

TASTY PLC

Report and financial statements

52 weeks ended 31 December 2017

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Directors and information

Directors

Keith Lassman (Non-Executive Chairman)
Daniel Jonathan Plant (Joint Chief Executive Officer)
Samuel Kaye (Joint Chief Executive Officer)
Adam Kaye (Non-Executive Director)
Timothy Cundy (Finance Director – resigned 13 March 2018)

Secretary and registered office

Keith Lassman
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London W1T 2NQ

Company number

5826464

Independent Auditors

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London W1U 7EU

Solicitors

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London SE1 9BG

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London W1K 7DY

Bankers

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London E14 5HP

Nominated advisers and stockbrokers

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London EC2R 7AS

Registrars

Computershare Investor Services plc
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The Pavilions
Bridgwater Road
Bristol BS99 6ZY

Chairman's statement

I am pleased to be reporting on the Group's annual results for the 52 week period ended 31 December 2017 and the comparative 53 week period ended 1 January 2017. The Group currently operates 61 restaurants, comprising of 6 Dim t and 54 Wildwood restaurants and one other.

The Group has traded in line with the Board's revised expectations. However, 2017 has proven to be a challenging year across the sector. At the beginning of the year we noted the impact the difficult market conditions were likely to have and undertook a strategic review of the business.

We identified a number of weaknesses in our operational structure and have begun to implement an eighteen month plan to address these issues. In addition to this, we made the decision to dispose of a number of underperforming sites and suspend expansion whilst we make these operational improvements.

In line with this strategy, since the beginning of 2017 the Group has opened 6 new sites and has disposed of 6 sites. There are a number of sites that the Group is still planning to dispose of and at present the Group is not committed to any new openings in 2018.

The Group is focussed on the planned operational improvements and we are now seeing better customer engagement and staff retention. During the period we launched our apprenticeship scheme to support and enhance our improved staff training scheme which will be expanded throughout 2018.

Our dedicated staff have responded well to the challenges of 2017 and I would like to take this opportunity of thanking them again for their hard work.

The Board does not expect market conditions to improve in 2018 and believes that a further deterioration is likely. Underlying input costs will continue to rise and consumer spending will face increased pressures. The Group's next round of operational improvements are targeting improvements in the areas of sales, food and labour margins, however it will be some time before the full benefit of these changes is felt and financial performance in 2018 is very unlikely to see any improvement on 2017.

Despite the fall in financial performance experienced in 2017, the Group remains cash generative. Financial highlights are included in the business review.

The Directors believe that the Group's brands remain attractive to customers and the Group has the right strategic plan in place to ensure future growth.

Finally, I am pleased to announce that the Group has recruited a replacement for our outgoing Finance Director to lead the finance function as well as offer support to the Group's other administrative functions. Reporting into the Board, this role will be key in supporting the implementation of the business strategy.

Dividend

The Board does not propose to pay a dividend.

Keith Lassman

Chairman

13 March 2018

Strategic report for the 52 weeks ended 31 December 2017

Tasty plc operates two restaurant concepts in the UK Casual Dining sector: Wildwood and dim t.

Wildwood

Aimed at a wide market, our 'Pizza, Pasta, Grill' restaurant remains the main focus for the Group. Our sites are primarily based on the high street, however we have a number of leisure, retail and tourist locations which trade well, highlighting the broad appeal and scalability of the offering. Located nationally, Wildwood is currently trading from 54 restaurants, with six openings in the year; Bicester, Birmingham, Skipton, Kettering, Rushden Lakes and Hinckley.

dim t

Our pan-asian restaurant trades from 6 sites, serving a wide range of dishes including, dim sum, noodles, soup and curry.

Business review

After completing a comprehensive review of the business the Group has a clear plan to return to growth:

- rationalise the estate
- re-connect with our customers
- invest in our staff
- streamline our structure

Rationalise the estate

The Group has previously noted that it had a number of sites which were underperforming, primarily from the old Wildwood Kitchen estate. For each of these sites turnaround strategies have been introduced and where these have not been successful the Group has sought to dispose of the property. Since 1 January 2017 a number of disposals have taken place.

Canary Wharf Wildwood

The lease for this property was assigned on 5 January 2018 for a premium receivable by the Group of £1.45m. This contract was unconditional at the year end and has therefore been recognised in these financial statements.

Ilkley Wildwood Kitchen

The lease of this property was assigned on 22 September 2017 for a premium receivable by the Group of £120,000.

Abingdon Wildwood Kitchen

A surrender of the lease was agreed on 14 January 2018 at no cost to the Group.

Strategic report for the 52 weeks ended 31 December 2017

Bristol Wildwood Kitchen

The lease on this site was surrendered on 31 December 2017 at a cost of £195,000 to the Group.

Barnes Wildwood Kitchen

Contracts have exchange on this property with the lease due to be assigned imminently at a net cost of £nil to the Group.

Gloucester Road Wildwood

On 8 March 2018 this unit was sold as a going concern for a consideration of £2.7m

Funds for Canary Wharf and Gloucester Road totalling £4.15m have been received in 2018 and are not included in the cash and cash equivalents in these financial statements.

In addition to the above, the Company undertook a sale and leaseback transaction during the period, purchasing and later selling the freehold of our Kettering site. Transactions of this nature are unlikely to occur in the near future with this transaction arising out of specific circumstances allowing the Company to achieve a low risk profit. The Group is continually reviewing its portfolio and will make further disposals in 2018 if they fit its business strategy.

Re-connect with customers

The Group identified that customer engagement was too low in a number of areas including feedback on service, feedback on food and customer communication via social media. The marketing department has been strengthened in 2017 to facilitate changes in these areas.

The Group has invested in systems which allow better customer segmentation and better customer data collection, improving our communication with our guests. We have also invested in systems that provide customer feedback on a daily basis, allowing us to get the opinions of thousands of customers each month.

We have set the ground-work in this area so we now know more about our customers and importantly what they like and want when dining out. During 2018 we will be leveraging this improved knowledge to test menu developments, promotional activity and continue to build loyalty to the brands.

Invest in our staff

The Group has begun to completely overhaul the training framework that exists in the business with a view to increasing staff retention and improving overall customer experience. The framework is being drastically improved at all levels of the organisation supported by apprenticeships. We are one of the few hospitality business to be awarded 'employer provider' apprenticeship status which has allowed us to directly design and deliver off the job apprenticeship training, significantly improving the relevance and effectiveness of the apprenticeships.

Currently we have two apprenticeship course types in operation and this will be increased in 2018 replacing some of the previous training with training which is far more in depth. In addition, a number of new customer focussed training courses have been developed at all levels across the business and these courses will be run throughout 2018 to ensure Group service standards are being maintained.

Strategic report for the 52 weeks ended 31 December 2017

Invest in our structure

During the year we installed a new electronic point of sale (EPOS) system across Wildwood and will roll this out to Dim t in 2018 which will result in an annual saving on maintenance costs. This EPOS upgrade provides integrated credit card terminals and improved controls around discounting which reduces misappropriation risk. Additionally, this system significantly improves Group reporting and reduces the time that General Managers spend on back office duties so more time can be spent on improving sales and customer experience. The system also introduces increased connectivity through our online booking platform and promotional materials, all of which simplify operations.

Along with the EPOS, the Group has recently invested in new labour scheduling software, an online booking system and customer complaints system.

During 2018 the Group plans to restructure the operations team, flattening the structure and reducing headcount. This will reduce the operational costs and provide clear reporting lines to the senior management team, improving the speed and quality of business decision.

Outlook for the coming year

The Group will undergo significant positive changes throughout 2018 which should allow for successful menu development, improved customer experience and, in the longer term, lower costs. The Group will also continue to investigate promotional options and pricing structures. Some of these changes will be disruptive to the business in the short term and the Group will incur a number of restructuring costs in 2018.

Market conditions have been increasingly challenging through 2017 and the Board's expectation is that there will be no improvement in this regard in 2018.

Full year results & key performance indicators

The Directors utilise a large number of detailed performance indicators to manage the business but, as with most businesses, the focus in the income statement at the top level is on sales, EBITDA before highlighted items and operating profit before highlighted items compared to budget and the previous year. These figures are reconciled to the Statement of Comprehensive Income below.

Overall financial performance for the Group was in line with the Board's revised expectation although this represented a significant decline against last period's performance.

Revenue for the period increased 9.7% on last year to £50,309,000 (2017 53 weeks - £45,850,000) which has arisen through full year sales for the 2016 openings. EBITDA before highlighted items was £3,500,000 (2017 53 weeks - £6,960,000). Pre-opening costs for the period totalled £413,000 (2017 - £642,000).

	52 weeks ended 31 December 2017	53 weeks ended 1 January 2017
Revenue	£50.31m	£45.85m
Cost of sales	(£48.40m)	(£40.57m)
Gross profit	£1.91m	£5.28m
Administrative costs	(£0.67m)	(£0.49m)
EBITDA before highlighted items	£3.52m	£6.96m
Operating profit before highlighted items	£1.24m	£4.79m

Strategic report for the 52 weeks ended 31 December 2017

Margins saw significant decline in the year which is due to a number of underperforming sites as well as underlying inflationary pressures experienced through labour, food and business rates. The majority of sites have seen a decline in footfall in 2017 and as a result a decline in like for like sales.

Due to the declining performance, further site impairments have been made during the year resulting in an impairment charge of £9,462,000 (2017 - £3,576,000) and an onerous lease provision charge of £1,635,000 (2017 - £nil)

The Group has disposed of a number of properties during the period resulting in a profit on disposal of £1,237,000 (2017 - £nil).

Operating profit before highlighted items decreased in the period to £1,235,000 (2017 53 weeks - £4,792,000) and the Group achieved a pre-tax loss (after highlighted items) of £9,470,000 (2017 - £88,000).

Net cash outflow for the period before financing was £2,991,000 (2017- £6,883,000). This is largely represented by capital expenditure on the expansion of the business through the opening of the above sites. Net cash flows generated from operations were £2,785,000 (2017 - £5,368,000).

The Group has an available banking facility with Barclays Bank of £12,000,000 made up of a £7,000,000 term loan and a £5,000,000 revolving facility. As at 31 December 2017 the Company had drawn £7,000,000 of the available facility (2016 - £7,000,000). Net debt at the balance sheet date was £5,157,000 (2017 - £1,996,000).

The table below gives additional information to shareholders on key performance indicators

	52 weeks ended 31 December 2017	53 weeks ended 1 January 2017
	£'000	£'000
EBITDA before highlighted items	3,524	6,959
Depreciation and amortisation	(2,289)	(2,167)
Operating profit before highlighted items	1,235	4,792
- Highlighted items	(10,503)	(4,667)
Operating (loss)/profit	(9,268)	125

Strategic report for the 52 weeks ended 31 December 2017

Pre-opening cost and accounting adjustments

Pre-opening costs have been highlighted in the income statement as these costs represent revenue expenses, such as rent, rates and training costs, which are necessarily incurred in the period before a new unit is opened, but which are specific to the opening of that unit and not part of the Group's normal ongoing trading performance.

The Group recognises a number of charges in the accounts which arise under accounting rules which have no transactional cash impact. These charges include share based payments and impairments to property, plant and equipment. The above items are included under 'highlighted items' on the statement of comprehensive income and further detailed in note 5. These items, due to their nature, will fluctuate significantly year on year and are therefore highlighted to give more detail on the Group's trading performance.

Principal uncertainties and risks

Economic conditions

The results of the Brexit referendum have created a high level of uncertainty across a range of issues that impact the economy. Continued deterioration in consumer confidence due to future economic conditions could have a detrimental impact on the Group in terms of footfall and sales.

To mitigate this risk, the Group continues to position its brands within the affordable segment of the casual dining market. Continued focus on customer relations and targeted and adaptable marketing initiatives should help the Group retain and drive sales where footfall declines.

Food cost inflation

The Group faces food cost inflationary pressures in the short and medium term due to rises in commodity prices and the lower value of GBP as a result of Brexit.

The Group monitors its food supply chain closely, regularly reviewing food costs and implementing a variety of strategies to mitigate the impact of increases.

Labour cost inflation

Labour cost pressures which are outside of the control of the Group, such as auto enrolment pension costs, minimum wage / living wage increases and the apprenticeship levy, are suffered by the Group and its competitors.

The Group regularly monitors labour costs and on-going initiatives are used to reduce the impact of such pressures. The Group has invested in labour scheduling systems and extensive training in this area.

Strategic report for the 52 weeks ended 31 December 2017

Labour supply

With low levels of unemployment, the labour market is very competitive, especially in the hospitality sector. Good quality staff are integral to the successful delivery of the Group's product and not being able to secure the right staff could be damaging to the Group.

The Group has made extensive improvements to staff training and continues to develop an extensive framework of training, supported with our apprenticeship schemes. The Group offers a competitive remuneration package which includes profit based bonuses and share options.

Supplier failure

A major failure of key supplier or distributor could cause significant business interruption. This is mitigated through contingency planning throughout our supply chain and open lines of communications with our suppliers.

Strategic risks

The Group intends to dispose of further sites and in future years will be looking to acquire sites. The ability to do both is an important element of the Group's future growth. The Group has a strong and experienced property acquisition team with good relationships with external agents and advisers.

Consumer habits and competition

Consumer tastes and habits are continually changing and the ability to keep pace with the demands of the consumer are integral to long term growth.

The Group has invested to increase the level of feedback received from customers using a number of channels which include mini wi-fi surveys in store, a detailed customer feedback system and technology to collate on-line opinion.

The Group has increased the level of social media and marketing engagement and is investigating more options to further increase customer engagement. Menu development continues, with new items tested each month through our monthly specials menu.

Strategic report for the 52 weeks ended 31 December 2017

Regulatory risk

The Group's activities are subject to a wide range of laws and regulations which include health and safety, food safety and sanitation, alcohol licensing and control, data protection, employment, minimum wage and pension regulation.

The Group engages in regular internal and external compliance audits to ensure all sites are complying with regulations. Job specific training that covers relevant regulations is provided to all staff on induction and whenever else necessary. Online reporting systems are utilised on a daily basis to gather relevant information on compliance.

On behalf of the Board.

Daniel Jonathan Plant
Joint Chief Executive Officer

13 March 2018

Report of the directors for the 52 weeks ended 31 December 2017

The Directors present their report together with the audited financial statements for the 52 weeks ended 31 December 2017 (comparative period 53 weeks to 1 January 2017).

Results and dividends

The consolidated statement of comprehensive income is set out on page 21 and shows the loss for the period.

The Directors do not recommend the payment of a dividend (2016 - £nil).

Post balance sheet events

Post balance sheet events are set out in note 32.

Future developments

The outlook and future developments are set out in the Chairman's statement on page 3 and the strategic report on page 4.

Principal activities

The Group's principal activity is the operation of restaurants.

Directors

The Directors of the Group during the period were as follows

Executive

Jonny Plant

Samuel Kaye

Timothy Cundy (resigned 13 March 2018)

Non-Executive

Keith Lassman

Adam Kaye

Directors' interest in shares

Director	As at 31 December 2017		As at 1 January 2017	
	Ordinary shares of 10p each	%	Ordinary shares of 10p each	%
Jonny Plant	3,843,329	6.4%	3,774,363	6.3%
Samuel Kaye	10,750,589	18.0%	10,750,589	18.0%
Keith Lassman	168,185	0.3%	154,640	0.3%
Adam Kaye	7,236,559	12.1%	7,236,559	12.1%

As at the date of this document certain of the Directors had holdings in 'A' and 'B' shares in Took Us a Long Time Limited, the subsidiary company. The benefit of holding these shares is considered by the Board to be similar to the benefit of holding an EMI option.

Report of the directors for the 52 weeks ended 31 December 2017

Director	Class of share	Number	Exercise price	Price condition	Exercisable date	Expiry date
Samuel Kaye	A	500,000	£1.00	£1.50	31/03/2014	30/03/2024
Jonny Plant	A	500,000	£1.00	£1.50	31/03/2014	30/03/2024
	B	600,000	£1.20	£2.00	30/04/2015	29/04/2025
Timothy Cundy	A	300,000	£1.00	£1.50	30/09/2016	30/03/2024
	A	100,000	£1.00	£1.50	30/04/2017	29/04/2025
	A	100,000	£1.00	£1.50	30/04/2018	29/04/2025
	A	100,000	£1.00	£1.50	30/04/2019	29/04/2025

Employees

Applications from disabled persons are given full consideration providing the disability does not seriously affect the performance of their duties. Such persons, once employed, are given appropriate training and equal opportunities.

The Group takes a positive view toward employee communication and has established systems for ensuring employees are informed of developments and that they are consulted regularly.

Donations

The Group made no charitable or political donations in the period (2016 - none).

Financial Instruments

Details of the use of financial instruments and the principal risks faced by the Group are contained in note 28 to the financial statements.

Going concern

The Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least twelve months since the Board approved these financial statements. Accordingly, a going concern basis of accounting is adopted in preparing the annual financial statements. The Board's assessment of going concern can be found in Note 1 to the financial statements.

Report of the directors for the 52 weeks ended 31 December 2017

Auditors

All of the current Directors have taken all reasonable steps necessary to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board.

Daniel Jonathan Plant

Joint Chief Executive Officer

13 March 2018

Statement of directors' responsibilities

The Directors are responsible for preparing the strategic report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

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

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditors' report to the members of Tasty plc

Opinion

We have audited the financial statements of Tasty plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheet, the consolidated and Company statement of changes in equity, the consolidated and Company cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Use of our report

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

Independent auditors' report to the members of Tasty plc

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

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

Key audit matter	How we addressed the key audit matter in the audit
<p><i>Impairment of property, plant and equipment</i> Property, plant and equipment is the most quantitatively significant item on the balance sheet with a net book value at 31 December 2017 of £28.33m (1 January 2017: £34.20m). The impairment charge for the period recognised in the statement of comprehensive income was £9.46m compared to £3.58m in the prior period.</p> <p>At each reporting date the Group is required to consider any indication of impairment to the carrying value of its property, plant and equipment and other assets such as lease premiums and goodwill. The assessment is based on expected future cash flows and is carried out on each restaurant as these represent separate cash generating units.</p> <p>This has been recognised by the Board as a critical accounting estimate and judgement as outlined in the financial statements on page 35.</p> <p>There is also a risk that management may unduly influence the significant judgements and estimates in respect of the requirement for an impairment provision.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We reviewed management's assessment of forecasted cash flows and challenged management on the assumptions in the forecasts including reviewing the analysis for restaurants where no impairment was recognised. • We held discussions with management to challenge the impairments on those restaurants where: the headroom before impairment was low, the forecasted growth in cash flows was high, the restaurant was new and those where there was a potential impairment reversal. • We obtained evidence, including market based evidence, to support the growth and discount rates used. • We tested the mechanics of management's impairment model.

Independent auditors' report to the members of Tasty plc

<p>Key observations Based on our work, we are satisfied that the amount recognised as an impairment charge is appropriate and in line with the Group's accounting policy.</p>	
<p>Key audit matter</p>	<p>How we addressed the key audit matter in the audit</p>
<p>Onerous contracts The Group recognises provisions for onerous contracts when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligation under the contract. As set out in note 19, onerous contract provisions totalled £1.64m in the period in respect of 4 property leases.</p> <p>This has been recognised by the Board as a critical accounting estimate and judgement as outlined in the financial statements on page 35.</p> <p>There is also a risk that management may unduly influence the significant judgements and estimates in respect of the requirement for an onerous contract provision.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none"> • We reviewed the calculations by management for onerous leases and challenged their assumptions on the timing and potential to sub-let or surrender leases and the quantum of any income. • We challenged management on all restaurants where there is negative Earnings Before Interest Taxation and Depreciation as to if an onerous contract provision was required. • We agreed a sample of assumptions to external property market information obtained by the Group.
<p>Key observations Based on our work, we are satisfied that the amount recognised relating to onerous contract provisions is appropriate and in line with the Group's accounting policy.</p>	

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £250,000. This was determined with reference to a benchmark of 0.5% of turnover. The materiality level applied in the previous year was £310,000 and the basis for determining materiality in the prior year was operating profit related. The change in the basis of materiality for 2017 arose because of the reduction in profitability in the Group in the current period.

Independent auditors' report to the members of Tasty plc

The principal activity of the Parent Company is that of a holding company. We set 90% of Group materiality, being £225,000 (1 January 2017: £279,000).

Performance materiality

The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75%. As such, performance financial statement materiality was set at £189,000 (1 January 2017: £232,000). Performance materiality for the Company was set at 75% of materiality, being £168,000.

Reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000 (1 January 2017: £12,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements. For the Parent Company we agreed to report all audit differences in excess of £9,000.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team who performed full scope audit procedures on the Parent Company and the Group as a whole.

Other information

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

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

Independent auditors' report to the members of Tasty plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Independent auditors' report to the members of Tasty plc

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.

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

Geraint Jones (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

Date: 13 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

for the 52 weeks ended 31 December 2017

	Note	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Revenue	3	50,309	45,847
Cost of sales		(48,402)	(40,570)
Gross profit		1,907	5,277
Total operating expenses		(11,175)	(5,152)
Operating profit before highlighted items		1,235	4,792
Highlighted items	5	(10,503)	(4,667)
Operating (loss)/profit	4	(9,268)	125
Finance income		1	1
Finance expense		(203)	(214)
Loss before tax		(9,470)	(88)
Income tax	9	1,195	(760)
Loss and total comprehensive income for the period and attributable to owners of the parent		(8,275)	(848)
Earnings per share attributable to the ordinary equity owners of the parent			
Basic and diluted	10	(13.84p)	(1.56p)

The notes on pages 28 to 54 form part of these financial statements.

Consolidated statement of changes in equity

for the 52 weeks ended 31 December 2017

	Share capital	Share premium	Merger reserve	Retained (loss)/ profit	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 27 December 2015	5,322	13,371	992	2,599	22,284
Issue of ordinary shares	653	7,977	-	-	8,630
Total comprehensive income for the period	-	-	-	(848)	(848)
Share based payments	-	-	-	100	100
Balance at 1 January 2017	5,975	21,348	992	1,851	30,166
Issue of ordinary shares	5	28	-	-	33
Total comprehensive income for the period	-	-	-	(8,275)	(8,275)
Share based payments	-	-	-	134	134
Balance at 31 December 2017	5,980	21,376	992	(6,290)	22,058

The notes on pages 28 to 54 form part of these financial statements.

Company statement of changes in equity

for the 52 weeks ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
Balance at 27 December 2015	5,322	13,371	512	19,205
Issue of ordinary shares	653	7,977	-	8,630
Total comprehensive income for the period	-	-	(7)	(7)
Share based payments	-	-	100	100
<hr/>				
Balance at 1 January 2017	5,975	21,348	605	27,928
Issue of ordinary shares	5	28	-	33
Total comprehensive income for the period	-	-	(6,036)	(6,036)
Share based payments	-	-	134	134
<hr/>				
Balance at 31 December 2017	5,980	21,376	(5,297)	22,059

The notes on pages 28 to 54 form part of these financial statements.

Consolidated balance sheet

At 31 December 2017

		31 December 2017 £'000	1 January 2017 £'000
Non-current assets			
Intangible assets	12	470	473
Property, plant and equipment	13	28,331	34,200
Pre-paid operating lease charges	14	1,428	1,861
Other non-current assets		278	279
		30,507	36,813
Current assets			
Inventories	16	2,655	2,465
Trade and other receivables	17	6,257	4,390
Pre-paid operating lease charges	14	143	124
Cash and cash equivalents		1,843	5,004
		10,898	11,983
Total assets		41,405	48,796
Current liabilities			
Trade and other payables	18	(9,202)	(9,163)
Corporation tax liabilities		-	(407)
Borrowings	21	(583)	-
		(9,785)	(9,570)
Non-current liabilities			
Provisions	19	(1,660)	(35)
Lease incentives		(1,233)	(1,059)
Deferred tax liability	20	(252)	(966)
Long-term borrowings	21	(6,417)	(7,000)
		(9,562)	(9,060)
Total liabilities		(19,347)	(18,630)
Total net assets		22,058	30,166
Equity			
Share capital	22	5,980	5,975
Share premium	23	21,376	21,348
Merger reserve	23	992	992
Retained profit	23	(6,290)	1,851
Total equity		22,058	30,166

The financial statements were approved by the Board of Directors of the Company and authorised for issue on 13 March 2018 and signed on their behalf by Daniel Jonathan Plant.

The notes on pages 28 to 54 form part of these financial statements.

Company balance sheet

At 31 December 2017

Company number: 5826464

	Note	31 December 2017 £'000	1 January 2017 £'000
Non-current assets			
Investments	15	3,019	2,885
Other non-current assets	17	19,040	25,043
		22,059	27,928
<hr/>			
Total net assets		22,059	27,928
<hr/>			
Equity			
Share capital	22	5,980	5,975
Share premium	23	21,376	21,348
Retained earnings	23	(5,297)	605
Total equity		22,059	27,928

The Parent Company has taken advantage of the exemption in s 408 of the Companies Act 2006 not to publish its own income statement. The Parent Company made a loss of £6,036,000 (2017 – loss of £7,000) for the period.

The financial statements were approved by the board of directors of the Company and authorised for issue on 13 March 2018 and signed on their behalf by Jonny Plant.

The notes on pages 28 to 54 form part of these financial statements.

Consolidated cash flow statement

For the 52 weeks ended 31 December 2017

	Note	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Operating activities			
Cash generated from operations	30	2,785	5,368
Corporation tax paid		-	(600)
Net cash inflow from operating activities		2,785	4,768
Investing activities			
Proceeds from sale of property, plant and equipment		975	-
Purchase of property, plant and equipment		(6,752)	(11,652)
Interest received		1	1
Net cash flows used in investing activities		(5,776)	(11,651)
Financing activities			
Net proceeds from issues of ordinary shares		33	8,630
Bank loan receipt		-	6,250
Bank loan repayment		-	(5,000)
Interest paid		(203)	(214)
Net cash (used in) / in flow from financing activities		(170)	9,666
Net (decrease)/increase in cash and cash equivalents		(3,161)	2,783
Cash and cash equivalents brought forward		5,004	2,221
Cash and cash equivalents as at the end of the period		1,843	5,004

The notes on pages 28 to 54 form part of these financial statements.

Company cash flow statement

For the 52 weeks ended 31 December 2017

	Note	53 weeks ended 1 January 2017 £'000	52 weeks ended 27 December 2015 £'000
Operating activities			
Cash generated from operations		-	-
Corporation tax paid		-	-
Net cash outflow from operating activities		-	-
Financing activities			
Net proceeds from issues of ordinary shares		-	-
Net cash flows used in financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents as at 1 January 2017		-	-
Cash and cash equivalents as at 31 December 2017		-	-

Significant non-cash transaction

During the period the Company purchased and disposed of a freehold property in a sale and leaseback transaction. Net proceeds of this transaction was an inflow of £620,000 and all cash movements in relation to this transaction were processed by the trading subsidiary and recognised in the inter-company account between the Company and the trading subsidiary.

In the previous period the Company issued share capital for net proceeds of £8,630,000 (2015 - £52,000). The cash receipts were processed by the trading subsidiary and have been recorded through the inter-company account between the Company and the trading subsidiary.

The notes on pages 28 to 54 form part of these financial statements.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

1 Accounting policies

(a) Statement of compliance

These financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs"). These financial statements have also been prepared in accordance with those parts of the Companies Act 2006 that are relevant to companies that prepare their financial statements in accordance with IFRS.

(b) Basis of preparation

The financial statements cover the 52 week period ended 31 December 2017, with a comparative period of the 53 week period ended 1 January 2017. The financial statements are presented in sterling, rounded to the nearest thousand and are prepared on the historical cost basis. Accounting policies of the Company are consistent with the policies adopted by the Group.

(c) Going concern

As at 31 December 2017, the Group had net assets of £22,058,000 (2017: £30,166,000). The Group meets its day-to-day working capital requirements through its bank facilities. The Group's principal sources of funding are:

- a five year term loan of £7,000,000 to July 2021 which was outstanding at the period end. Loan repayments of £1,166,666 are payable over the next twelve months;
- a five year Revolving Loan Facility of £5,000,000 available until July 2021, which is available for working capital and new site capital expenditure. At the balance sheet date none of this facility was drawn.
- issue of ordinary share capital in the Company on the Alternative Investment Market.

As at the period ended 31 December 2017, the Group had cash and cash equivalents of £1,843,000 (2017 - £5,004,000) available to meet short term needs. Quarterly covenant tests are in place over these bank facilities and the Group was fully compliant as at 31 December 2017.

Based on current and forecasted performance, the Board expect there will continue to be headroom for the foreseeable future.

Based on the above, the Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the going concern basis of accounting is adopted in preparing the annual financial statements.

(d) Changes in accounting policy

Standards, amendments and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the EU, which were effective for the first time in the current financial year did not have a significant impact on these financial statements.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

The directors note that there may be a potential material impact on the financial statements from the adoption of these standards as follows:

- IFRS9 will impact the classification and measurement of financial instruments, together with related disclosures. The standard requires entities to use an expected credit loss model for impairment of financial assets instead of an incurred loss model and may therefore impact the measurement of credit losses in the standalone company accounts in relation to the intercompany receivable.
- The Group is party to a number of operating leases and as such IFRS 16 is expected to have a material impact on the reported assets, liabilities, income statement and cash flows of the Group. It is expected that each operating lease will be capitalised as a right of use asset on the Statement of Financial Position, together with the recognition of a liability for the corresponding lease payments. IFRS 16 will also require extensive disclosures to be made in the financial statements.

The assessment of the potential impact of these standards on the financial statements is ongoing and the conclusions of the Directors will be finalised in due course.

(e) Basis of consolidation

The consolidated financial statements incorporate the results of the Company and its subsidiary, Took Us A Long Time Limited. The accounting period of the subsidiary is co-terminous with that of the parent undertaking.

(f) Revenue

Revenue represents amounts received and receivable for goods and services provided (excluding value added tax) in the normal course of business. Revenue is recognised at the point goods and services are provided.

(g) Pre-opening costs

Property rentals and other related overhead expenses incurred prior to a new restaurant opening are written off to the income statement in the period that they are incurred. Similarly, the costs of training new staff during the pre-opening phase are written-off as incurred.

(h) Retirement benefits: Defined contribution schemes

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

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

(i) Share based payments

The Company operates a number of equity-settled share-based payment schemes under which share options are granted to certain employees. Options granted to employees are measured at fair value at the date of grant and the fair value is charged to the statement of comprehensive income over the vesting period. Fair value is measured using the Black-Scholes or binomial model. In determining fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the Company's shares (market-based conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other conditions are satisfied. The fair value determined at the grant date is then expensed on a straight line over the vesting period, based on the directors' best estimate of the number of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The movement in the cumulative expense since the previous balance sheet date is recognised in the Income Statement, with the corresponding movement taken to equity.

Where the terms and conditions of options are modified before they vest or where options have been cancelled and reissued with modified terms, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

The grant by the Company of options over its equity instruments to the employees of its subsidiary in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

(j) Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the cost of sales line in the consolidated income statement.

The significant intangibles recognised by the Group and their useful economic lives are as follows:-

<u>Intangible asset</u>	<u>Useful economic life</u>
Trade marks	10 years

(k) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives and it is calculated at the following rates:-

Leasehold improvements	over the period of the lease
Fixtures, fittings and equipment	10% per annum straight line

Restaurants under construction are included in Property, plant and equipment. No depreciation is provided on restaurants under construction until the asset is available for use.

All property, plant and equipment is reviewed for impairment in accordance with IAS36 Impairment of Assets, when there are indications that the carrying value may not be recoverable.

Property, plant and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset or a cash generating unit (CGU) exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to dispose of the asset), the asset is written down accordingly. The Group view each restaurant as a separate CGU. Value in use is calculated using cash flows over the remaining life of the lease for the CGU discounted at 10% (2017: 10%), being the rate considered to reflect the risks associated with the CGUs. Cash flows are determined using a one year forecasting period after which cash flows are extrapolated at a 3% growth rate.

Impairment charges are recognised in the statement of comprehensive income.

(l) Onerous contracts

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

(m) Loans and receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. The Company's loans and receivables comprise only inter-Company receivables. Cash and cash equivalents include cash in hand and deposits held with banks.

(n) Financial liabilities

Financial liabilities include trade payables, accrued lease charges and other short term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less costs incurred up to the point of sale.

(p) Leased assets

Leases are classified as finance leases whenever the terms of the lease are such that they transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. The Group currently has no finance leases. Assets leased under operating leases are not recorded on the balance sheet.

The total rentals payable under the operating leases are charged to the consolidated income statement on a straight-line basis over the lease term. Where the Group sub-let sites to tenants, the rental income and expense are offset within administrative expenses.

Lease incentives received, primarily rent-free periods, are capitalised and then systematically released to the income statement over the period of the lease term. Payments made to acquire operating leases are treated as pre-paid lease expenses and are amortised over the term of the lease.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

(q) Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

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

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities recorded for reporting purposes and the amounts used for tax purposes.

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

(r) Business combinations & goodwill

The financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Goodwill represents the difference between the fair value of consideration paid and the carrying value of the assets and liabilities acquired in the business combination.

Goodwill is stated as originally calculated less any accumulated provision for impairment. Goodwill is allocated to individual CGUs where each CGU is a restaurant and is subject to an impairment review at each reporting date.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

(s) Investments

Investments in subsidiaries are included in the Company's Statement of Financial Position at cost less provision for impairment.

(t) Share capital

The Company's ordinary shares are classified as equity instruments.

(u) Operating profit

Operating profit is stated after all expenses, but before financial income or expenses. Highlighted items are items of income or expense which because of their nature and the events giving rise to them, are not directly related to the delivery of the Company's restaurant service to its patrons and merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

2 Critical accounting estimates and judgements

The Group makes certain estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Share based payments

The Group operates equity share-based remuneration schemes for employees. Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using valuation models, such as Black Scholes or binomial on the date of grant based on certain assumptions. Those assumptions are described in note 27 and include, among others, the dividend growth rate, expected volatility, expected life of the options (for options with market conditions) and number of options expected to vest.

(b) Accruals

In order to provide for all valid liabilities which exist at the balance sheet date, the Group is required to accrue for certain costs or expenses which have not been invoiced and therefore the amount of which cannot be known with certainty. Such accruals are based on management's best judgement and past experience. Delayed billing in some significant expense categories such as utility costs can lead to sizeable levels of accruals. The total value of accruals as at the balance sheet date is set out in note 18.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

(c) Useful lives of property, plant and equipment

Property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

(d) Impairment reviews

In carrying out an impairment review in accordance with IAS 36 it has been necessary to make estimates and judgements regarding the future performance and cash flows generated by individual trading units which cannot be known with certainty. Past performance is often used as a guide in estimating future performance, or comparison with similar sites. Where the circumstances surrounding a particular trading unit have changed then forecasting future performance becomes extremely judgemental and for these reasons the actual impairment required in the future may differ from the charge made in the financial statements. When assessing a CGU recoverable amount, the value in use calculation uses a discounted cash flow model which is sensitive to the discount rate and the growth rate used.

(e) Onerous contract provision

The amount provided is based on future rental obligations, legal costs, associated exit costs and potential lease incentives which may be required to be paid as part of the sub-let/surrender process. Significant assumptions are used in calculating these provisions and changes to these assumptions or future events could cause the value of these provisions to change.

3 Revenue and segmental analysis

The Group's activities, comprehensive income, assets and liabilities are wholly attributable to one operating segment (operating restaurants) and arises solely in one geographical segment (United Kingdom).

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

4 Operating profit

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
This has been arrived at after charging		
Staff costs	20,483	18,118
Share based payments	134	100
Operating lease rentals	6,045	4,656
Amortisation of intangible assets	3	2
Depreciation	2,146	2,043
Amortisation of prepaid operating leases	143	124
Pre-opening costs	413	642
Onerous lease provision	1,635	-
Rebranding	-	55
Impairment of lease premiums	96	294
Impairment of property, plant and equipment	9,462	3,576
Profit on disposal of property, plant and equipment	(1,237)	-
Auditor remuneration:		
Audit fee - Parent Company	10	10
- Group financial statements	27	22
- Subsidiary undertaking	8	6
Other services – Taxation compliance	6	6

5 Highlighted items – charged to operating expenses

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Profit on disposal of property, plant and equipment	1,237	-
Pre-opening costs	(413)	(642)
Onerous leases	(1,635)	-
Rebranding	-	(55)
Impairment of lease premiums	(96)	(294)
Impairment of property, plant and equipment	(9,462)	(3,576)
Share based payments	(134)	(100)
	(10,503)	(4,667)

The above items have been highlighted to give more detail on items that are included in the consolidated statement of comprehensive income and which are not considered comparable.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

6 Finance expense

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Loan interest payable	202	214
	202	214

7 Employees

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Staff costs (including Directors) consist of	£'000	£'000
Wages and salaries	18,936	16,789
Social security costs	1,459	1,265
Other pension costs	88	64
Equity settled share based payment expense	134	100
	20,617	18,218

The average number of persons, including Directors, employed by the Group during the period was 1,184 of which 1,169 were restaurant staff and 15 were administration staff, (2017 – 1,019 of which 1,005 were restaurant staff and 14 were administration staff).

No staff are employed by the Company.

Of the total staff costs £19,716,000 was classified as cost of sales (2017 - £17,191,000) and £901,000 as operating expenses (2017 - £1,027,000).

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

8 Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and represent the Directors of the Group listed on page 2.

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Directors remuneration		
Emoluments	405	405
Share based payments	88	88
Benefits in Kind	6	6
Social security costs	50	50
	549	549

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Individual directors' emoluments		
J Plant	120	120
S Kaye	110	110
T Cundy	105	105
A Kaye	40	40
K Lassman	30	30
	405	405

In addition to the above, benefits in kind for the period were provided to S Kaye of £3,000 (2017 - £3,000) and A Kaye of £3,000 (2017 - £3,000).

Share based payments for the period that are attributable to the Directors are £88,000 (2017 - £88,000). No options were exercised by Directors during the period (2017 - 500,000), resulting in no gain on exercise (2017 - £225,000).

Company

The Company paid no director emoluments during the year.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

9 Income tax expense

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
UK Corporation tax		
Current tax credit/(charge) on loss for the period	396	(642)
Adjustment in respect to previous years	85	(34)
Total current tax	481	(676)
Deferred tax		
Utilisation of tax losses	-	-
Origination and reversal of temporary differences	714	(123)
Impact of change in future rate of taxation	-	39
Total deferred tax	714	(84)
Total income tax credit/(charge)	1,195	(760)

The tax credits/(charge) for the period is lower/higher than the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Loss before tax	(9,470)	(88)
Tax on loss at the ordinary rate of corporation tax in UK of 19.25% (2017 - 20.0%)	(1,823)	(18)
Effects of		
Expenses not deductible for tax	54	608
Onerous lease provision not deductible for tax	154	-
Adjustment in respect of previous years	85	-
Depreciation/impairment on ineligible fixed assets	335	170
Total tax charge	(1,195)	760

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

10 Earnings per share

	31 December 2017 Pence	1 January 2017 Pence
Basic and diluted earnings per ordinary share	(13.84)	(1.56)

Earnings per share have been calculated using the numbers shown below:

	2017 Number '000	2017 Number '000
Weighted average ordinary shares (basic)	59,787	54,314

	2017 £'000	2017 £'000
Loss for the financial period	(8,275)	(848)

Due to the loss made in the year, all share options are anti dilutive. 565,000 share options would otherwise be considered dilutive (2017 – 3,063,635).

11 Dividend

No final dividend has been proposed by the Directors (2017 – nil).

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

12 Intangibles

	Trademarks £'000	Goodwill £'000	Total £'000
At 27 December 2015	29	441	470
Additions	5	-	5
Amortisation of trademarks	(2)	-	(2)
<hr/>			
At 1 January 2017	32	441	473
Additions	-	-	-
Amortisation of trademarks	(3)	-	(3)
<hr/>			
At 31 December 2017	29	441	470

The recoverable amount of goodwill has been determined on a value in use basis. This has been based on the performance of the units since they were acquired and management's forecasts, which assume the sites will perform at least as well as the market generally. The forecast cash flows cover a period of the committed lease length (or 5 years if shorter), assuming a growth rate of 3% and are discounted at a rate of 10%. Management has performed sensitivity testing on all inputs to the model and noted no highly sensitive variables. Goodwill has been allocated to CGUs as follows;

	31 December 2017 £'000	1 January 2017 £'000
Shaftesbury Avenue	196	196
Cambridge	130	130
Stratford-upon-avon	65	65
Loughton	25	25
Billiericay	25	25
<hr/>		
	441	441

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

13 Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture fixtures and computer equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 27 December 2015	-	27,498	9,148	271	36,917
Additions	-	9,510	1,626	187	11,323
Disposals	-	-	-	-	-
Transfers	-	237	-	(237)	-
At 1 January 2017	-	37,245	10,774	221	48,240
Additions	417	5,648	687	-	6,752
Disposals	(417)	(1,836)	(515)	-	(2,768)
Transfers	-	174	-	(174)	-
At 31 December 2017	-	41,231	10,946	47	52,224
Depreciation					
At 27 December 2015	-	5,112	3,309	-	8,421
Provided for the period	-	1,159	884	-	2,043
Impairments	-	3,322	254	-	3,576
At 1 January 2017	-	9,593	4,447	-	14,040
Provided for the period	-	1,155	991	-	2,146
Impairments	-	9,069	393	-	9,462
Disposals	-	(1,540)	(215)	-	(1,755)
At 31 December 2017	-	18,277	5,616	-	23,893
Net book value					
At 31 December 2017	-	22,954	5,330	47	28,331
At 1 January 2017	-	27,652	6,327	221	34,200

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

Due to the declining performance of the Group, and a number of underperforming sites in the year, the Group has recognised impairments across a number of assets. The key judgements and estimates in the inputs in calculating the impairments are outlined in note 1k.

The total carrying value of the assets that have been impaired in the period is £17,520,000 (2017 - £4,505,000). These have been impaired to their value in use of £8,058,000 (2017 - £929,000).

Company

The Company holds no property, plant and equipment.

14 Prepaid operating leases

	31 December 2017 £'000	1 January 2017 £'000
Held within current assets	143	124
Held within non-current assets	1,428	1,861
	1,571	1,985

Prepaid operating leases represent lease premiums paid on the acquisition of sites, amortised evenly over the lease term.

15 Investments

	£'000
Company	
At 27 December 2015	2,785
Share based payment in respect of subsidiary	100
At 1 January 2017	2,885
Share based payment in respect of subsidiary	134
At 31 December 2017	3,019

The Company's investments are wholly related to a 100% ordinary shareholding in Took Us a Long Time Limited, a company registered in England and Wales with registered offices at 32 Charlotte Street, London. Took Us a Long Time Limited is primarily engaged with the operation of restaurants.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

16 Inventories

	31 December 2017 £'000	1 January 2017 £'000
Raw materials and consumables	918	927
Crockery and utensils	1,737	1,538
	2,655	2,465

In the Directors' opinion there is no material difference between the replacement cost of stocks and the amounts stated above. Inventory purchased and recognised as an expense in the period is £13,357,000 (2017 - £10,560,000).

17 Trade and other receivables

	31 December 2017 £'000	1 January 2017 £'000
Trade receivables	141	350
Corporation tax	74	-
Prepayments and other receivables	6,320	4,318
Total trade and other receivables	6,535	4,668
Less non-current portion	(278)	(278)
	6,257	4,390
Company		
Amounts due from subsidiary	19,040	25,043
Total trade and other receivables	19,040	25,043
Classified as non-current	19,040	25,043

Due to the losses incurred by the subsidiary, the Company has made provisions against intercompany debt of £6,626,000 (2017 - £nil).

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

18 Trade and other payables

	31 December 2017 £'000	1 January 2017 £'000
Trade payables	4,666	5,376
Taxations and social security	1,981	1,640
Accruals and deferred income	2,194	1,718
Other payables	361	429
	9,202	9,163

19 Provisions

	31 December 2017 £'000	1 January 2017 £'000
At the beginning of the period	35	45
Utilisation in period	(10)	(10)
Charge in the period	1,635	-
At the end of the period	1,660	35

During the period a provision for onerous leases was made of £1,635,000 (2017 - £nil). This provision has been made against sites where projected future trading income is insufficient to cover the unavoidable costs under the lease. The provision is based on the expected cash out flows of these sites and the associated costs of exiting these leases. The provision covers a three year period and it is expected the majority of the provision will be utilised over the next 24 months.

20 Deferred tax

	31 December 2017 £'000	1 January 2017 £'000
At the beginning of the period	(966)	(882)
Profit and loss credit/(charge)	714	(84)
	(252)	(966)
Accelerated capital allowances	(252)	(966)
Tax losses carried forward	-	-
At the end of the period	(252)	(966)

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

21 Borrowings

	31 December 2017 £'000	1 January 2017 £'000
Current		
Secured bank borrowings	583	-
	583	-
Non-current		
Secured bank borrowings	6,417	7,000
	6,417	7,000
	7,000	7,000
Maturity of secured bank borrowings		
Due within one year	739	-
Due In more than one year but less than two years	2,456	738
Due In more than two years but less than five years	4,167	6,629
	7,362	7,367
Future interest payments	(362)	(367)
	7,000	7,000

Bank borrowings comprise of a term loan of £7,000,000 (2017 - £7,000,000) and an additional committed facility of £5,000,000 (2017 - £5,000,000) of which £nil was drawn down at the balance sheet date. There were no instances of default, including covenant terms, in either the current or prior period. The bank loan is secured by a charge on Group assets and a cross guarantee from the parent and subsidiary company. The Company's maximum exposure to this loan is shown above.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

22 Share capital

	Number	£'000
Ordinary shares at 10p each called up and fully paid:		
At 27 December 2015	53,215,324	5,322
Exercise of share options	320,172	32,017
Share placing	6,210,000	621,000
<hr/>		
At 1 January 2017	59,745,496	5,975
Exercise of share options	50,000	5,000
<hr/>		
At 31 December 2017	59,795,496	5,980

23 Reserves

Share capital comprises of the nominal value of the issued shares.

Share premium reserve is the amount subscribed in excess of the nominal value of shares net of issue costs.

Cumulative gains and losses recognised in the income statement are shown in the Retained deficit reserves, together with other items taken direct to equity.

The merger reserve arose in 2006 on the creation of the Group.

24 Capital commitments

At the balance sheet date the Group and the Company had no capital commitments which were contracted but not provided for (2017 - £nil). Capital commitments relate to committed expenditure in respect of restaurants under construction.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

25 Operating lease commitments

The total future value of minimum lease payments under non-cancellable operating leases are shown below. The receipts are from sub-tenants on contractual sub-leases, the net position represents the cash liability of the Group.

	31 December 2017 £'000	1 January 2017 £'000
Within one year: payments	5,641	5,624
Within one year: receipts	(230)	(230)
	5,411	5,394
Within two to five years: payments	22,082	22,170
Within two to five years: receipts	(920)	(920)
	21,162	21,250
Over five years: payments	68,622	70,644
Over five years: receipts	(3,187)	(3,417)
	65,435	67,227
	92,008	93,871

26 Pensions

The Group, last year, made contributions of £nil to the personal pension plan of the Directors. The total amount paid during the period was £nil. During the year the Group made contributions to employee pensions of £88,000 (2017 - £64,000).

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

27 Share based payments

	Weighted average exercise price (pence)	Number '000
At 27 December 2015	92.4	4,164
Exercised	84.7	(665)
Cancelled	126.1	(45)
Granted	146.7	210
<hr/>		
At 1 January 2017	96.5	3,664
Exercised	66.5	(50)
Lapsed	87.5	(125)
<hr/>		
At 31 December 2017	97.2	3,489

The exercise price of options outstanding at the end of the period ranged between 31.5p and 147p (2017 – 31.5p and 147p) and their weighted average remaining contractual life was 6.5 years (2017 – 7 years).

Of the total number of options outstanding at the end of period 2,866,785 (2017 – 2,240,000) had vested and were exercisable at the end of the period with a weighted average exercise price of 90p.

The market price of the Company's ordinary shares as at 31 December 2017 was 31.75p and the range during the financial year was from 31.3p to 143p.

On 11 November 2016 the Company issued 179,850 options in the Company Share Option Plan ("CSOP"). These options have an exercise price of 147p, a vesting period of 3 years and a contractual life of 10 years. On 6 December 2016 the Company issued a further 30,000 options in the CSOP with an exercise price of 145p, a vesting period of 3 years and a contractual life of 10 years.

In the current period 50,000 (2017 – 665,000) options were exercised. The weighted average share price at the date of exercise was 66.5p (2017 – 84.7p).

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

28 Financial instruments

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Liquidity risk

The Group does not have any material exposure to currency risk or other market price risk.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:-

- loans and borrowings
- trade receivables
- cash and cash equivalents
- trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

Credit risk

Credit risk is the risk of the financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from rebates from suppliers.

Trade and other receivables, which are neither past due nor impaired, are disclosed in note 17 and represent the maximum credit exposure for the Company.

The Group's principal financial assets are cash and trade receivables. There is minimal credit risk associated with the Group's cash balances. Cash balances are all held with recognised financial institutions. Trade receivables arise in respect of rebates from a major supplier and therefore they are largely offset by trade payables. As such the net amounts receivable form an insignificant part of the Group's business model and therefore the credit risk associated with them is also insignificant to the Group as a whole.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Group seeks to manage its financial risk to ensure that sufficient liquidity is available to meet foreseeable needs both in the short and long term (note 21). The Board consider detailed low forecasts together with future obligations from capital projects in progress and the resulting impact on its cash balances.

Interest rate risk

The Group seeks to minimise interest costs by regularly reviewing cash balances.

Interest rate risk arises from the Group's use of interest bearing financial instruments. This is the risk that the future cash flows of the financial instrument will fluctuate because of changes in the interest rates.

The Group is exposed to cash flow interest rate risk from long term borrowings at variable rate. The Group does not seek to fix interest rates on these borrowings because the Board considers the exposure to the interest rate risk to be acceptable.

Surplus funds are invested in interest bearing, instant access bank accounts. The Group also holds short term deposit accounts in relation to tenant deposits received on sublet sites.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

Loans and borrowings

The Group has a loan facility with Barclays Bank Plc. Under the terms of the facility the Group may borrow up to a maximum of £5.0m on flexible loan terms and £7.0m on a 5 year fixed term. Interest on this facility is charged at 1.7% above LIBOR plus a variable charge for mandatory associated costs of the lender for all amounts drawn down, with a 0.68% charge on any amounts of the facility that is not drawn down.

At 31 December 2017 if the Bank of England base rate had been 1% higher / lower with all other variables held constant this would not have resulted in any significant variance in the profit or loss or net assets of the Group.

The bank loans are secured by a legal charge over the issued share capital of the Group companies, a legal charge over all the Group's trading sites and a cross guarantee between Group companies.

Capital disclosures

The Group considers its capital to comprise the ordinary share capital, share premium and retained earnings.

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it in the light of strategic plans. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

29 Related party transactions

The Directors are considered to be the key management personnel. Details of directors' remuneration is shown in note 8.

The Group pays rent and associated insurance to a number of companies considered related parties by virtue of the interests held by the directors in such companies. The Group also reimburses expenses incurred by such companies on behalf of the Group. The Group receives income from related parties for fees in relation to consultancy services offered.

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Rent and insurance		
- Kropifko Properties Ltd	(240)	(380)
- KLP Partnership	(88)	(152)
- ECH Properties Ltd	(68)	(68)
- Proper Proper T Ltd	(105)	(105)
Expenses reimbursed	(8)	(8)
Income	-	-
Balance due to related parties	137	-
Balance due from related parties	-	-

The rent paid to related parties are considered to be a reasonable reflection of the market rate for the properties.

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

30 Reconciliation of loss before tax to net cash inflow from operating activities

	52 weeks ended 31 December 2017 £'000	53 weeks ended 1 January 2017 £'000
Group		
Loss before tax	(9,470)	(88)
Finance income	(1)	(1)
Finance expense	203	214
Share based payment charge	134	100
Depreciation and impairment	11,847	6,034
Profit from sale of property plant and equipment	(1,237)	-
Amortisation of intangible assets	3	2
Onerous lease provision movement	1,625	(10)
(Increase) / decrease in inventories	(190)	(653)
(Increase) / decrease in trade and other receivables	(392)	(1,330)
Increase / (decrease) in trade and other payables	263	1,100
	2,785	5,368

31 Reconciliation of financing activity

	Non-current loans and borrowings (note 21) £'000	Current loans and borrowings (note 21) £'000	Total £'000
At 2 January 2017	7,000	-	7,000
Borrowings becoming current in 2017 (non-cash movement)	(583)	583	-
As at 31 December 2017	6,417	583	7,000

Notes

forming part of the financial statements for the 52 weeks ended 31 December 2017

32 Post balance sheet events

On 5 January 2018 the lease on the Group's Canary Wharf sites was assigned to a third party for a premium receivable by the Group of £1.45m. This contract was unconditional at the year end and has, therefore, been recognised in these financial statements.

On 8 March 2018 the Group sold its Gloucester Road site as a going concern for a consideration of £2.7m. This transaction is not recognised in these financial statements.

NOTICE OF ANNUAL GENERAL MEETING

TASTY PLC

(Registered in England and Wales with no. 5826464)

Notice is hereby given that the 2018 Annual General Meeting of Tasty plc will be held at 32 Charlotte Street, London, W1T 2NQ on 15th May 2018 at 9.00 a.m. for the transaction of the following business:

ORDINARY BUSINESS

As ordinary business to consider and, if thought fit, to pass the following resolutions, each of which will be proposed as ordinary resolutions:

- 1 THAT, the Company's annual accounts for the 52 weeks ended 31 December 2017, together with the report of the auditors and the directors thereon, be received and adopted.
- 2 THAT, Samuel Kaye, who retires in accordance with the Company's articles of association, be re-elected as a director.
- 3 THAT, BDO LLP be re-appointed as auditors to the Company until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and the directors be authorised to fix their remuneration.

SPECIAL BUSINESS

As special business to consider and, if thought fit, to pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution and resolution 5 as a special resolution:

- 4 THAT, the directors be and they are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares, or to grant rights to subscribe for or to convert any securities into shares, of up to an aggregate nominal amount of £1,195,910 during the period commencing on the passing of this resolution and expiring on the date of the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting), but so that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or to convert any securities into shares to be granted, after such expiry and the directors may allot shares, or grant rights to subscribe for or to convert any securities into shares, in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.
- 5 THAT, the directors be and they are empowered during the period commencing on the passing of this resolution and expiring on the date of the next annual general meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting) pursuant to section 570(1) of the Act to allot equity securities (within the meaning of section 560(1) of the Act) wholly for cash pursuant to the authority conferred by resolution 4 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) the allotment of equity securities for cash up to an aggregate nominal amount of £1,195,910; and
 - (ii) the allotment of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, but so that this authority shall allow the Company to make offers or agreements before the expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

By order of the Board

K Lassman

Secretary

16 April 2018

Registered Office: 32 Charlotte Street London W1T 2NQ

Information regarding the Annual General Meeting, including the information required by section 311A of the Companies Act 2006, is available from: www.dimt.co.uk.

Notes:

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to the Company's registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or electronically at info@dimt.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to info@dimt.co.uk.
- In either case, the revocation notice must be received by the Company's registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment, the Register of Directors' interests in the Shares of the Company kept and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 5.30 p.m. on 11 May 2018 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 5.30 p.m. on 11 May 2018 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 16 April 2018 the Company's issued share capital comprised 59,795,496 Ordinary Shares. The total number of voting rights in the Company as at 16 April 2018 is 59,795,496. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the General Meeting should call the Company's registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY on 0870 707 1580 (no other methods of communication will be accepted).
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.