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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

29 September 2023

Hostmore plc

Turnaround implemented and beginning to benefit results

Objective of repaying borrowings on track

INTERIM RESULTS

Hostmore plc ("Hostmore" or the "Company" and, together with its subsidiaries, the "Group") is pleased to announce its interim results for the 26 weeks ended 2 July 2023 ("H1 2023"). This half-yearly financial report has not been audited or reviewed by auditors pursuant to the Financial Reporting Council guidance on Review of Interim Financial Information.

Key highlights

- Transitional H1 2023 period included appointment of new senior leadership, implementation of operating turnaround, and introduction of revised capital allocation policy
- H1 2023 LFL revenue, adjusted for differences in VAT, only (2)% versus H1 2022
- H2 2023 LFL revenue to 24 September +2% versus H2 2022
- Previously announced annualised cost reductions of £5.9 million now increased to £8.2 million
- Cost reductions benefitting FY 2023 by £5.8 million, an increase from the previously announced £4.0 million, with £4.3 million of benefit in H2 2023 versus H2 2022
- Cost inflation of purchased inputs, including food, drinks, and utilities, now stabilising with significant portion under long-term contracts or hedged at favourable prices
- Successful operational and portfolio management of bottom 20 loss-making stores has reduced latest 12 months' (to end H1 2023) losses of £4.2 million in 2022 to less than £1.5 million at recent annualised rate
- New store openings deferred until at least 2025, saving approximately £15 million of cash expenditures
- H1 2023 ending net debt of £31.3 million, improvement from guidance of £32.2 million
- Refinancing process commenced with existing and potential new lenders, expected to be concluded by end of Q1 2024
- On course to repay borrowings and commence shareholder distributions

Financial summary

	26 weeks ended 2 July 2023	**26 weeks ended 3 July 2022**	**52 weeks ended 1 January 2023**
Total revenue	**£93.6m**	£98.5m	£195.7m

Gross profit	**£71.1m**	£76.1m	£150.6m
EBITDA (note 1)	**£6.6m**	£17.8m	£31.1m
EBITDA FRS102 (note 2)	**(£3.8m)**	£7.1m	£11.3m
Loss from operations	**(£3.8m)**	(£11.2m)	(£91.9m)
Basic loss per share	**(8.5p)**	(10.6p)	(77.8p)
Net debt	**(£175.3m)**	(£176.6m)	(£176.3m)
Net bank debt FRS102 (note 3)	**(£31.3m)**	(£26.2m)	(£27.7m)
Cashflows from operating activities	**£6.6m**	£16.2m	£28.8m

Notes

1. EBITDA reflects the underlying trade of the business. It is calculated as statutory operating (loss)/profit adjusted for depreciation, net interest and bank arrangement fees, impairment, amortisation and share based charges.
2. Includes £0.3 million of restructuring costs and a further £0.3 million of financing-related charges which are non-recurring in nature.
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.

Stephen Welker, Chairman, commented:
"During the period we have undertaken a very thorough review of our cost structure and store estate. We are pleased that the actions taken have dramatically improved the financial outlook of the business, thereby keeping us on the path to repaying all of our borrowings and initiating shareholder distributions."

Julie McEwan, Chief Executive Officer, commented:
"The initiatives taken in the first half of 2023 have built a leaner and more focused organisation. As we move through the second half of our financial year, it is encouraging to see the effects of our strategic and operational actions coming through in our results. Leveraging our distinctive, trusted brand as the home of celebrations, our teams are passionate and committed about delivering an exceptional TGI Fridays guest experience. Notwithstanding the challenges facing the sector, the early success of our turnaround programme enables us to look to the future with confidence. The leadership team we have in place is focused on building a platform for future growth and shareholder returns, with the Group well placed for the remainder of 2023 and in the years ahead."

Results webcast
Stephen Welker (Chairman), Julie McEwan (Chief Executive Officer), and Matthew Bibby (Interim Chief Financial Officer) will be hosting a webcast with a live Q&A for investors and analysts at 10:00am on Monday, 2 October 2023. The presentation relating to this webcast will be made available shortly after 7am on Friday 29 September 2023 on the Company's website at www.hostmoregroup.com/results-reports-presentations.

The attendee links and conference call details for the webcast are detailed below:

Webinar Registration Link: https://us02web.zoom.us/webinar/register/WN_XaU4GgnCQySDXYxKaEPLBA

Webinar ID: 848 6657 1023

Conference Call: 0203 769 6819
Conference Code: 592967

ENDS

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Business review

Overview

During the first half of the year, trading conditions remained challenging across the leisure and hospitality industry, impacting our financial performance. We have however started to see early signs of progress from our strategic and operational initiatives as we have moved into the second half of the Group's financial year.

Whilst there remains much to progress, it is clear that TGI Fridays is a highly recognised brand with a rich heritage. We are broadening our guest appeal beyond our core families demographic, becoming a destination of choice for guests from all walks of life seeking a celebratory experience, be that office functions, birthday parties, promotions, pre-wedding parties, or many other occasions.

As a Group, we are focused on delivering an improved performance from our core TGI Fridays estate, divesting unprofitable sites where the opportunity arises, reducing costs, prioritising debt reduction and executing on controlled, measurable organic growth initiatives that support our objective of building a platform for future growth and shareholder returns.

Operational review

On a like-for-like basis, adjusted for the impact of the lower VAT rate in the equivalent period last year, our revenue performance was 2% lower than 2022, partly offset by higher average spend per head. The warm weather in June impacted footfall into our restaurants, given our estate's limited outdoor space and with our core family market spending time outdoors and entertaining at home. We are examining ways to differentiate TGI Fridays' offering with new initiatives, such as our 'Raising the Bar' project, to ensure that we diversify our appeal across a broader range of customers enabling us to improve sales volumes when the weather is warmer.

The first half year of 2023 delivered a negative EBITDA FRS102 of £3.8m in comparison to a positive £7.1m for the same period in 2022. H1 2023 was adversely impacted in comparison by the reduced VAT rate to 12.5% for the first quarter of 2022, grants issued by the Government in the same period and rent concessions received from landlords. In addition, during H1 2023, we experienced some comparative volume decline. Inflationary pressures continued to impact the Group during the period, though we took disciplined action on controlling costs and margin by implementing menu price increases, which to some extent mitigated the impact of these higher input costs. Encouragingly, the significant inflationary pressures we saw in the first half are now starting to moderate and, with the majority of the Group's EBITDA typically earned in the second half of the year, our

focus is on maintaining the balance between delivering an improved margin whilst at the same time continuing to ensure value for our customers.

Reducing Group debt continues to remain a priority as we move into the second half of the year. Net debt at the end of H1 2023 of £31.3m was better than our guidance of £32.2m in what is the less profitable half of the Group's financial year. The period also included the one-off cost impact from exceptional cost saving actions which will be cash positive to the Group in H2 2023 and the future.

Strategy

At the time of our full year results in April 2023, we announced two elements of a cost reduction programme (with a combined annualised value of £5.9m) to drive productivity and put the Group on a more sustainable footing, alongside a revised capital allocation policy that prioritises debt reduction and shareholder returns over new site expansion. Having identified further savings, I am pleased to confirm that we have now increased the annualised value of the cost reduction programme from £5.9m to £8.2m.

Although still early, we are already seeing the impact of our initiatives across the business. Our cost reduction actions are expected to benefit FY 2023 results in aggregate by £5.8m, a further increase from the £4.0m previously announced.

We review all opportunities to improve the Group's financial results. Included within these is the continued implementation of our digital transformation strategy in H2 2023 and FY24. As part of our multi-channel strategy, the Group is experiencing an improved conversion rate on the new TGI Fridays website which was launched on 31 May 2023. The second phase of the digital transformation process will result in the integration of the TGI Fridays rewards app into the Group's wider digital infrastructure, making it simpler for our consumers to redeem offers, such as our Stripes rewards scheme. We will explore further opportunities to drive higher customer lifetime values, in addition to cost savings and organic initiatives, such as promotional activity and a renewed focus on upselling to drive sales.

App users are highly attractive customers, typically spending £209 per annum (inclusive of VAT), compared to £79 per annum for a non-app user. We have been encouraged by the number of sign-ups as we look to make further progress with this channel.

The Group has committed not to make any new restaurant openings in FY23 and FY24. As part of our proactive focus on managing costs and closing unprofitable sites, we exited our loss-making TGI Fridays restaurant at Manchester Piccadilly in May. Post period end, the Group exited its loss-making 63rd+1st restaurant in Edinburgh. A non-cash impairment of £1.4m of its property, plant and equipment and right of use assets has been recorded. The effect of these two closures is that their combined negative annual EBITDA of £0.5m will now no longer feature in our results, making a further positive contribution to our H2 2023 results and those of future years. The Group will continue to evaluate opportunities to exit other loss-making restaurants. In addition, initiatives are being implemented to improve the performance of loss-making restaurants that are retained due to their existing lease length and we have achieved major improvements in many of these.

Enhancing the guest experience

Our disciplined approach to capital allocation has also enabled management to focus investment on high ROI organic growth initiatives; measures that we have trialled previously, that have attractive cash conversation characteristics and that are scalable.

Encouragingly, we have continued to see a sustained uplift in guest satisfaction metrics at TGI Fridays during H1 2023, with our Net Promoter Score up to 47 (FY 2022: 30) and our Guest Opinion Score up to 79 (FY 2022: 74).

Meanwhile our TripAdvisor rating remained resilient at 4.5 (FY 2022: 4.5). Our teams are passionate in delivering the customer experience and in particular our three key elements, speed of service, food quality and guest interaction, which in turn secures repeat visits.

These figures demonstrate that TGI Fridays remains a trusted brand in attractive locations, with the organic growth initiatives we now have in place having a positive impact on our guest experience. Our ability to segment different customer cohorts within our sites enables us to appeal to a broad mix of guests, delivering a great experience, whatever the occasion. Our price increases helped to offset inflationary pressures and will enable us to increase our food and drink margins, demonstrating the pricing power within the business. At the same time, we delivered compelling value offers for customers, such as our kids eat free initiative that ran throughout the August school holiday, post-period end, ensuring that a strategic approach was taken to rewarding our guests.

Our 'Raising the Bar' initiative has been successfully implemented, yielding positive early results. Our "2 for 1" cocktail pricing was trialled at six restaurants in early 2023. Having since been rolled out across all our TGI Fridays restaurants, we have seen drinks revenues increasing in total and as a proportion of total restaurant takings. Over the period, sales of cocktails, which have a net positive impact on Group margins, increased from an average of 35,000 per week in H1 2022, to an average of 46,000 in H1 2023, with a peak of 61,000 per week during this period. We see good potential for further bar-focused revenue opportunities, driven by our interactive Cocktail Masterclasses and Bottomless Brunches, both of which performed well and have had a positive impact in revenue and margins.

Optimising our supply chain

Our active focus on managing the Group's cost base enabled us to mostly offset the inflationary pressures that impacted all hospitality businesses in 2023. We achieved meaningful success by changing some suppliers with a resultant improvement in our cost by reference to general market prices.

As reported previously, we kept out of the hedging market for gas and electricity during H2 2022 and benefitted from the reduction in wholesale prices from August 2022 and into H1 2023. We commenced our utilities hedging programme in May 2023 and have now hedged 75% of our remaining FY23 usage of gas and electricity.

People

Our people are integral to the success of the Group and recruiting, retaining and providing the right environment for our people to excel is of the utmost importance. We aim to provide rewarding careers for those in the hospitality industry. It has been pleasing to see the success of our Aspire High Potential Development programme, which seeks to develop leading talent for the further progression of our business.

Our Aspire programme has so far supported five delegates in our first cohort in their promotion to more senior roles within the business. The eight delegates in our second cohort have commenced the course this year and they will undertake a programme of leadership development over a six month period.

In October, we are launching a programme of leadership development across our restaurants and Support Centre which will be supported by the introduction of our Ignite programme. This programme is targeted at more junior aspiring leaders in our business and will provide learning opportunities that will further support and enhance our succession planning. We continue to align our internal programmes with the National Apprenticeship Programme.
Our Learning Management System continues to evolve with the introduction of career pathways in development. We are seeing greater levels of engagement in usage of this tool given that it provides 24/7 access to engaging learning content. It also aligns strongly with the expectations of our changing workforce.

We recognise, as a consumer facing business, that the heightened cost of living continues to have a tangible impact on our people. In order to mitigate some of these pressures, we are in the process of launching 'Wagestream', an online financial wellbeing platform which gives team members early access to wages when needed.

Last year's people survey on performance, focused amongst other areas on the team member /manager relationship, culture and values and an overall view of the business performance. The result of this was that the Group subsidiary that employs almost the entire workforce was accredited as a "Great Place to Work" which was a major accolade for the Group as a whole. We will be conducting regular pulse surveys to gauge the thoughts, views and opinions of our people.

I would like to pay tribute to all of our hardworking team members for their ongoing efforts, their commitment, professionalism and dedication to delivering an exceptional experience for our guests.

Leadership

During the half year ended 2 July 2023, we made a number of appointments to strengthen the Board of Directors. I was delighted to have been appointed permanent CEO in May 2023, having been in the business since February 2022 and Interim CEO from early January 2023. We also welcomed Stephen Welker as Chairman at the conclusion of the AGM in June, having already been a Non-Executive Director of the Company since August 2022. The appointments in June 2023 of Helena Feltham and Célia Pronto as Non-Executive Directors have further strengthened and diversified the Board and they bring valuable expertise to the Group.

Post-period end, Alan Clark resigned as an Executive Director and as Chief Financial Officer. Matt Bibby was appointed as Interim Chief Financial Officer in September 2023, having previously held the role of Finance Director of Hostmore and having been in the business since 2019.

The Board now contains a good mix of experience, skills and sector expertise, enabling us to be well placed to deliver on our business objectives.

Current trading and outlook

The initiatives taken in the first half of 2023 have built a leaner and more focused organisation. In particular, the actions taken have reduced costs, as we have adopted a much tighter capital allocation policy and put in place a diversified array of organic growth measures. The effects of these initiatives are already coming through in our results. Our LFL revenue in H2 2023 to 24 September is already +2% versus H2 2022.

We continue to evaluate a number of measures relating to costs and productivity. Notwithstanding the challenges facing the sector, we look to the future with confidence, with some of the inflationary pressures in the first half already beginning to ease. Leveraging our distinctive, trusted brand as the home of celebrations, we remain focused on quality, relevance and simplicity, as well as delivering an exceptional TGI Fridays guest experience. These factors mean we are well placed for the remainder of 2023 and in the years ahead.

Julie McEwan
Chief Executive Officer
29 September 2023

Financial review

Introduction

The results for the 26 week period ended 2 July 2023 reflect the swift and purposeful review of the Group's short-term strategy that was referred to in our Annual Report for the 52 week period ended 1 January 2023. These actions have strengthened the cashflow of the Group and improved the structure of the balance sheet. The key elements of this strategy are reflected in greater detail within this report. The resultant improvement in our operations arising from this strategy has positioned the Group to be cash generative in this current year and going forwards.

The consolidated financial statements included in these interim results have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies and methods of computation used are consistent with those used in the Group's latest annual audited financial statements for the 52 weeks ended 1 January 2023.

Trading results

The Group's trading results for the 26 weeks ended 2 July 2023 are summarised below:

	26 weeks ended 2 July 2023	**26 weeks ended 3 July 2022**	**52 weeks ended 1 January 2023**
Total revenue	**£93.6m**	£98.5m	£195.7m
Gross profit	**£71.1m**	£76.1m	£150.6m
EBITDA (note 1)	**£6.6m**	£17.8m	£31.1m
EBITDA FRS102 (note 2)	**(£3.8m)**	£7.1m	£11.3m
Loss from operations	**(£3.8m)**	(£11.2m)	(£91.9m)
Basic loss per share	**(8.5p)**	(10.6p)	(77.8p)
Net debt	**(£175.3m)**	(£176.6m)	(£176.3m)
Net bank debt FRS102 (note 3)	**(£31.3m)**	(£26.2m)	(£27.7m)
Cashflows from operating activities	**£6.6m**	£16.2m	£28.8m

Notes

1. EBITDA reflects the underlying trade of the business. It is calculated as statutory operating (loss)/profit adjusted for depreciation, net interest and bank arrangement fees, impairment, amortisation and share based charges.
2. Includes £0.3 million of restructuring costs and a further £0.3 million of financing-related charges which are non-recurring in nature.
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.

Strategic direction

In the Annual Report for the 52 week period ended 1 January 2023, the Board outlined a change in the Group's capital allocation policy. In particular, this included a pause on expansionary capital expenditure for two years and the implementation of a clearly defined cost saving strategy. The effect of these is that the cash generation of the business has been significantly improved. This in turn enables an acceleration of debt reduction and resultant enhancement of shareholders' net worth and financial returns.

The cash benefits of the reduction in capital expenditure and the cost saving strategy are being delivered in line with the Board's expectations. In addition, the cost savings initiatives implemented during this first half will have

a more substantial impact on cashflow and earnings in the second half of the year and are mostly of a permanent nature which underpins the Board's future cashflow and profit expectations.

Financial update

The 26 week period ended 2 July 2023 includes the continuing effect of macro-economic factors which impacted the sector during the previous financial year. These include:

- CPIH inflation of 6.3% at the reporting date, which impacts both the Group's input costs and customer's disposable income.
- Interest rates, with the Bank of England base rate of 5.0% at the period end of 2 July 2023 and 5.25% at the date of this report. This key rate has continued to increase as the Bank seeks to reduce the rate of inflation.
- Utilities pricing, which remains materially above the historic 10-year trend and is likely to remain volatile until geo-political factors are resolved.

The resultant impact is reflected by changes in how our customers are managing their disposable income, which includes a reduced frequency of dining out and a greater awareness of the value concept.

For TGI Fridays, the brand has a strong level of awareness in the marketplace and we have continued to improve our guest opinion scores. During the period ended 2 July 2023, we have implemented some price increases which are having a beneficial impact as we progress in the second half of the year. A combination of declining inflation, improved margins due to pricing, and any improvement in demand is forecast by the Board to have a positive impact on the Group's cash generation.

The cost savings initiative implemented in the first half of 2023 has progressed in line with expectations. The previously announced savings of £4.0m for 2023 are now expected to be £5.8m for 2023 as additional opportunities have been identified and changes made. The impact on positive cashflow is expected to be more evident during this second half of 2023 as the initiatives are more fully realised and represent permanent monthly savings.

The material impact of utilities input costs has started to recede. The decision by the Board to not enter into hedging contracts during the first half of 2023 has been beneficial as prices have reflected a steady decline since the beginning of the year. With the guidance of our energy brokers, the Group has recently undertaken a programme of hedging both our gas and electricity supplies to reflect a level of 75% of anticipated demand for the remainder of the current financial year. A longer-term strategy is planned for the Group's utility requirements from January 2024 onwards, in conjunction with the execution of new supplier contracts.

Post period end, the Group exited its loss-making 63rd+1st restaurant in Edinburgh. A non-cash impairment of £1.4m of its property, plant and equipment and right of use assets has been recorded. The effect of this closure is that the annual negative EBITDA of £0.3m arising from this restaurant will now no longer feature in our results, making a further positive contribution to our H2 2023 results and those of future years. No other impairments were required at the half year end, reflecting the improvement in financial performance of the business referred to above.

EBITDA for the period ended 2 July 2023

The Board measures its business performance under the FRS102 basis of lease accounting which is consistent with prior years. The first half year of 2023 delivered a negative EBITDA FRS102 of £3.8m in comparison to a positive £7.1m for the same period in 2022. H1 2023 was adversely impacted in comparison to the prior year by the reduced VAT rate to 12.5% for the first quarter of 2022, grants issued by the Government in the same period

and rent concessions received from landlords. In addition, during H1 2023, we experienced some comparative volume decline and the additional cost of utilities inflation in comparison to H1 2022. As referred to above, projections for H2 2023 are positive as all of the above comparators unwind, we implemented a major cost saving programme in April 2023 and we have implemented price increases in Q2 and Q3 enhancing bottom line returns.

Under the IFRS16 basis of lease accounting, the Group delivered EBITDA of £6.6m (HY 2022: £17.8m) as reflected in these financial statements. The basic loss per share is 8.5p (HY 2022: loss 10.6p).

EBITDA

	26 weeks ended 2 July 2023 (unaudited) £'000	**26 weeks ended 3 July 2022 (unaudited) £'000**	**52 weeks ended 1 January 2023 (audited) £'000**
Loss before tax	**(10,846)**	(17,089)	(104,345)
Net interest payable and bank arrangement fees	**7,080**	5,934	12,478
Depreciation	**8,885**	10,895	20,339
Net impairment of property, plant and equipment and right of use assets	**1,364**	17,806	31,179
Impairment of goodwill	–	–	70,858
Share based payment charge	**102**	254	581
EBITDA	**6,585**	17,800	31,090

EBITDA FRS102

	26 weeks ended 2 July 2023 (unaudited) £'000	**26 weeks ended 3 July 2022 (unaudited) £'000**	**52 weeks ended 1 January 2023 (audited) £'000**
EBITDA	**6,585**	17,800	31,090
Less rent paid to lessors	**(10,424)**	(10,823)	(19,931)
Add rent received from subleases	**10**	164	101
EBITDA FRS102	**(3,829)**	7,141	11,260

Cash flow and net debt

The Group's consolidated statement of cash flows and movement in debt for the 26 weeks ended 2 July 2023 is summarised below:

	26 weeks ended 2 July 2023 £'000	**26 weeks ended 3 July 2022 £'000**	**52 weeks ended 1 January 2023 £'000**
Net cash from operating activities	**12,980**	4,882	19,978
New store openings and purchase of other fixed assets	**(3,151)**	(4,956)	(10,241)

Net cash used in financing activities	**(9,093)**	(20,856)	(32,726)
Net increase/(decrease) in cash in period	**736**	(20,930)	(22,989)
Net cash at start of period	**9,091**	32,080	32,080
Net cash at end of period	**9,827**	11,150	9,091
Gross bank debt at start of period	**36,800**	44,300	44,300
Loans drawn	**15,000**	-	10,500
Loans repaid	**(10,700)**	(7,000)	(18,000)
Gross bank debt at end of period	**41,100**	37,300	36,800
Net bank debt	**31,273**	26,150	27,709

The £3.6m increase in the net debt since 1 January 2023 reflects the payment of new store opening costs for Barnsley and Durham which opened in November and December 2022 respectively and the impact of a greater than 2% increase in interest rate incurred during the period. It is nevertheless lower by £0.9m than the guidance of £32.2m given at the time of announcement of our results for the 52 weeks ended 1 January 2023, reflecting the tight control maintained on Group cash.

New capital expenditure for the 26 weeks ended 2 July 2023 and since the period end has been limited to the maintenance of the estate and the development of a new TGI Fridays website. The new website went live on 31 May 2023 and improves our interaction with guests and enables restaurant reservations to be much more straightforward.

Financing and refinancing

On 28 April 2023, the Group signed a restated bank facility agreement with its lending banks. Under the terms of that agreement, certain covenants in the previous facility agreement were 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 was reduced to £1.5m, thereby reducing interest costs on undrawn facilities. The new facility comprises a term loan of £26.1m and a revolving credit facility of £21.5m.

In April 2023 the Board announced that it would undertake a refinancing process in Q3 2023. This exercise has been commenced with existing and potential new lenders and is expected to be concluded by the end of Q1 2024.

On 28 September 2023, amongst other things, additional amendments and waivers to the covenant tests in the Group's banking facility were agreed with the Group's banks, aligning the facility still further with the Group's forward forecasts. 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 facility on 1 January 2025.

Going concern

In forming their opinion on the financial statements for the 52 week period ended 1 January 2023, the auditors' report, which was not modified, considered the adequacy of the Group's disclosure made in the note to those financial statements relating to going concern and 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 was 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 those 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 was uncertainty over the adequacy of liquidity

within 12 months from the date of approval of those financial statements. These conditions, along with the other matters explained in the note to the financial statements relating to going concern, indicated the existence of a material uncertainty. The financial statements did not include the adjustments that would result if the Group and the Company were unable to continue as a going concern. The draft financial statements of the subsidiaries of the Company for the 52 week period ended 1 January 2023, which have not yet been signed, have similar notes and references to an uncertainty.

In considering the going concern basis of preparation of the interim financial statements, the Directors took account of significant elements across the business. These included the cost reduction exercise that commenced in H1 2023, the banking covenants being recently reset with the Group's lending banks post-period end, the agreement with the franchisor in H1 2023 to defer all new store opening obligations until FY25, and LFL revenue in H1 2023, adjusted for the variance in the VAT rate on food sales between H1 2022 and H1 2023, being broadly in line with the comparative period in 2022. The results of this review have also been underpinned by the implementation of new revenue initiatives referred to in the Business review above.

The Directors have reviewed the Group's forecasts and underlying assumptions in detail and monitored actual performance against forecast. They have also assessed the forecast deliverability of the Group's updated business plan and the strategies implemented by the Executive Team to deliver forecast results in the plan. This has enabled the Directors to assess the expected operating performance and cash availability for the 15 months from September 2023 to December 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 all operating costs, such that both can be reduced further if trading is reduced to the levels inferred in the severe but plausible downside scenario.

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

Principal risks and uncertainties

The management of the business and the execution of the business strategy are subject to a number of risks. These risks are formally reviewed by the Board and appropriate processes and controls implemented to monitor and mitigate them. The key business risks affecting the Group are set out below.

Brand usage risk

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 brand) entered into with the Franchisor. The Group relies on the intellectual property rights owned by the Franchisor and relies on it to protect such rights. 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. The Group's business could be materially and adversely affected if the perception of the brands is damaged.

The Board seeks to maintain a strong business relationship with the Franchisor. The Franchisor's business model depends on the strength of its brands. 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.

COVID-19 risk

Another lockdown or pandemic could have a material effect on the business if the UK Government required restaurants to close or if the UK Government reintroduced safety measures, such as social distancing.

The Group is focused on ensuring the safety and wellbeing of both its customers and team members. In previous years, the Group accessed Government support, negotiated landlord rent concessions and ensured it was able to reopen rapidly when the environment enabled this. The Group's strategy has been adapted to ensure the Group is in a strong position to confront similar restrictions.

UK economic climate

The Group's business is based exclusively in the UK, save for one restaurant in Jersey, and so is almost exclusively exposed to UK economic conditions and consumer confidence. Leisure activities may be affected by the performance of the 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 as well as other matters.

The Group operates a multi-channel business, which enables it to earn revenue through a variety of sources. Measures have been put in place 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.

Competition risk

The Group faces competition from other market participants. The competition may result in the Group losing custom to other participants or suffering a reduction in margin. A loss of custom or reduction in margin impacts on the Group's revenues and profitability.

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. The Group operates a loyalty programme to ensure that repeat custom is rewarded.

Operational risk

The Group's restaurants have high footfall and high usage, in particular at peak times. There is a risk that without the right level of ongoing investment or if the Group ceased to be able to attract sufficient skilled team members that the quality of the customer experience might decline, impacting the customer experience and likelihood of return visits.

The Group is committed to promoting its values and fairness in the way that it pays all team members s in relation to their skills, experience and performance. The Group has learning and development programmes in place to enhance team member capabilities and to promote the Group's values and people retention.

Regulatory changes

The introduction of new laws or regulations which run contrary to the Group's strategy could have a significant impact on the Group's strategic objectives. This might result in damage to the Group's brands, and cause reputational loss, and possible revocation of licences.

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 its responses to changes in laws or regulations. In addition to complying with applicable laws and regulations, the Board advances procedures to ensure that the Group continues to behave in a socially responsible manner.

Business interruption risk

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 of other companies in recent years, including on providers of IT services. This increases the risk that business information could be accessed by third parties.

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.

Key supplier issues

The Group has a number of key distributors and suppliers that provide its food and beverage products. Limitations and issues faced by these distributors and suppliers, such as driver, employee, goods or fuel shortages, escalating costs, union activity and capacity constraints, could impact the Group's profitability or ability to offer its customers the level of experience they would wish.

Meetings are held between the Group and its key distributors and suppliers to discuss operational issues and mitigating actions. The Group requires certain of its food and beverage suppliers to adhere to specific additional KPIs. Failure by a supplier may lead to short-term disruption, although alternative suppliers could be introduced at relatively short notice. The Group also seeks to take mitigating actions, such as ensuring that it has adequate stock levels and transferring stock between restaurants.

Operational risk related to allergens

There have been a number of high-profile incidents across the restaurant sector related to allergens in food products. These incidents have arisen due to inadequate awareness, training, communication or flagging of allergen items included in menus.

The Group reviews all menus and menu changes for allergen-related products and wording is included on its menus to reflect these items. The Group has robust assured advice from its primary authority partner in place for allergen management processes and procedures. These translate into comprehensive operating practices in its restaurants to manage this risk and to ensure the Group's guests are safe. Allergen awareness is part of the Group's team member training programme.

Matthew Bibby
Interim Chief Financial Officer
29 September 2023

Responsibility statement

The Directors confirm to the best of their knowledge that:

a. the condensed set of financial statements, which have been prepared in accordance with International Accounting Standard IAS 34 (Interim Financial Reporting), gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole as required by DTR 4.2.4R (preparation and content of condensed set of financial statements);

b. the interim management results include a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year); and

c. the interim management results include a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Approved by the Board of Directors on 29 September 2023 and signed on its behalf by:

Julie McEwan **Chief Executive Officer**	**Matthew Bibby** **Interim Chief Financial Officer**

Calculation of key performance indicators and alternative performance measures

The Board uses several key performance indicators ("KPIs") to track the financial and operating performance of the 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 reported under IFRS. The following information on KPIs and APMs 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 2022 for comparability and separately includes sites opened since 2022 or subsequently disposed of.

	26 weeks ended 2 July 2023 (unaudited) £'000	**26 weeks ended 3 July 2022 (unaudited) £'000**	**52 weeks ended 1 January 2023 (audited) £'000**
LFL gross of VAT benefit in 2022	**90,871**	95,849	189,087
Less VAT benefit in 2022	**–**	(2,664)	(2,664)
Net LFL	**90,871**	93,185	186,423
Additions since January 2022	**2,668**	2,554	6,422
Disposals since January 2022	**171**	118	359
Deferred revenue provisions	**(82)**	(68)	(148)
Total net of VAT benefit in 2022	**93,628**	95,789	193,056
Add VAT benefit in 2022	**–**	2,664	2,664
Total	**93,628**	98,453	195,720

In Q1 2022 the VAT rate was lowered to 12.5% before returning to 20% in Q2 2022. The VAT benefit adjustment reflects the benefit received in H1 2022 to provide fair comparability with 2023 LFL sales.

EBITDA

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

	26 weeks ended 2 July 2023 (unaudited) £'000	**26 weeks ended 3 July 2022 (unaudited) £'000**	**52 weeks ended 1 January 2023 (audited) £'000**
Loss before tax	**(10,846)**	(17,089)	(104,345)
Net interest payable and bank arrangement fees	**7,080**	5,934	12,478
Depreciation	**8,885**	10,895	20,339
Net impairment of property, plant and equipment and right of use assets	**1,364**	17,806	31,179
Impairment of goodwill	**–**	–	70,858
Share based payment charge	**102**	254	581
EBITDA	**6,585**	17,800	31,090

Calculation of key performance indicators and alternative performance measures

EBITDA FRS102

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

	26 weeks ended 2 July 2023 (unaudited) £'000	26 weeks ended 3 July 2022 (unaudited) £'000	52 weeks ended 1 January 2023 (audited) £'000
EBITDA	**6,585**	17,800	31,090
Less rent paid to lessors	**(10,424)**	(10,823)	(19,931)
Add rent received from subleases	**10**	164	101
EBITDA FRS102	**(3,829)**	7,141	11,260

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.

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Gross bank loans and borrowings	**(41,100)**	(37,300)	(36,800)
Lease liabilities	**(143,984)**	(150,474)	(148,555)
Cash & cash equivalents	**9,827**	11,150	9,091
Net debt	**(175,257)**	(176,624)	(176,264)

Net debt FRS102

Net debt calculated in accordance with FRS102, is the Group's long-term borrowings (excluding issue costs), less cash and cash equivalents at each period end.

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Gross bank loans and borrowings	**(41,100)**	(37,300)	(36,800)
Cash & cash equivalents	**9,827**	11,150	9,091
Net debt	**(31,273)**	(26,150)	(27,709)

Consolidated statement of comprehensive income for the 26 week period ended 2 July 2023

	Note	26 weeks ended 2 July 2023 (unaudited) £'000	26 weeks ended 3 July 2022 (unaudited) £'000	52 weeks ended 1 January 2023 (audited) £'000
Revenue		**93,628**	98,453	195,720
Cost of sales		**(22,534)**	(22,311)	(45,103)
Gross profit		**71,094**	76,142	150,617
Underlying administrative expenses		**(73,578)**	(70,243)	(141,152)
Exceptional items	7	**–**	–	(70,858)
Administrative expenses		**(73,578)**	(70,243)	(212,010)
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	12.1	**(1,364)**	(17,806)	(36,891)
Other operating income		**82**	752	705
Loss from operations		**(3,766)**	(11,155)	(91,867)
Finance income	8	**88**	4	78
Finance expense	8	**(7,168)**	(5,938)	(12,556)
Loss before tax		**(10,846)**	(17,089)	(104,345)
Tax (charge)/credit	9	**282**	3,743	6,801
Loss for the period		**(10,564)**	(13,346)	(97,544)
Total comprehensive expense		**(10,564)**	(13,346)	(97,544)

All operations are continuing operations.

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

(Loss)/earnings per share in pence	Note	26 weeks ended 2 July 2023 (unaudited)	26 weeks ended 3 July 2022 (unaudited)	52 weeks ended 1 January 2023 (audited)
Basic loss per share	10	**(8.5)**	(10.6)	(77.8)
Diluted loss per share	10	**(8.5)**	(10.6)	(77.8)

Consolidated statement of financial position at 2 July 2023

	2 July	3 July	1 January 2023

	Note	2023 (unaudited) £'000	2022 (unaudited) £'000	(audited) £'000
Assets				
Non-current assets				
Property, plant and equipment	11	**34,774**	39,928	36,140
Right of use assets	12	**90,383**	104,302	94,568
Goodwill	14	**75,121**	145,979	75,121
Net investment in subleases		**89**	100	95
Deferred tax assets	9	**13,083**	10,596	12,801
Total non-current assets		**213,450**	300,905	218,725
Current assets				
Inventories		**1,219**	1,300	1,464
Trade and other receivables		**3,666**	7,477	6,285
Current tax assets		**–**	–	740
Net investment in subleases		**11**	83	12
Cash and cash equivalents		**9,827**	11,150	9,091
Total current assets		**14,723**	20,010	17,592
Total assets		**228,173**	320,915	236,317
Liabilities				
Non-current liabilities				
Loans and borrowings	15	**18,224**	26,180	23,146
Lease liabilities	13	**131,824**	135,989	133,261
Provisions	16	**5,187**	2,352	5,143
Total non-current liabilities		**155,235**	164,521	161,550
Current liabilities				
Trade and other payables		**21,207**	19,188	18,136
Contract liabilities		**974**	800	1,004
Current tax liabilities		**8**	113	–
Loans and borrowings	15	**22,181**	10,497	13,295
Lease liabilities	13	**12,160**	14,485	15,294
Provisions	16	**307**	377	475
Total current liabilities		**56,837**	45,460	48,204
Total liabilities		**212,072**	209,981	209,754
Net current liabilities		**(42,114)**	(25,450)	(30,612)
Net assets		**16,101**	110,934	26,563

Consolidated statement of financial position at 2 July 2023

	Note	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Issued capital and reserves attributable to owners of the Company				

Share capital	17	**25,225**	25,225	25,225
Share premium reserve		**14,583**	14,583	14,583
Merger reserve		**(181,180)**	(181,180)	(181,180)
Share based payment reserve		**736**	307	634
Retained earnings		**156,737**	251,999	167,301
Total equity		**16,101**	110,934	26,563

The notes on pages 21 to 36 form part of these financial statements.

The financial statements on pages 17 to 36 were approved and authorised for issue by the Board of Directors on 29 September 2023 and were signed on its behalf by:

Julie McEwan
Chief Executive Officer

Matthew Bibby
Interim Chief Financial Officer

Consolidated statement of changes in equity for the 26 week period ended 2 July 2023

	Share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 2 January 2023	25,225	14,583	(181,180)	634	167,301	26,563
Comprehensive expense for the period						
Loss for the period	–	–	–	–	(10,564)	(10,564)
Total comprehensive expense for the period	–	–	–	–	(10,564)	(10,564)
Contributions by and distributions to owners						
Share based payment charge	–	–	–	102	–	102
Total contributions by and distributions to owners	–	–	–	102	(10,564)	(10,462)
At 2 July 2023 (unaudited)	**25,225**	**14,583**	**(181,180)**	**736**	**156,737**	**16,101**
At 3 January 2022	25,225	14,583	(181,180)	53	265,345	124,026
Comprehensive expense for the period						
Loss for the period	–	–	–	–	(13,346)	(13,346)
Total comprehensive expense for the period	–	–	–	–	(13,346)	(13,346)
Contributions by and distributions to owners						
Share based payment charge	–	–	–	254	–	254
Total contributions by and distributions to owners	–	–	–	254	(13,346)	(13,092)
At 3 July 2022 (unaudited)	25,225	14,583	(181,180)	307	251,999	110,934
At 3 January 2022	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 Employee Benefit Trust	–	–	–	–	(500)	(500)
Share based payment charge	–	–	–	581	–	581
Total contributions by and distributions to owners	–	–	–	581	(500)	81
At 1 January 2023 (audited)	25,225	14,583	(181,180)	634	167,301	26,563

Consolidated statement of cash flows for the 26 week period ended 2 July 2023

	Note	26 weeks ended 2 July 2023 (unaudited) £'000	26 weeks ended 3 July 2022 (unaudited) £'000	52 weeks ended 1 January 2023 (audited) £'000
Cash flows from operating activities	18	**6,585**	16,169	28,800
Movements in working capital:				
Decrease/(increase) in trade and other receivables		**2,619**	(1,897)	(2,415)
Decrease in inventories		**245**	191	25
Increase/(decrease) in trade and other payables		**2,924**	(8,303)	(8,071)
(Decrease)/increase in provisions and employee benefits		**(152)**	(445)	2,391
Cash generated from operations		**12,221**	5,715	20,730
Corporation taxes recovered/(paid)		**748**	(858)	(857)
Rental income from subleases		**11**	25	105
Net cash from operating activities		**12,980**	4,882	19,978
Cash flows from investing activities				
Purchases of property, plant and equipment		**(3,235)**	(4,956)	(10,311)
Interest received		**84**	–	70
Net cash used in investing activities		**(3,151)**	(4,956)	(10,241)
Cash flows from financing activities				
Repayment of bank borrowings		**(10,700)**	(7,000)	(18,000)
Payment of loan arrangement fees		**(810)**	–	–
Receipt of bank borrowings		**15,000**	–	10,500
Interest paid on bank borrowings		**(1,344)**	(892)	(2,291)
Share purchases by Employee Benefit Trust		**–**	–	(500)
Payment of lease liabilities		**(11,239)**	(12,964)	(22,435)
Net cash used in financing activities		**(9,093)**	(20,856)	(32,726)
Net cash increase/(decrease) in cash and cash equivalents		**736**	(20,930)	(22,989)
Cash and cash equivalents at the beginning of period		**9,091**	32,080	32,080
Cash and cash equivalents at the end of the period		**9,827**	11,150	9,091

Notes to the consolidated financial statements for the 26 weeks ended 2 July 2023

1. 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.

The consolidated financial statements included in these interim results have been prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies and methods of computation used are consistent with those used in the Group's latest annual audited financial statements for the 52 weeks ended 1 January 2023. The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's latest annual consolidated financial statements for the 52 weeks ended 1 January 2023.

The information for the 52 weeks ended 1 January 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory financial statements of the Company for that period, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), has been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified, did not contain a statement under section 498(2) or (3) of the Companies Act 2006, but did draw attention to a matter by way of emphasis.

The accounting period of the Group runs to the nearest Sunday at the end of each half year. The Directors have presented the Group's results and consolidated interim financial statements for the 26 week period ended 2 July 2023, with the comparative period being the 26 week period ended 3 July 2022.

2. Functional and presentation currency

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

3. Going concern

In forming their opinion on the financial statements for the 52 week period ended 1 January 2023, the auditors' report, which was not modified, considered the adequacy of the Group's disclosure made in the note to those financial statements relating to going concern and 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 was 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 those 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 was uncertainty over the adequacy of liquidity within 12 months from the date of approval of those financial statements. The Directors continued to adopt the going concern basis in preparing those financial statements, and the financial statements did 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. The draft financial statements of the subsidiaries of the Company for the 52 week period ended 1 January 2023, which have not yet been signed, have similar notes and references to an uncertainty.

The financial statements for the 26 weeks ended 2 July 2023 have been prepared on a going concern basis. The impact on consumer confidence of the inflationary pressures, together with increases in interest rates, increasing energy costs and supply cost inflation, adversely affected the nature of the market in which the Group operates. The Board responded proactively to these changes. The Group's capital allocation policy was re-set to focus 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 2024. These actions have resulted in a material improvement in net cash retention by the Group. They have also been complemented by a major cost reduction programme and related working capital enhancement. These improvements commenced in Q1 2023. All of the above strategies have been reflected in the Group's forecasts for FY 2023 and 2024.

The banking facilities available to the Group were amended and restated on 28 April 2023 and further amended on 28 September 2023. These amendments included, amongst other things, the revision and waiver of certain covenants in line with the Group's Business Plan. These are referred to in more detail in note 15 to the financial statements. Under the restated facility agreement, the Group provides increased reporting to the banks. The Group will also not open any new restaurants during the term of the facility which ensures that capital expenditure is reduced. Having already successfully implemented a range of revenue initiatives and a substantial reduction in central costs, the Board is confident that these actions are resulting in an improvement in cash generation.

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. The severe but plausible downside scenario assesses the position in a depressed trading environment and worsening of performance by the Group's restaurants, with reduced recovery in H2 2023 and FY 2024. 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 throughout 2024. They also model the impact that this would have on the amended covenants 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 the facility in January 2025, including compliance by the Group with its amended banking covenants and debt amortisation as it comes due under the facility.

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. Accounting policies

These consolidated financial statements have been prepared on a basis consistent with the accounting policies set out in the Group's financial statements for the 52 week period ended 1 January 2023.

5. Critical accounting judgements, estimates and assumptions

Judgements, estimates and assumptions are evaluated at each reporting date and are based on historical experience as adjusted 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.

Deferred tax asset

The Group has recognised deferred tax assets of £13,083k (HY 2022: £10,596k) based on all deductible temporary differences on the basis that there will be future taxable profits. The Group has projected its taxable profits for the next 48 months and extrapolated these into the future for the purposes of this assessment, consistent with the projections used for impairment assessment. This has confirmed that the deferred tax assets recognised will be utilised within the next 12 years.

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. 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%.

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. This uses the Group's updated 2023 budget and the business plan growth rate for the next two years, applying a long-term growth rate of 2% per annum. The discount rate applied in the value-in-use calculations is 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% (HY 2022: 12.3%) has been applied in the value-in-use calculations.

6. Segment information

The Group's reportable segments are all under the TGI Fridays brand. 63rd+1st and Fridays and Go are aggregated with TGI Fridays in internal reporting and are 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.

7. 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 from operations in the 52 weeks ended 1 January 2023 were items which are considered to be exceptional in nature. These are as follows:

	26 weeks ended 2 July 2023 (unaudited) £'000	**26 weeks ended 3 July 2022 (unaudited) £'000**	**52 weeks ended 1 January 2023 (audited) £'000**
Impairment of goodwill (note 14)	–	–	70,858

8. Finance income and expense

	26 weeks ended 2 July 2023 (unaudited) £'000	26 weeks ended 3 July 2022 (unaudited) £'000	52 weeks ended 1 January 2023 (audited) £'000
Finance income			
Interest receivable on net investment in subleases	–	4	–
Other interest receivable	**88**	–	78
Total finance income	**88**	4	78
Finance expense			
Bank interest payable	**1,846**	829	2,569
Amortisation of loan arrangement fees	**474**	254	209
Interest on lease liabilities	**4,819**	4,827	9,726
Other interest payable	–	28	–
Unwinding of discount on provisions	**29**	–	52
Total finance expense	**7,168**	5,938	12,556

9. Tax (charge)/credit

9.1 Tax (charge)/credit recognised in consolidated statement of comprehensive income

	26 weeks ended 2 July 2023 (unaudited) £'000	26 weeks ended 3 July 2022 (unaudited) £'000	52 weeks ended 1 January 2023 (audited) £'000
Corporation tax (charge)/credit			
Current tax charge on profits for the period	–	(661)	–
Adjustments in respect of prior periods	–	–	192
Total corporation tax (charge)/credit	–	(661)	192
Deferred tax (charge)/credit			
Origination and reversal of timing differences	**282**	4,404	4,842
Adjustments in respect of prior periods	–	–	27
Change in future tax rate	–	–	1,740
Total deferred tax credit	**282**	4,404	6,609
Tax credit for the period	**282**	3,743	6,801

9.2 Deferred tax assets

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

	2 January 2023 £'000	Recognised in consolidated statement of comprehensive income £'000	2 July 2023 £'000
Deferred tax assets in relation to:			
Property, plant and equipment differences	3,111	(492)	**2,619**
Other temporary differences	76	–	**76**
Losses carried forward	228	474	**702**
Deferred tax arising from leases	9,386	300	**9,686**
Total deferred tax assets	12,801	282	**13,083**

	3 January 2022 £'000	Recognised in consolidated statement of comprehensive income £'000	3 July 2022 £'000
Deferred tax assets in relation to:			
Property, plant and equipment differences	1,970	591	2,561
Other temporary differences	71	–	71
Deferred tax arising from leases	4,151	3,813	7,964
Total deferred tax assets	6,192	4,404	10,596

	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

10. (Loss)/earnings per share

	26 weeks ended 2 July 2023 (unaudited)	26 weeks ended 3 July 2022 (unaudited)	52 weeks ended 1 January 2023 (audited)
Basic loss per share			
Weighted average outstanding number of shares ('000)	**124,734**	126,127	125,427
Loss after tax for the period (£'000)	**(10,564)**	(13,346)	(97,544)
Basic loss per share (pence)	**(8.5)**	(10.6)	(77.8)
Diluted loss per share			
Weighted average outstanding number of shares ('000)	**124,734**	126,127	125,427
Dilutive shares ('000)	–	–	–
	124,734	126,127	125,427
Loss after tax for the period (£'000)	**(10,564)**	(13,346)	(97,544)
Diluted loss per share (pence)	**(8.5)**	(10.6)	(77.8)

11. Property, plant and equipment

	Leasehold property improvements £'000	Plant and machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost				
At 2 January 2023 (audited)	9,874	54,590	95,669	160,133
Additions	–	1,946	1,135	3,081
Disposals	–	(225)	(649)	(874)
At 2 July 2023 (unaudited)	**9,874**	**56,311**	**96,155**	**162,340**
Accumulated depreciation and impairment				
At 2 January 2023 (audited)	9,874	46,550	67,569	123,993
Depreciation charge for the period	–	1,517	2,292	3,809
Impairment charge for the period	–	–	632	632
Disposals	–	(225)	(643)	(868)
At 2 July 2023 (unaudited)	**9,874**	**47,842**	**69,850**	**127,566**
Net book value				
At 2 July 2023 (unaudited)	**–**	**8,469**	**26,305**	**34,774**
At 3 July 2022 (unaudited)	–	7,457	32,471	39,928
At 1 January 2023 (audited)	–	8,040	28,100	36,140

12. Right of use assets

	Property £'000	Motor vehicles £'000	Total £'000
Cost			
At 2 January 2023 (audited)	171,614	262	171,876
Additions and modifications	2,993	–	2,993
Disposals	(1,370)	–	(1,370)
At 2 July 2023 (unaudited)	**173,237**	**262**	**173,499**
Accumulated depreciation and impairment			
At 2 January 2023 (audited)	77,058	250	77,308
Depreciation charge for the period	5,065	11	5,076
Impairment charge for the period	732	–	732
At 2 July 2023 (unaudited)	**82,855**	**261**	**83,116**
Net book value			
At 2 July 2023 (unaudited)	**90,382**	**1**	**90,383**
At 3 July 2022 (unaudited)	104,274	28	104,302
At 1 January 2023 (audited)	94,556	12	94,568

12.1 Impairment losses recognised in property, plant and equipment and right of use assets in the period

The Group performs an impairment assessment at the end of each reporting period. For the purposes of impairment of property, plant and equipment and 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 property, plant and equipment and 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 updated budget for 2023, applying a long-term growth rate of 2%. The discount rate applied in the value-in-use calculations is 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% (HY 2022: 12.3%) 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 interest rates now prevailing. Post period end, the Group exited its loss-making 63rd+1st restaurant in Edinburgh. A non-cash impairment of £1,364k of its PPE and RoU assets has been recorded in the results to 2 July 2023. No other impairments were required during the half year ended 2 July 2023 (HY 2022: £17,806k).

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 CGUs 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:

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Discount rate – 2% increase	**2,994**	1,894	3,113
Discount rate – 2% decrease	**(3,145)**	(1,933)	(2,541)
EBITDA – 10% increase	**(4,230)**	(2,741)	(3,926)
EBITDA – 10% decrease	**4,842**	3,320	4,738

13. Leases

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 team members. These have all been recognised as right of use assets in the consolidated statement of financial position.

Lease liabilities are due as follows:

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Contractual undiscounted cash flows due			
Not later than one year	**20,757**	19,763	20,925
Between one year and five years	**81,670**	80,357	80,764
Later than five years	**99,868**	112,215	104,673
Total contractual undiscounted cash flows	**202,295**	212,335	206,362
Contractual discounted cash flows of lease liabilities			
Non-current	**131,824**	135,989	133,261
Current	**12,160**	14,485	15,294
Total lease liabilities	**143,984**	150,474	148,555

The contractual cash flows of lease liabilities have been discounted by applying an appropriate incremental borrowing cost for each lease, depending on the remaining lease term ranging from 2% for leases with shorter terms to 7.5% for leases with longer terms.

14. Goodwill

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Cost			
Opening and closing balance	**155,284**	155,284	155,284
Accumulated impairment			
Opening balance	80,163	9,305	9,305
Impairment charge for the period	–	–	70,858
Closing balance	**80,163**	9,305	80,163
Net book value	**75,121**	145,979	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. No impairment charge has been necessary for the 26 weeks ended 2 July 2023 as the value-in-use calculations support the net book value of all assets, goodwill, property, plant and equipment and right of use assets. 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%.

Sensitivities to impairment charges

The key assumptions in the impairment calculation of goodwill are the predicted cashflows of the CGUs 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:

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Discount rate – 2% increase	**4,507**	1,894	3,113
Discount rate – 2% decrease	**-**	(1,933)	(2,541)
EBITDA – 10% increase	**-**	(2,741)	(3,926)
EBITDA – 10% decrease	**2,135**	3,320	4,738

15. Loans and borrowings

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Secured bank loans and borrowings			
Non-current	**18,224**	26,180	23,146
Current	**22,181**	10,497	13,295
Total secured bank loans and borrowings	**40,405**	36,677	36,441

Movement of Loans

	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	1 January 2023 (audited) £'000
Opening balance	**36,441**	43,422	43,422
Loans drawn down	**15,000**	–	10,500
Loans repaid	**(10,700)**	(7,000)	(18,000)
Amortisation of loan arrangement fees	**474**	255	209
Loan arrangement fees waived	–	–	325
Loan arrangement fees incurred in period	**(810)**	–	(15)
Closing balance	**40,405**	36,677	36,441

The Group completed an extension and restatement of the bank loan facilities on 28 April 2023. The restated facility agreement consists of a £24.6m term loan and a £21.5m revolving credit facility, with a term date of 1 January 2025. Arrangement fees of £0.8m were incurred in respect of this refinancing exercise. At the period end, £16.5m had been drawn on the revolving credit facility.

On 28 September 2023, amongst other things, additional amendments and waivers to the covenant tests in the Group's banking facility were agreed with the Group's banks, aligning the facility still further with the Group's forward forecasts.

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	2 July 2023 (unaudited) £'000	3 July 2022 (unaudited) £'000	2 January 2022 (audited) £'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	**41,100**	37,300	36,800
Unamortised loan arrangement fees				**(695)**	(623)	(359)
				40,405	36,677	36,441

15. Loans and borrowings (continued)

During the 26 week period ended 2 July 2023 the Group complied with all covenants within its bank facilities as amended on 28 September 2023. This has continued to the date of approval of these financial statements.

The restated facility agreement, as amended on 28 September 2023, includes the following covenants:

- a minimum liquidity covenant tested on a weekly basis, requiring an aggregate of cash and undrawn commitments under the Revolving Credit Faciity of not less than £1.5m tested by reference to quarterly forward forecasts;
- an adjusted leverage covenant of Group net debt at the end of each quarter to adjusted EBITDA in such period not exceeding prescribed ratios set out in the restatement agreement;
- a cumulative monthly EBITDA covenant tested monthly between 31 October 2023 and 31 March 2024 and then quarterly from 30 June 2024 to 31 December 2024. The covenant requires the Group's cumulative EBITDA for each period to be not less than prescribed amounts set out in the restatement agreement; and
- a capital expenditure covenant that is tested annually on 31 December, requiring the Group to have not incurred capital expenditure greater than prescribed values set out in the restatement agreement.

Interest on the Group's loan facility is payable at the aggregate of a compound reference rate based on SONIA plus a rachet referred to in the table below, with any increase or decrease on the margin as a result of the margin rachet applying from the beginning of the next interest quarter.

Interest rate margin payable in addition to SONIA	**Margin % per annum**
Adjusted leverage	
Bank borrowings less than 1.0x adjusted leverage	3.25
Bank borrowings greater than or equal to 1.0x but less than 1.5x adjusted leverage	3.50
Bank borrowings greater than or equal to 1.5x but less than 2.0x adjusted leverage	3.75
Bank borrowings greater than or equal to 2.0x adjusted leverage	4.00

In addition, under the restatement agreement, a further interest charge accrues 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 and Hostmore Group Limited have provided English law fixed and floating charges over all of their assets in support of the obligors' obligations under the facilities agreement. Hostmore plc has granted a debenture to Hostmore Group Limited and the obligor companies under the facility.

Under the restated agreement, the term loan is 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 2 July 2023, and in accordance with the terms of the facility agreement, there was £1.0m of interest owed to the lenders which has been accrued in these financial statements.

15. Loans and borrowings (continued)

Undrawn facilities

The Group had committed undrawn borrowing facilities at floating rates at 2 July 2023 as follows:

	2 July 2023 (unaudited) £'000	**3 July 2022 (unaudited) £'000**	**1 January 2023 (audited) £'000**
Expiring between 1 and 2 years	5,000	25,000	22,500

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

16. Provisions

	2 July 2023 (unaudited) £'000	**3 July 2022 (unaudited) £'000**	**1 January 2023 (audited) £'000**
Opening balance	**5,618**	3,175	3,175
Increase in provision	**26**	–	2,935
Charged to consolidated statement of comprehensive income	–	–	–
Credited to consolidated statement of comprehensive income	**(181)**	(473)	(544)
Unwind of discount	**31**	27	52
Closing balance	**5,494**	2,729	5,618

Expected to be utilised within one year or less	**307**	377	475
Expected to be utilised after more than one year	**5,187**	2,352	5,143
Closing balance	**5,494**	2,729	5,618

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.

17. Share capital

Issued and fully paid

	Number	**£'000**
Ordinary shares of 20p each at 3 July 2022, 1 January 2023 and 2 July 2023	126,127,279	25,225

Share issues during the period

There were no shares issued during the 26 week period ended 2 July 2023.

17. Share capital (continued)

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 or paid by the Company during the 26 week period ended 2 July 2023.

Market purchases of ordinary shares
At the Company's annual general meeting held on 7 June 2023, 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 12,612,725 shares in the Company, representing 10% of its issued share capital at 7 June 2023, within normal market guidelines. No market purchases were made under this authority during the period from the Company's annual general meeting on 7 June 2023 to the date of approval by the Board of these financial statements. The authority granted at the Company's annual general meeting held on 7 June 2023 will expire (unless previously revoked, varied or renewed) at the close of business on 30 June 2024 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2024. The Company intends to seek a renewal of this authority at its annual general meeting to be held in 2024.

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.

Authorities to issue share capital
At the Company's annual general meeting held on 7 June 2023, the Directors were authorised to allot and issue ordinary shares in the Company within normal market guidelines. No issuances were made under this authority during the period from the Company's annual general meeting on 7 June 2023 to the date of approval by the Board of these financial statements. This authority will expire (unless previously revoked, varied or renewed) at the close of business on 30 June 2024 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2024.

18. Cash flows from operating activities

	26 weeks ended 2 July 2023 (unaudited) £'000	**26 weeks ended 3 July 2022 (unaudited) £'000**	**52 weeks ended 1 January 2023 (audited) £'000**
Loss for the period	**(10,564)**	(13,346)	(97,544)
Adjustments for non-cash items and amounts disclosed separately:			
Depreciation of property, plant and equipment and right of use assets	**8,885**	10,895	20,339
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	**1,364**	17,806	36,891
Impairment of goodwill	**–**	–	70,858
Finance income	**(88)**	(4)	(78)
Finance expense	**7,168**	5,938	12,556
Covid-19 rent concessions	**–**	(1,631)	(2,290)
Income tax charge/(credit)	**(282)**	(3,743)	(6,801)
Share based payment charge	**102**	254	581
Cash flows from operating activities	**6,585**	16,169	28,800

19. Related parties

Transactions with key management personnel

During the 26 week period ended 2 July 2023, a relative of Julie McEwan, the Group's Chief Executive Officer, received £13k of Board approved sponsorship in return for advertising the TGI Fridays brand at sports events.

Definitions

The following definitions shall apply throughout this document unless the context requires otherwise:

"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
"EBITDA"	earnings before interest and bank arrangement fees, tax, depreciation, impairment and share based payments
"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
"Group"	the Company together with its direct and indirect subsidiaries and subsidiary undertakings
"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
"RoU asset"	right of use asset