurred capital expenditure greater than prescribed values as set out in the restatement agreement.

As a part of the facility extension agreed in September 2022, a credit support undertaking of £2.5m was extended until 30 June 2023 but this has been discontinued under the restated facility agreement. A fixed charge cover ratio covenant which was applicable under the previous facility agreement has also been discontinued.

Interest on the Group's loan facilities is payable at the aggregate of a compound reference rate based on SONIA

plus a margin of no greater than 4% per annum. A margin ratchet applies, with any increase or decrease on the margin as a result of the margin ratchet applying from the beginning of the next interest quarter.

Interest rate margin payable in addition to SONIA	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

In addition, under the restatement agreement, a further interest charge will accrue at a rate of 5% per annum on the amount of bank debt in excess of 2.5x adjusted leverage. This additional interest will become payable on the earlier of repayment of the loan, including under a refinancing, or at maturity of the loan on 1 January 2025.

The borrower and guarantor Group companies 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 continues to be repayable in quarterly instalments of £1.5m from 30 June 2023. The remaining balance is due for repayment at the end of the facility on 1 January 2025. At 1 January 2023, and in accordance with the terms of the facility agreement, there was £544k of interest owed to the lender which has been accrued in these financial statements.

Undrawn facilities

The Group had committed floating rate facilities available to be drawn at 1 January 2023 as follows:

	1 January 2023 £'000	2 January 2022 £'000
Expiring between 1 and 2 years	22,500	20,000

Undrawn loan facilities incur a charge at 40% of the interest rate margin on the drawn facilities.

Movement of loans

	1 January 2023 £'000	2 January 2022 £'000
At the beginning of period	43,422	65,260
Loans drawn down	10,500	5,000
Loans repaid	(18,000)	(26,500)
Amortisation of loan arrangement fees	209	804
Loan arrangement fees waived	325	–
Loan arrangement fees incurred in period	(15)	(1,142)
Balance at end of period	36,441	43,422

27. Provisions

Dilapidations provision

	1 January 2023 £'000	2 January 2022 £'000
Opening balance	3,175	3,330
Increase in provision	2,935	–
Charged to consolidated statement of comprehensive income	–	340
Credited to consolidated statement of comprehensive income	(544)	(552)
Unwind of discount	52	57
Closing balance	5,618	3,175

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

	1 January 2023 £'000	2 January 2022 £'000
Expected to be utilised within one year or less	475	745
Expected to be utilised after more than one year	5,143	2,430
Total dilapidations provision	5,618	3,175

The dilapidation provision arises from an obligation to return leased sites to their original condition at the end of their lease term. The requirement for provisions is based on value-in-use calculations, using discounted forecasted cashflows of each restaurant and their ability to cover their costs, including an allocation of central overheads, marketing and maintenance standards of assets. The recoverable amount is assessed over the lease term of each restaurant.

28. Share capital

Issued and fully paid

	Number	£'000
Ordinary shares of 20p each at each of 1 January 2023 and 2 January 2022	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

There were no shares issued during the 52 week period ended 1 January 2023.

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 by the Company during the 52 week period ended 1 January 2023.

Market purchases of ordinary shares

At the Company's annual general meeting held on 27 May 2022, the Company's shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market up to a maximum number of 12,612,727 shares in the Company, representing 10% of its issued share capital at 27 May 2022, within normal guidelines. No market purchases were made under this authority during the period from the Company's annual general meeting on 27 May 2022 to the date of approval by the Board of these financial statements. The authority 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. The Company intends to seek a renewal of this authority at its annual general meeting to be held in 2023.

Under the existing authority, purchases can be made at a minimum price of the nominal value of the share and a maximum price of the higher of (a) 5% above the average of the closing price for a share for the five business days immediately preceding the date the share is contracted to be purchased, and (b) an amount equal to the higher of the price of the last independent trade of a share and the highest current independent bid for a share as derived from the London Stock Exchange Trading System.

Market purchases of ordinary shares by Intertrust Employee Benefit Trustee Limited, the trustee of the Hostmore plc 2021 Employee Benefit Trust

Intertrust Employee Benefit Trustee Limited, the trustee of the Hostmore plc 2021 Employee Benefit Trust (the "Trust"), completed the market purchase of 1,470,036 ordinary shares in the Company, representing approximately 1.17% of the Company's total issued share capital, in the period ended 1 January 2023. These shares are held subject to the terms of the Trust and are expected to be used to help meet future obligations arising under the Company's long-term incentive plan and for other employee incentivisation purposes. The market purchases of these shares were funded by amounts advanced by the Company.

Shares in the Company held in the Trust are consolidated in determining the number of shares in the Company held by the Group. Consequently, the Group held 1,470,036 ordinary shares in the Company on 1 January 2023 (2021: nil ordinary shares in the Company). All of these ordinary shares in the Company were held by Intertrust Employee Benefit Trustee Limited, the trustee of the Trust. The right to dividend income on these ordinary shares in the Company held by Intertrust Employee Benefit Trustee Limited, the trustee of the Trust, has been waived. The closing middle market quotation for the shares on 30 December 2022, being the last dealing day of the period ended 1 January 2023, was 13.1p per share. The market value of the shares based on the closing middle market quotation for the shares on 30 December 2022 was £0.193m (2021: £nil).

Authorities to issue share capital

At the Company's annual general meeting held on 27 May 2022, the Directors were authorised to allot and issue ordinary shares in the Company within ordinary guidelines. No issuances were made under this authority during the period from the Company's annual general meeting on 27 May 2022 to 1 January 2023. This authority 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. The Company intends to seek a renewal of this authority at its annual general meeting to be held in 2023.

29. Share based payments

Total share based payment charge for the 52 week period ended 1 January 2023 was £581k (2021: £78k).

Employee share option plan

The Group operates a share based payment scheme for its employees. A long-term incentive scheme was introduced in November 2021, whereby the Executive Directors and certain employees were awarded share options in Hostmore plc. These share options are equity settled and comprise of Performance Share Awards ("PSA") and Restricted Share Awards ("RSA"), noted below, with a total of 3,184,094 options awarded on 17 November 2021 and a further 3,002,794 options awarded on 9 June 2022. PSA awards were subject to performance conditions. No share options were exercisable at the period end.

The following share based payment arrangements were in existence during the period ended 1 January 2023:

		Opening share options	Granted share options	Lapsed share options	Closing share options	Grant date	Expiry date	Fair value at grant date (pence)
2021 awards								
1. PSA (with holding period)	EPS & ROIC part TSR part	1,087,190	—	—	1,087,190	17 November 2021	16 November 2031	101 64
2. PSA (without holding period)	EPS & ROIC part TSR part	1,060,505	—	(382,599)	677,906	17 November 2021	16 November 2031	110 69
3. RSA	Nil cost and one-off awards	1,031,260	—	(276,680)	754,580	17 November 2021	16 November 2031	110
	Nominal cost option	5,139	—	—	5,139	17 November 2021	16 November 2031	91
Total 2021 awards		3,184,094	—	(659,279)	2,524,815			
2022 awards								
4. PSA (with holding period)	EPS & ROIC part TSR part	—	843,847	—	843,847	9 June 2022	8 June 2032	37 9
5. PSA (without holding period)	EPS & ROIC part TSR part	—	1,123,112	(85,484)	1,037,628	9 June 2022	8 June 2032	40 10
6. RSA	Nil cost awards	—	1,028,505	(186,482)	842,023	9 June 2022	8 June 2032	40
	Nominal cost option	—	7,330	—	7,330	9 June 2022	8 June 2032	25
Total 2022 awards		—	3,002,794	(271,966)	2,730,828			
Total awards		3,184,094	3,002,794	(931,245)	5,255,643			

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

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 or 9 June 2022 (as applicable).

PSA – TSR: A Monte Carlo Simulation (“MCS”) stochastic model has been used to calculate the fair value of these nil cost option awards.

PSA – withholding period: For these awards subject to a post-vesting holding period, a discount is applied to reflect the lack of marketability during 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 or 9 June 2022 (as applicable).

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 between the listing of the Company’s ordinary shares and the respective dates of grant in November 2021 and June 2022, 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 32.5p.

The following inputs were used in valuing the share based payment arrangements during the period ended 1 January 2023:

		Grant data share price (pence)	Volatility	Option life	Risk-free interest rate
1. PSA	EPS & ROIC part	40	0%	3 years	0%
	TSR part	40	51%	3 years	2%
2. RSA	Nil cost and one-off awards	40	0%	3 years	0%
	Nominal cost option	40	35%	6.5 years	2%

Movements in share options during the period:

	52 weeks ended 1 January 2023 Number	53 weeks ended 2 January 2022 Number
Opening share options	3,184,094	–
Granted share options during the period	3,002,794	3,184,094
Lapsed share options during the period	(931,245)	–
Closing share options	5,255,643	3,184,094

30. Financial instruments – fair values and risk management

The Group's financial instruments are analysed as follows:

Financial assets

	1 January 2023 £'000	* Restated 2 January 2022 £'000
Cash and cash equivalents	9,091	32,080
Trade receivables	2,040	1,375
Other receivables	508	261
Net investment in a sub-leases	107	204
Total financial assets	11,746	33,920

Financial liabilities

	1 January 2023 £'000	* Restated 2 January 2022 £'000
Borrowings	36,441	43,422
Lease liabilities	148,555	150,994
Trade payables	5,512	8,774
Other payables	1,860	1,746
Accruals	9,440	12,891
Total financial liabilities	201,808	217,827
Net financial liabilities	190,062	183,907

* Further to note 6, in the 53 week period ended 2 January 2022 other receivables of £937k have been reclassified to trade payables, increasing trade payables balance as previously reported from £8,746k to £8,774k. Further £772k of other receivables have been reclassified to tax and social security payments balance, decreasing other receivables by £1,709k as previously reported from £1,970k to £261k.

30.1 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.

30.2 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. This relates primarily to the Group's cash at bank and trade and other receivables. No collateral is held in respect of any of these assets.

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. 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 1 January 2023 amounted to £11,746k (2021: £33,920k).

There is also a credit risk for the recoverability of the net investment in subleases. This relates to the subleases 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 sub-lessors by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

Notes to the Consolidated Financial Statements

for the 52 weeks ended 1 January 2023 *continued*

30.3 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
- regularly monitoring projected and actual cash flows to ensure the Group maintains an appropriate level of liquidity.

All amounts due to the Group are due within 12 months except lease liabilities, borrowings and provisions which have been analysed into the relevant maturity groups in notes 20, 26 and 27.

30.4 Foreign currency risk

The Group primarily operates restaurants in the UK and all its financial instruments are denominated in pounds sterling. The Group's principal exposure to foreign currency risk arises from the franchise fee payable to TGI Fridays Franchisor, LLC which is paid on a monthly basis, totaling £7.8m (2021: £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. A 10% increase or decrease on the spread between the two rates paid results in only a nominal increase or decrease in the payment made.

In order to manage the Group's 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.

30.5 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 earned on cash and cash equivalents.

As set out in note 26, the Group had £36,441k (2021: £43,422k) of total debt outstanding with interest rates linked to SONIA. During the 52 weeks ended 1 January 2023, SONIA increased from 0.2% at the beginning of the period to 3.4% at the end of the period. A further 1% increase in SONIA would result in an increase in interest cost of £371k on an annual basis.

30.6 Capital risk management

For the purpose of the Group's capital management, capital includes interest-bearing debt and share capital. 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 52 week period ended 1 January 2023. The Directors manage the Group's capital structure by issuing shares and by increasing or decreasing debt levels 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 26), lease liabilities (note 20), less cash and cash equivalents.

31. Cash flows from operating activities

	52 weeks ended 1 January 2023 £'000	* Restated 53 weeks ended 2 January 2022 £'000
Loss for the period	(97,544)	(1,532)
Adjustments for non-cash items and amounts disclosed separately:		
Depreciation of property, plant and equipment and right of use assets	20,339	22,339
Impairment reversal of property, plant and equipment and right of use assets	(5,712)	–
Impairment of property, plant and equipment and right of use assets	36,891	1,019
Impairment of goodwill	70,858	–
Lease exit income	–	(616)
Finance income	(78)	(6)
Finance expense	12,556	13,603
Covid-19 rent concessions	(2,290)	(4,210)
Income tax credit	(6,801)	(1,017)
Share based payment charge	581	78
Cash flows from operating activities	28,800	29,658

* Further to note 6, in the 53 week period ended 2 January 2022 exceptional costs have increased by £965k from the previously reported £8,121k to £9,086k, increasing the loss after tax from £567k, to £1,532k.

32. Related parties

Identity of related parties with which the Group has transacted

The Group was previously wholly owned by Electra. During the 53 week period ended 2 January 2022, a distribution in specie of all of the issued share capital of the Company was declared. This 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.

Transactions with key management personnel

Remuneration in respect of key management personnel is set out in note 13.

During the 52 week period ended 1 January 2023, a relative of Julie McEwan, the Group's Interim Chief Executive Officer, received £9k of Board approved sponsorship in return of advertising TGI Fridays brand at sports events.

33. Capital commitments

The Group has no outstanding material capital commitments at 1 January 2023 or at the previous period end.

34. Subsequent events

On 9 January 2023, subsequent to the period end, Robert B. Cook stepped down as the Group's Chief Executive Officer ("CEO") and as a Director of the Company with immediate effect. His options over 1,135,216 ordinary shares lapsed at that date. Julie McEwan, previously the Group's Chief Operating Officer, was appointed as Interim CEO. The Board has initiated a thorough search process, comprising both internal and external candidates, to find the best long-term replacement. On 2 March 2023, the development agreement with TGI Friday's Inc was amended by deleting the requirement for the Group to open any new restaurants during each of the years ending 31 December 2023 and 31 December 2024. On 28 April 2023, the facilities agreement with the Group's lenders referred to in note 26 to the financial statements was amended by amending the covenants in those agreements to align with the Company's updated business plan.

Company Financial Statements

for the 52 weeks ended 1 January 2023

Company statement of financial position at 1 January 2023

Hostmore plc

	Note	1 January 2023 £'000	2 January 2022 £'000
Assets			
Non-current assets			
Investment in subsidiary undertakings	37	176,737	176,737
Total non-current asset		176,737	176,737
Current assets			
Trade and other receivables	39	15,227	16,231
Cash and cash equivalents		4,404	2,550
Total current assets		19,631	18,781
Total assets		196,368	195,518
Liabilities			
Current liabilities			
Trade and other payables	40	119	130
Total current liabilities		119	130
Total liabilities		119	130
Net current assets		19,512	18,651
Net assets		196,249	195,388
Issued capital and reserves attributable to owners of the parent			
Share capital	41	25,225	25,225
Share premium reserve		14,583	14,583
Retained earnings		156,441	155,580
Total equity		196,249	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 Company's profit after tax for the period ended 1 January 2023 was £1,361k (2021: loss £323k). Included within the profit after tax is a £2.5m dividend received from the Company's subsidiary, Hostmore Group Limited.

The notes on pages 160 to 163 form part of these financial statements.

The financial statements on pages 158 to 163 were approved and authorised for issue by the Board of Directors on 28 April 2023 and were signed on its behalf by:



Gavin Manson
Chairman



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
	Share capital £'000	Share premium reserve £'000	Retained earnings £'000	Total equity £'000
At 3 January 2022	25,225	14,583	155,580	195,388
Comprehensive income for the period				
Profit for the period	–	–	1,361	1,361
Total comprehensive income for the period	–	–	1,361	1,361
Contributions by and distributions to owners				
Share purchases by EBT	–	–	(500)	(500)
Total contributions by and distributions to owners	–	–	(500)	(500)
At 1 January 2023	25,225	14,583	156,441	196,249

Notes to the Company Financial Statements

for the 52 weeks ended 1 January 2023

35. Company accounting policies and basis of preparation

35.1 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 adopted 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 was incorporated on 14 April 2021 and accordingly the prior period comparatives relate to the 38 week period from incorporation to 2 January 2022. The Company has adopted the exemption available under section 408 of the Companies Act 2006 of not presenting its own statement of comprehensive income in these 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 throughout the 52 week period ended 1 January 2023 and the previous period.

The Company's functional and reporting currency is pounds sterling. All amounts have been rounded to the nearest thousand pounds ("£'000"), unless otherwise indicated.

The following principal accounting policies have been applied in the preparation of the financial statements.

35.2 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.

35.3 Company statement of comprehensive income

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.

35.4 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 the value-in-use.

35.5 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 29 to the financial statements.

Based on the Group's estimate of equity instruments that will eventually vest, the fair value determined at the grant date is expensed on a straight-line basis over the vesting period 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 the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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 the statement of comprehensive income for the period.

35.6 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.

35.7 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.

36. Critical accounting estimates and judgements

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

36.1 Judgements

There are no critical judgements that the Directors have made in the process of applying the Company's accounting policies.

36.2 Estimates and assumptions

Investment impairment

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

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 budget of performance for 2023, significantly risked from the target 2023 budget, and the business plan growth rate for the next two years, applying a long-term growth rate of 2%.

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. A pre-tax discount rate of 14.2% (2021: 11.7%) has been applied in the value-in-use calculations.

37. Investment in subsidiary undertakings

Movements in carrying value of investments

	52 weeks ended 1 January 2023 £'000	38 weeks ended 2 January 2022 £'000
Opening balance	176,737	–
Purchase of shares in Hostmore Group Limited	–	176,737
Closing balance	176,737	176,737

The Group performs an impairment assessment at the end of each reporting period. No impairment charge has been necessary for the 52 weeks ended 1 January 2023 as the value-in-use supports the carrying value of the Company's investments.

At 1 January 2023 the Company had one directly wholly owned subsidiary undertaking, Hostmore Group Limited, and three indirectly wholly owned subsidiary undertakings, 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. Thursdays (UK) Limited is a trading company, the remaining subsidiaries are holding companies.

Notes to the Company Financial Statements

for the 52 weeks ended 1 January 2023 continued

38. Employees and directors

Employee benefit expense, including Directors, comprises:

	52 weeks ended 1 January 2023 £'000	38 weeks ended 2 January 2022 £'000
Wages and salaries	382	87
Social security costs	48	5
Total employee benefit expense	430	92

The Company had 10 (2021: 8) employees, including Directors, during the period. The cost for 3 (2021: 4) employees is borne by a subsidiary company and included in the consolidated financial statements. This note discloses the remuneration for 7 (2021: 4) Non-Executive Directors.

39. Trade and other receivables

	1 January 2023 £'000	2 January 2022 £'000
Prepayments	206	86
Amounts owed by Group undertakings	15,010	16,126
Other receivables	11	19
Total trade and other receivables	15,227	16,231

All amounts are receivable within one year and are non-interest bearing. Amounts owed by Group undertakings are receivable on demand.

40. Trade and other payables

	1 January 2023 £'000	2 January 2022 £'000
Trade payables	119	117
Accruals	–	13
Total trade and other payables	119	130

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

41. Share capital

Issued and fully paid

	Number	£'000
Ordinary shares of 20p each at each of 1 January 2023 and 2 January 2022	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

There were no shares issued during the 52 week period ended 1 January 2023.

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 by the Company during the 52 week period ended 1 January 2023.

Market purchases of ordinary shares

At the Company's annual general meeting held on 27 May 2022, the Company's shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market up to a maximum number of 12,612,727 shares in the Company, representing 10% of its issued share capital at 27 May 2022, within normal guidelines. No market purchases were made under this authority during the period from the Company's annual general meeting on 27 May 2022 to the date of approval by the Board of these financial statements. The authority 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. The Company intends to seek a renewal of this authority at its annual general meeting to be held in 2023.

Under the existing authority, purchases can be made at a minimum price of the nominal value of the share and a maximum price of the higher of (a) 5% above the average of the closing price for a share for the five business days immediately preceding the date the share is contracted to be purchased, and (b) an amount equal to the higher of the price of the last independent trade of a share and the highest current independent bid for a share as derived from the London Stock Exchange Trading System.

Market purchases of ordinary shares by Intertrust Employee Benefit Trustee Limited, the trustee of the Hostmore plc 2021 Employee Benefit Trust

Intertrust Employee Benefit Trustee Limited, the trustee of the Hostmore plc 2021 Employee Benefit Trust (the "Trust"), completed the market purchase of 1,470,036 ordinary shares in the Company, representing approximately 1.17% of the Company's total issued share capital, in the period ended 1 January 2023. These shares are held subject to the terms of the Trust and are expected to be used to help meet future obligations arising under the Company's long-term incentive plan and for other employee incentivisation purposes. The market purchases of these shares were funded by amounts advanced by the Company.

Shares in the Company held in the Trust are consolidated in determining the number of shares in the Company held by the Group. Consequently, the Group held 1,470,036 ordinary shares in the Company on 1 January 2023 (2021: nil ordinary shares in the Company). All of these ordinary shares in the Company were held by Intertrust Employee Benefit Trustee Limited, the trustee of the Trust. The right to dividend income on these ordinary shares in the Company held by Intertrust Employee Benefit Trustee Limited, the trustee of the Trust, has been waived. The closing middle market quotation for the shares on 30 December 2022, being the last dealing day of the period ended 1 January 2023, was 13.1p per share. The market value of the shares based on the closing middle market quotation for the shares on 30 December 2022 was £0.193m (2021: £nil).

Authorities to issue share capital

At the Company's annual general meeting held on 27 May 2022, the Directors were authorised to allot and issue ordinary shares in the Company within ordinary guidelines. No issuances were made under this authority during the period from the Company's annual general meeting on 27 May 2022 to 1 January 2023. This authority 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. The Company intends to seek a renewal of this authority at its annual general meeting to be held in 2023.

Definitions

The following definitions shall apply throughout this document unless the context requires otherwise:

“Admission”	the admission of the Company’s ordinary shares to premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange’s main market for listed securities
“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
“EBITDA”	earnings before interest and bank arrangement fees, tax, depreciation, amortisation, impairment and share based payments
“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 by reference to its business in operation during any comparable period
“Net debt”	the Group’s long-term borrowings (excluding issue costs) and 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
“PSA”	performance share awards
“RoU asset”	right of use asset
“RSA”	restricted share awards
“TSR”	total shareholder returns over a period

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