

TASTY PLC

Report and financial statements

52 weeks ended 30 December 2018

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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)

Secretary and registered office

Keith Lassman
32 Charlotte Street
London W1T 2NQ

Company number

5826464

Independent Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Howard Kennedy LLP
No. 1 London Bridge
London SE1 9BG

Bankers

Barclays Bank plc
1 Churchill Place
London E14 5HP

Nominated adviser and broker

Cenkos Securities plc
6.7.8. Tokenhouse Yard
London EC2R 7AS

Registrars

Computershare Investor Services plc
P O Box 82
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 30 December 2018 and the comparative 52 week period ended 31 December 2017. The Group currently operates 58 restaurants, comprising 6 Dim t and 52 Wildwood restaurants.

As highlighted previously, the market conditions for 2018 continued to remain extremely challenging. In addition, unfavourable weather conditions and the World Cup impacted 2018 performance. The exceptionally cold and snowy winter suppressed sales. During the World Cup and an unusually hot summer, customers favoured wet-led establishments and outside seating. Trading over the Christmas period was positive, though the uncertainty of Brexit has meant that 2019 has started slowly.

The challenging conditions continue to affect the casual dining sector as evidenced by the well-publicised closures across the market and on the high street.

2018 has been a transitional year for Tasty. We implemented key operational changes in February 2018, which have improved our ability to rollout changes in an agile way and get feedback from our operators in a more effective and efficient manner. As previously reported, these changes resulted in annualised cost savings of approximately £300,000 per annum.

We launched the apprenticeship scheme in 2017 and this is growing at a good pace. We currently have 3 courses with 48 apprentices on the course at year-end. The in-house apprenticeship scheme and improved training courses are helping to reduce staff turnover and are providing a career development programme for our workforce.

In line with the agreed strategy, three restaurants were sold, one closed and no new restaurants were opened in 2018. There are a number of sites that the Group is still planning to dispose of and at present the Board has no plans to open any new sites in 2019.

As previously announced, we have revised our funding arrangements. The term loan of £7 million was revised in November 2018. The key effects of the Revised Loan Facility are to extend the final repayment date from July 2021 to March 2022 and to significantly reduce the quarterly repayments with effect from July 2019. We also took the opportunity to reduce our funding costs by cancelling the unutilised £5 million Revolving Credit Facility that was previously earmarked for new restaurant openings. This will reduce financing costs by approximately £35,000 per annum.

In connection with the Revised Loan Facility the Directors have undertaken to provide, in aggregate, £500,000 of new capital, into the business by 30 June 2019. This new capital is to be in the form of either new subordinated loan or equity capital, or a combination of the two. The Company is evaluating the optimum method of raising such capital and will inform shareholders accordingly.

Brexit and the general economic climate continue to affect trading. We expect 2019 to be a challenging year. While we have put measures in place that should help mitigate some of the challenges it is impossible to cover every consequence of Brexit, in whatever form it takes, if at all. Should a form of Brexit take place, there is risk of inflationary food pressure and supply of certain food items and labour remain uncertain.

Despite the fall in financial performance experienced in 2018 the Group remains cash generative. Financial highlights are included in the strategic report.

Chairman's statement

We have undertaken a full review of our food offering and customer journey and we continue to take steps to ensure our menu remains relevant and we are able to differentiate ourselves from the competition in the sector. 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 would like to thank our dedicated staff who have responded well to the challenges of 2018 and I look forward to their continued support in 2019.

Dividend

The Board does not propose to recommend a dividend (2017: £nil).

Keith Lassman

Chairman

19 March 2019

Strategic report for the 52 weeks ended 30 December 2018

Tasty operates two concepts in the casual dining market: 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 52 restaurants.

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

We continue to make good progress on our key strategies and our focus for 2019 is as follows:

- rationalise the estate;
- food and drink proposition;
- engage with our customers;
- invest in our staff ; and
- streamline our structure.

Rationalise the estate

The Group has previously noted that it had a number of sites which were underperforming. 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 1st January 2018 a number of disposals have taken place as described below:

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 31st December 2017 and was therefore recognised in the financial statements for the prior year.

Abingdon Wildwood Kitchen

A surrender of the lease was agreed on 14 January 2018.

Barnes Wildwood Kitchen

This was assigned at £nil value to the Group.

Gloucester Road Wildwood

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

Highgate Centuno

This was closed in May 2018 and we are looking to dispose of the site.

Strategic report for the 52 weeks ended 30 December 2018

Cobham Wildwood

On 8 January 2019 this unit was sold as a going concern for a consideration of £0.35m to the landlord of the site.

South Woodford Wildwood

On 31st January 2019 this was assigned for a total consideration of £0.15m.

Tunbridge Wells

This site was previously sub-let to Cau and a new tenant from 6th March 2019 for a consideration of £0.05m.

One further site has been exchanged and waiting for completion.

The Group continues to review the estate and will make further disposals in 2019 if appropriate.

Food and drink proposition

We are passionate about our food and drink and are constantly look into ways of improving our offer. We recognise that customers are looking for choice and in line with current consumer demands, we offer a good range of delicious vegan, vegetarian and healthier dishes. However, we do not forget those that want be indulged. We are increasing our cocktail range and offering more exciting desserts and “hero” dishes.

Engage with our customers

We have strengthened our marketing structure and are now starting to see the changes in the following areas:

- Increased customer engagement;
- Increased customer feedback;
- Increased customer database; and
- Increased group bookings.

Our focus remains on providing great customer experience and as we have refocused our attention on the steps of service. We want to ensure that we create a seamless customer experience. At the centre of service is our people and we have focused on recruiting people with the right energy and attitude to ensure they do things in the ‘Wildwood/dim t way’.

Invest in our staff

We have invested in our training infrastructure and launched additional apprenticeship programmes, which will be expanded over the next 6 months. For every level of the team, we will be introducing a comprehensive career pathway to support their development, enhance job satisfaction and increase staff retention.

Invest in our structure

During 2018 the operational team was restructured. This resulted in a flatter, more agile structure and reduced headcount. This restructuring has resulted in annualised savings of approximately £300,000, lower costs, faster decision making and a more nimble approach to marketing.

The roll out of the new electronic point of sale (EPOS) system across the estate is now complete. The EPOS upgrade provides integrated credit card terminals and improved controls around discounting which has helped reduce risk areas.

Strategic report for the 52 weeks ended 30 December 2018

In 2018 we also fully rolled out a new labour scheduling software, an online booking system and customer complaints system.

Outlook for the coming year

Market conditions have been increasingly challenging through 2018 and the Board's expectation is that there will be no significant improvement in 2019. We will continue to focus on sales and cost control to ensure that the impact of the challenging economic environment is minimised.

Highlighted Items

Pre-opening costs for the year were nil (2017: £413,000). In prior years 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.

Full year results and key performance indicators

The Directors continue to use a number of performance metrics 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 previous year. All key performance indicators that adjust for highlighted items do not constitute Statutory or GAAP measures.

These figures are reconciled to the Statement of Comprehensive Income below.

	52 weeks ended 30 December 2018	52 weeks ended 31 December 2017
Revenue	£47.28m	£50.31m
Cost of sales	(£46.37m)	(£48.40m)
Gross profit	£0.91m	£1.91m
Administrative costs	(£1.28m)	(£0.67m)
EBITDA before highlighted items	£1.58m	£3.52m
Operating profit before highlighted items	(£0.37m)	£1.24m

Revenue for the period decreased 6% on last year to £47,278,000 (2017 - £50,310,000) which was partly due to the closure of sites and partly due to like-for-like decline. EBITDA before highlighted items was £1,581,000 (2017 - £3,520,000). 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.

Due to the declining performance, further site impairments have been made during the year resulting in an impairment charge including goodwill of £11,075,000 (2017 - £9,558,000) and an onerous lease provision charge of £1,687,000 (2017 - £1,635,000).

The Group has disposed of a number of properties during the period resulting in a profit on disposal, as included in highlighted items, of £2,132,000 (2017 - £1,237,000).

Strategic report for the 52 weeks ended 30 December 2018

Operating loss before highlighted items decreased in the period to a loss of £367,000 (2017 - £1,235,000) and the Group achieved a pre-tax loss (after highlighted items) of £11,817,000 (2017 – loss of £9,470,000).

Net cash inflow for the period before financing was £3,304,000 (2017- outflow £2,991,000). This is generated from operations and proceeds from the sale of property. Net cash flows generated from operations were £389,000 (2017 - £2,785,000).

The Group has an available banking facility with Barclays Bank of £7,000,000 with the intention to pay down the balance. As at 30 December 2018, the Company had an outstanding balance of £6,417,000 (2017 - £7,000,000). Net debt at the balance sheet date was £2,105,000 (2017 - £5,157,000). At 30 December 2018 cash at bank was £4,312,000 (2017: £1,843,000).

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

	52 weeks ended 30 December 2018	52 weeks ended 31 December 2017
	£'000	£'000
EBITDA before highlighted items	1,581	3,524
Depreciation and amortisation	(1,948)	(2,289)
Operating (loss)/profit before highlighted items	(367)	1,235
Highlighted items	(11,198)	(10,503)
Operating loss	(11,565)	(9,268)

Strategic report for the 52 weeks ended 30 December 2018

Principal uncertainties and risks

Economic conditions and Brexit

Brexit continues to create a high level of uncertainty across 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 we continue to invest and renew our offer whilst maintaining accessibility without compromising quality or the customer experience.

Adapting marketing initiatives should help the Group retain and drive sales where footfall declines.

The uncertainty of Brexit has increased the inflationary pressure on food cost. Whilst we work closely with our suppliers and on assured supply and price negotiation, we are also constantly reviewing ways to keep food cost increases minimal.

Labour cost inflation

We are faced with cost pressures that are outside of the control of the Group, such as auto enrolment pension costs, minimum wage / living wage increases in addition to apprenticeship levy, which have impacted the Group and its competitors.

The Group, under the new operational structure, has improved labour control to mitigate some of the increases.

Labour supply

There are two key forces that are impacting the labour market. Due to restaurant closures amongst our competitors in the sector, we have been able to secure high calibre candidates that would previously have been harder to secure. However, working against this is the uncertainty caused by Brexit and its consequent pressure on the supply of labour continues.

We have continued to focus on selection, induction, training and retention of our employees. The Group has made significant improvements on its training programme including the apprenticeship scheme.

The Group offers a competitive remuneration package which includes sales and gross 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. In 2018 some of our suppliers suffered with the declining market and went into administration. However, we ensured that disruption to supply was kept to a minimum through our contingency planning.

To minimise the risk of Brexit we are working with our suppliers and in particular the fresh produce supplier.

Strategic report for the 52 weeks ended 30 December 2018

Strategic risks

The Group intends to dispose of underperforming sites if necessary, but has been successful with a number of turnaround plans implemented on selected restaurants.

Focusing on our current estate and strengthening trading performance will remain the main priority in 2019. Thereafter in future years, we will be looking to acquire sites. The Group has strong property experience and good relationships with external agents and advisers.

Consumer habits and competition

Failure to respond to changing consumer habit and tastes could impact sales. Therefore, it is important that we keep ahead of the changes, review customer feedback and adapt.

We are engaging more frequently with the customer through the in-store surveys and online reviews.

In addition, we are engaging more effectively through social media.

Our customer database has increased by 80% since the end of the previous financial year.

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

19 March 2019

Report of the directors for the 52 weeks ended 30 December 2018

The Directors present their report together with the audited financial statements for the 52 weeks ended 30 December 2018 (comparative period 52 weeks to 31 December 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 (2017 - £nil).

Post balance sheet events

Post balance sheet events are set out in note 34.

Future developments

The outlook and future developments are set out in the Chairman's statement on page 3 and the strategic report on page 5.

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 30 December 2018		As at 31 December 2017	
	Ordinary shares of 10p each	%	Ordinary shares of 10p each	%
Jonny Plant	4,154,579	6.9%	3,843,329	6.4%
Samuel Kaye	10,750,588	18.0%	10,750,588	18.0%
Keith Lassman	333,185	0.6%	168,185	0.3%
Adam Kaye	7,236,560	12.1%	7,236,560	12.1%
Tim Cundy (Resigned 13 th March 2018)	-	-	-	-

As at the date of this document certain of the Directors had interests 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 30 December 2018

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

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 (2017 - 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 30 December 2018

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
19 March 2019

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 30 December 2018 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of changes in equity, the Consolidated and Company balance sheet, 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 30 December 2018 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 and the Parent Company 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.

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.

Independent auditors' report to the members of Tasty plc

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>Impairment of property, plant and equipment (Note 13) Property, plant and equipment is the most quantitatively significant item on the balance sheet.</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 in note 2d.</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>We assessed Management's impairment review process and performed analysis to challenge Management's assumptions. 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 significant movement in forecasted cash flows on a restaurant by restaurant basis compared to historic performance. • We reviewed the 2018 forecasts against the actuals to determine Management's historic forecasting accuracy. • 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 by Management and challenged Management on those that fell outside of our expectations. • We tested the mechanics of the calculations of individual impairments in Management's impairment.
Key audit matter	How we addressed the key audit matter in the audit
<p>Onerous contracts (Note 19) The Group recognises provisions for onerous contracts when the expected benefits to be derived by the Group from a contract are lower than the</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 obtained evidence to support

Independent auditors' report to the members of Tasty plc

<p>unavoidable costs of meeting its obligation under the contract.</p> <p>This has been recognised by the Board as a critical accounting estimate and judgement as outlined in the financial statements in note 2f.</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>their assumptions on the timing and potential to sub-let or surrender leases and the quantum of any income.</p> <ul style="list-style-type: none">• 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 and reviewed this for consistency with amounts provided.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 £230,000 (31 December 2017: £250,000). This was determined with reference to a benchmark of 0.5% of turnover, which is in line with the basis used in the prior year.

The principal activity of the Parent Company is that of a holding company. We set materiality for the Parent Company based on 90% of Group materiality, being £207,000 (31 December 2017: £225,000).

The Group has one subsidiary which undertakes all trading activities. As such, the Group is considered to be a single component and therefore Group materiality was applied.

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.

Independent auditors' report to the members of Tasty plc

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% of financial statement materiality, which is in line with the basis applied in the prior year. As such, performance materiality was set at £173,000 (31 December 2017: £189,000). Performance materiality for the Parent Company was set at 75% of materiality, being £155,000 (31 December 2017: £168,000).

Reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £4,000 (1 January 2017: £10,000), 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 £3,000 (31 December 2017: £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.

The Group operates in one segment, restaurant operations, structured through a single subsidiary which undertakes all trading activity. As such, the approach was to audit the Group as a single component. Our audit work focused on the key risks of material misstatements identified for the Group. The Group audit engagement team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking the audit work on the key audit matters as identified above.

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

Independent auditors' report to the members of Tasty plc

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial 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 15, 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.

Independent auditors' report to the members of Tasty plc

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Geraint Jones (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

19 March 2019

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 30 December 2018

	Note	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Revenue	3	47,278	50,309
Cost of sales		(46,370)	(48,402)
Gross profit		908	1,907
Total operating expenses		(12,473)	(11,175)
Operating (loss)/profit before highlighted items		(367)	1,235
Highlighted items	5	(11,198)	(10,503)
Operating loss	4	(11,565)	(9,268)
Finance income		-	1
Finance expense	6	(252)	(203)
Loss before income tax		(11,817)	(9,470)
Income tax	9	204	1,195
Loss and total comprehensive loss for the period and attributable to owners of the parent		(11,613)	(8,275)
Loss per share attributable to the ordinary equity owners of the parent			
Basic and diluted	10	(19.42p)	(13.84p)

The notes on pages 28 to 58 form part of these financial statements.

Consolidated statement of changes in equity

for the 52 weeks ended 30 December 2018

	Share capital	Share premium	Merger reserve	Retained (loss)/ profit	Total
	£'000	£'000	£'000	£'000	£'000
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
Total comprehensive loss for the period	-	-	-	(11,613)	(11,613)
Share based payments	-	-	-	111	111
Balance at 30 December 2018	5,980	21,376	992	(17,792)	10,556

The notes on pages 28 to 58 form part of these financial statements.

Company statement of changes in equity

for the 52 weeks ended 30 December 2018

	Share capital £'000	Share premium £'000	Retained profit £'000	Total £'000
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
Balance at 31 December 2017	5,980	21,376	(5,297)	22,059
Total comprehensive loss for the period	-	-	(11,640)	(11,640)
Share based payments	-	-	111	111
Balance at 30 December 2018	5,980	21,376	(16,826)	10,530

The notes on pages 28 to 58 form part of these financial statements.

Consolidated balance sheet

At 30 December 2018

		30 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Intangible assets	12	352	470
Property, plant and equipment	13	16,554	28,331
Pre-paid operating lease charges	14	507	1,428
Other non-current assets		283	278
		17,696	30,507
Current assets			
Inventories	16	2,548	2,655
Trade and other receivables	17	3,538	6,257
Pre-paid operating lease charges	14	87	143
Cash and cash equivalents		4,312	1,843
		10,485	10,898
Assets held for sale	33	505	-
Total assets		28,686	41,405
Current liabilities			
Trade and other payables	18	(7,100)	(9,201)
Borrowings	21	(2,867)	(583)
		(9,967)	(9,784)
Non-current liabilities			
Provisions	19	(3,347)	(1,660)
Lease incentives		(1,266)	(1,233)
Deferred tax liability	20	-	(252)
Long-term borrowings	21	(3,550)	(6,417)
		(8,163)	(9,562)
Total liabilities		(18,130)	(19,347)
Total net assets		10,556	22,058
Equity			
Share capital	22	5,980	5,980
Share premium	23	21,376	21,376
Merger reserve	23	992	992
Retained profit	23	(17,792)	(6,290)
Total equity		10,556	22,058

The financial statements were approved by the Board of Directors of the Company and authorised for issue on 19 March 2019 and signed on their behalf by Daniel Jonathan Plant.

The notes on pages 28 to 58 form part of these financial statements.

Company balance sheet

At 30 December 2018

Company number: 5826464

	Note	30 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Investments	15	3,130	3,019
Other non-current assets	17	7,400	19,040
		10,530	22,059
<hr/>			
Total net assets		10,530	22,059
<hr/>			
Equity			
Share capital	22	5,980	5,980
Share premium	23	21,376	21,376
Retained deficit	23	(16,826)	(5,297)
Total equity		10,530	22,059

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 £11,640,000 (2017 – loss of £6,036,000) for the period.

The financial statements were approved by the board of directors of the Company and authorised for issue on 19 March 2019 and signed on their behalf by Daniel Jonathan Plant.

The notes on pages 28 to 58 form part of these financial statements.

Consolidated cash flow statement

For the 52 weeks ended 30 December 2018

	Note	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Operating activities			
Cash generated from operations	30	389	2,785
Corporation tax received		26	-
Net cash inflow from operating activities		415	2,785
Investing activities			
Proceeds from sale of property, plant and equipment		4,150	975
Purchase of property, plant and equipment		(1,261)	(6,752)
Interest received		-	1
Net cash in flow / (used in) investing activities		2,889	(5,776)
Financing activities			
Net proceeds from issues of ordinary shares		-	33
Bank loan receipt		-	-
Bank loan repayment	31	(583)	-
Interest paid		(252)	(203)
Net cash (used in) / in flow from financing activities		(835)	(170)
Net increase/(decrease) in cash and cash equivalents		2,469	(3,161)
Cash and cash equivalents brought forward		1,843	5,004
Cash and cash equivalents as at the end of the period		4,312	1,843

The notes on pages 28 to 58 form part of these financial statements.

Company cash flow statement

For the 52 weeks ended 30 December 2018

	Note	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'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 brought forward		-	-
Cash and cash equivalents as at the end of the period		-	-

Significant non-cash transaction

In the previous period the Company purchased and disposed of a freehold property in a sale and leaseback transaction. Net proceeds of this transaction in the previous period 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.

The notes on pages 28 to 58 form part of these financial statements.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

1 Accounting policies

Tasty plc is a public listed company incorporated and domiciled in England and Wales. The Company's ordinary shares are listed on AIM.

(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.

Tasty plc is a public limited company. The Company's ordinary shares are traded on AIM. Its registered address is 32 Charlotte Street, London, WC1T 2NQ.

(b) Basis of preparation

The financial statements cover the 52 week period ended 30 December 2018, with a comparative period of the 52 week period ended 31 December 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 30 December 2018, the Group had net assets of £10,556,000 (2017: £22,058,000). The Group meets its day-to-day working capital requirements through its bank facilities. The Group's principal sources of funding are:

- Term loan to March 2022 of which £6,417,000 was outstanding at the year end. Minimum loan repayments of £2,867,000 are payable over the next twelve months with plans to raise additional funds as set out in note 21.
- issue of ordinary share capital in the Company on the Alternative Investment Market.
- We are also continuing to review our funding arrangements and as a result, we have decided to reduce our funding costs by cancelling the unutilised £5 million Revolving Credit Facility, that was previously earmarked for new restaurant openings.
- The Directors have undertaken to provide, in aggregate, £500,000 of new capital into the business by 30 June 2019. This new capital is to be in the form of either new subordinated loan or equity capital, or a combination of the two.

The Group was covenant compliant at the 30 December 2018. Based on current and forecasted performance, the Board expect there will continue to be covenant headroom for the foreseeable future.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to a change in Group accounting policies are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from contracts with customers.

The impact that these standards have had on the financial statements are given in note 32.

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 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:

- 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 Directors intend to use the modified retrospective approach in the first year the standard is applied to the financial statements, meaning that the comparative period will not be restated and the cumulative impact of applying the standard would be an adjustment to equity. The assessment of the potential impact of this standard on the financial statements is ongoing and the conclusions of the Directors will be finalised in due course.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

(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

The Group's revenue is derived from goods and services provided to the customers with revenue recognised at the point in time when control of the goods has transferred to the customer. Control passes to the customers at the point at which food and drinks are provided and Tasty plc has a present right for payment.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

(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.

(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.

(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.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

(l) Non-current assets held for sale

Non-current assets are classified as held for sale when the Board plans to sell the assets and no significant changes to this plan are expected. The assets must be available for immediate sale, an active programme to find a buyer must be underway and be expected to be concluded within 12 months with the asset being marketed at a reasonable price in relation to the fair value of the asset.

Non-current assets classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs of disposal. Following their classification as held for sale, non-current assets are not depreciated.

(m) 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.

(n) Loans and receivables

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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 using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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.

(o) Financial liabilities

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

Bank borrowings are initially recognised at fair value and are subsequently measured at amortised costs using the effective interest method. Interest expense includes initial transaction costs and any premium payable on redemption as well as any interest payable while the liability is outstanding.

(p) 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.

(q) 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 30 December 2018

(r) 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.

(s) 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 30 December 2018

(t) Investments

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

(u) Share capital

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

(v) 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 (note 27)

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 (note 18)

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 estimate 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 30 December 2018

(c) Useful lives of property, plant and equipment (note 13)

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 (note 13)

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) Intercompany provision

In carrying out a review of intercompany loan in accordance with IRFS9 it has been necessary to make estimates and judgements regarding the repayment of the loan by its subsidiary to the Company. A sensitivity analysis has been performed on the repayment of loan value.

(f) Onerous contract provision (note 19)

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 judgements 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). All the Group's revenue is recognised at a point in time.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

4 Operating profit

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
This has been arrived at after charging		
Staff costs	19,056	20,483
Share based payments	111	134
Operating lease rentals	5,858	6,045
Amortisation of intangible assets	3	3
Depreciation	1,861	2,146
Amortisation of prepaid operating leases	87	143
Pre-opening costs	-	413
Onerous lease provision	1,687	1,635
Restructure and consultancy	457	-
Impairment of lease premiums	897	96
Impairment of Goodwill	115	-
Impairment of property, plant and equipment	10,063	9,462
Profit on disposal of property, plant and equipment	(2,132)	(1,237)
Auditor remuneration:		
Audit fee - Parent Company	10	10
- Group financial statements	30	27
- Subsidiary undertaking	10	8
Other services – Taxation compliance	11	6

5 Highlighted items – charged to operating expenses

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Profit on disposal of property, plant and equipment	2,132	1,237
Pre-opening costs	-	(413)
Onerous leases	(1,687)	(1,635)
Restructure and consultancy	(457)	-
Impairment of lease premiums	(897)	(96)
Impairment of Goodwill	(115)	-
Impairment of property, plant and equipment	(10,063)	(9,462)
Share based payments	(111)	(134)
	(11,198)	(10,503)

The above items have been highlighted to give more detail on items that are included in the consolidated statement of comprehensive income and which when adjusted shows a profit or loss that reflects the ongoing trade of the business.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

6 Finance expense

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Loan interest payable	252	203
	252	203

7 Employees

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Staff costs (including Directors) consist of		
Wages and salaries	17,493	18,936
Social security costs	1,415	1,459
Other pension costs	148	88
Equity settled share based payment expense	111	134
	19,167	20,617

The average number of persons, including Directors, employed by the Group during the period was 1,049 of which 1,030 were restaurant staff and 19 were administration staff, (2017 – 1,184 of which 1,169 were restaurant staff and 15 were administration staff).

No staff are employed by the Company.

Of the total staff costs £18,106,000 was classified as cost of sales (2017 - £19,716,000) and £1,061,000 as operating expenses (2017 - £901,000). Redundancy costs of £185,000 (2017 - £nil) have been included as a cost of Restructure and Redundancy in note 5.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Directors remuneration		
Emoluments	252	405
Share based payments	70	88
Benefits in Kind	-	6
Social security costs	30	50
	352	549

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Individual directors' emoluments		
J Plant	120	120
S Kaye	55	110
T Cundy (resigned 13 March 2018)	27	105
A Kaye	20	40
K Lassman	30	30
	252	405

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

Share based payments for the period that are attributable to the Directors are £70,000 (2017 - £88,000).

Company

The Company paid no director emoluments during the year.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

9 Income tax expense

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
UK Corporation tax		
Current tax credit/(charge) on loss for the period	-	396
Adjustment in respect to previous years	(48)	85
Total current tax	(48)	481
Deferred tax		
Utilisation of tax losses	-	-
Origination and reversal of temporary differences	252	714
Impact of change in future rate of taxation	-	-
Total deferred tax	252	714
Total income tax credit	204	1,195

The tax credit for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Loss before tax	(11,817)	(9,470)
Tax on loss at the ordinary rate of corporation tax in UK of 19% (2017 – 19.25%)	(2,245)	(1,823)
Effects of		
Expenses not deductible for tax	21	54
Onerous lease provision not deductible for tax	168	154
Adjustment in respect of previous years	(48)	85
Depreciation/impairment on ineligible fixed assets	1,900	335
Total tax charge	(204)	(1,195)

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

10 Loss per share

	30 December 2018 Pence	31 December 2017 Pence
Basic and diluted loss per ordinary share	(19.42)	(13.84)
	2018 Number '000	2017 Number '000
Loss per share have been calculated using the numbers shown below:		
Weighted average ordinary shares (basic)	59,795	59,787
	2018 £'000	2017 £'000
Loss for the financial period	(11,613)	(8,275)

Due to the loss made in the year, all share options are anti dilutive. No share options would otherwise be considered dilutive (2017 – 565,000).

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 30 December 2018

12 Intangibles

	Trademarks £'000	Goodwill £'000	Total £'000
At 1 January 2017	32	441	473
Additions	-	-	-
Amortisation of trademarks	(3)	-	(3)
<hr/>			
At 31 December 2017	29	441	470
Impairments	-	(115)	(115)
Amortisation of trademarks	(3)	-	(3)
<hr/>			
At 30 December 2018	26	326	352

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% (2017 – 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;

	30 December 2018 £'000	31 December 2017 £'000
Shaftesbury Avenue	196	196
Cambridge	130	130
Stratford-upon-Avon	-	65
Loughton	-	25
Billericay	-	25
<hr/>		
	326	441

During the year Goodwill for the sites at Stratford-upon-Avon, Loughton and Billericay has been fully impaired.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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 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
Additions	-	863	398	-	1,261
Disposals	-	(1,187)	(470)	(47)	(1,704)
Reclassified as held for sale	-	(930)	(411)	-	(1,341)
At 30 December 2018	-	39,977	10,463	-	50,440
Depreciation					
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
Provided for the period	-	1,070	791	-	1,861
Impairments	-	8,601	1,462	-	10,063
Disposals	-	(817)	(278)	-	(1,095)
Reclassified as held for sale	-	(581)	(255)	-	(836)
At 30 December 2018	-	26,550	7,336	-	33,886
Net book value					
At 30 December 2018	-	13,427	3,127	-	16,554
At 31 December 2017	-	22,954	5,330	47	28,331

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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.

A sensitivity analysis has been performed on each of the key assumptions noted with other variables held constant. Increasing the growth rate by 1% would reduce impairments by £136,000. Decreasing the discount rate by 1% would reduce impairments by £142,000.

The total carrying value of the assets that have been impaired in the period is £13,984,000 (2017 - £17,520,000). These have been impaired to their value in use of £3,024,000 (2017 - £8,058,000).

Of which assets held for sale accounted for a carrying value of £1,050,000 (2017-£nil) and impaired to value in use of £505,000.

Company

The Company holds no property, plant and equipment.

14 Prepaid operating leases

	30 December 2018 £'000	31 December 2017 £'000
Held within current assets	87	143
Held within non-current assets	507	1,428
	594	1,571

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

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

15 Investments

	£'000
Company	
At 1 January 2017	2,885
Share based payment in respect of subsidiary	134
<hr/>	
At 31 December 2017	3,019
<hr/>	
Share based payment in respect of subsidiary	111
<hr/>	
At 30 December 2018	3,130

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.

16 Inventories

	30 December 2018 £'000	31 December 2017 £'000
Raw materials and consumables	798	918
Crockery and utensils	1,750	1,737
<hr/>		
	2,548	2,655

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 was £12,118,000 (2017 - £13,357,000).

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

17 Trade and other receivables

	30 December 2018 £'000	31 December 2017 £'000
Trade receivables	240	141
Corporation tax	-	74
Prepayments and other receivables	3,581	6,320
Total trade and other receivables	3,821	6,535
Less non-current portion	(283)	(278)
	3,538	6,257
Company		
Amounts due from subsidiary	7,400	19,040
Total trade and other receivables	7,400	19,040
Classified as non-current	7,400	19,040

There has been an increase in the credit risk of this loan since it was advanced due to the deterioration in the market and the resulting impact on the performance of the trading company. The Company has previously made loans to the trading subsidiary of £25,611,000 (2017 - £25,666,000).

The Directors of the Company consider this loan to be classed as Stage 2 under the General Approach set out in IFRS 9. The Company has made provisions of £18,211,000 (2017 - £6,626,000) which represents the lifetime expected credit losses. In assessing the lifetime expected credit losses consideration has been given to a number of factors including internal forecasts, sale value of company assets and the consolidated net asset value of the Group at the balance sheet date.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

18 Trade and other payables

	30 December 2018 £'000	31 December 2017 £'000
Trade payables	3,690	4,666
Taxations and social security	1,649	1,981
Accruals and deferred income	1,269	2,194
Other payables	492	361
	7,100	9,202

Included within trade payables are £152,000 (2017 - £137,000) due to related parties (note 29).

19 Provisions

	30 December 2018 £'000	31 December 2017 £'000
At the beginning of the period	1,660	35
Utilisation in period	(10)	(10)
Charge in the period	1,697	1,635
At the end of the period	3,347	1,660

During the period a provision for onerous leases was made of £1,687,000 (2017 - £1,625,000). 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.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

20 Deferred tax

	30 December 2018 £'000	31 December 2017 £'000
At the beginning of the period	(252)	(966)
Profit and loss credit/(charge)	252	714
	-	(252)
Accelerated capital allowances	-	(252)
Tax losses carried forward	-	-
At the end of the period	-	(252)

Due to the uncertainty of future profits, a deferred tax asset of £862,000 is not recognised in these financial statements.

21 Borrowings

	30 December 2018 £'000	31 December 2017 £'000
Current		
Secured bank borrowings	2,867	583
	2,867	583
Non-current		
Secured bank borrowings	3,550	6,417
	3,550	6,417
	6,417	7,000
Maturity of secured bank borrowings		
Due within one year	3,083	739
Due in more than one year but less than two years	927	2,456
Due in more than two years but less than five years	2,846	4,167
	6,856	7,362
Future interest payments	(439)	(362)
	6,417	7,000

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

In November 2018 the Group revised its £7,000,000 term loan facility with its existing lender Barclays plc (the "Revised Loan Facility") which amends the Company's existing £7,000,000 term loan facility (the "2016 Term Loan Facility"). The key effects of the Revised Loan Facility are to extend the final repayment date from July 2021 to March 2022 and to significantly reduce the quarterly repayments with effect from July 2019.

Under the terms of the Revised Loan Facility agreement, the Company is to pay interest on the amount drawn down of between 2.5% and 4% over LIBOR with the interest rate payable dependent upon the ratio of the amount drawn down to adjusted EBITDA.

In addition to the quarterly repayments referred to above, the Company has undertaken to reduce the amount drawn down under the Revised Loan Facility by an aggregate of £1.1 million on or before 30 June 2019. The Directors have undertaken to provide, in aggregate, £500,000 of new capital into the business by 30 June 2019. This new capital is to be in the form of either new subordinated loan or equity capital, or a combination of the two. In addition, the Company intends to raise new equity and sell assets. To date over £600,000 has been raised through the sale of assets.

In our current forecast a repayment of £1.75 million is assumed in addition to the quarterly repayments. Any sum above a £2.25 million repayment will avoid an additional interest fee on a sliding scale from 1% to 6%.

The current outstanding loan is £5.2 million.

The Group continues to review its funding arrangements and as a result, the unutilised £5 million Revolving Credit Facility, that was previously earmarked for new restaurant openings, has been cancelled.

22 Share capital

	Number	£'000
Ordinary shares at 10p each called up and fully paid:		
At 1 January 2017	59,745,496	5,975
Exercise of share options	50,000	5
<hr/>		
At 31 December 2017	59,795,496	5,980
Exercise of share options	-	-
<hr/>		
At 30 December 2018	59,795,496	5,980

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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.

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.

	30 December 2018 £'000	31 December 2017 £'000
Within one year: payments	5,521	5,641
Within one year: receipts	(237)	(230)
	5,284	5,411
Within two to five years: payments	20,808	22,082
Within two to five years: receipts	(930)	(920)
	19,878	21,162
Over five years: payments	60,579	68,622
Over five years: receipts	(2,485)	(3,187)
	58,094	65,435
	83,256	92,008

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 £148,000 (2017 - £88,000).

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

27 Share based payments

	Weighted average exercise price (pence)	Number '000
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
Lapsed	31.5	(440)
Cancelled	129.8	(166)
<hr/>		
At 30 December 2018	105.4	2,883

The exercise price of options outstanding at the end of the period ranged between 35p and 147p (2017 – 31.5p and 147p) and their weighted average remaining contractual life was 6.3 years (2017 – 6.5 years).

Of the total number of options outstanding at the end of period 2,147,785 (2017 – 2,866,785) had vested and were exercisable at the end of the period with a weighted average exercise price of 103p.

The market price of the Company's ordinary shares as at 30 December 2018 was 11p and the range during the financial year was from 10.5p to 32.5p.

In the previous period 50,000 options were exercised. The weighted average share price at the date of exercise was 66.5p.

There were no share options issued or exercised in the period.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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

The Groups financial instruments are measured on an amortised cost basis. Due to the short-term nature of cash and cash equivalents, trade receivables and trade and other payable, the carrying value approximates their fair value.

	30 December 2018 £'000	31 December 2017 £'000
Financial assets (amortised cost)		
Cash and cash equivalents	4,312	1,843
Trade and other receivables	240	141
Total financial assets	4,552	1,984
Financial liabilities (amortised cost)		
Trade and other payables	4,182	5,027
Loans and borrowings	6,417	7,000
Total financial liabilities	10,599	12,027

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

Company - Financial assets (amortised cost)	30 December 2018 £'000	31 December 2017 £'000
Intercompany loan	7,400	19,040

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:

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 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.

The Company's principal financial assets are intercompany receivables. These balances arise due to the funds flow from the listed Company to the trading subsidiary. The Credit risk arising from these assets are linked to the underlying trading performance of the trading subsidiary. See note 17 and note 28 for further details on intercompany debt.

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 cash flow forecasts together with future obligations from capital projects in progress and the resulting impact on its cash balances.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
Trade & other payables	4,127	-	-	-	55
Loan and other borrowings	1,800	1,282	927	2,846	-
As at 30 December 2018	5,927	1,282	927	2,846	55

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
Trade & other payables	4,972	-	-	-	55
Loan and other borrowings	-	736	2,456	4,167	-
As at 31 December 2017	4,972	736	2,456	4,167	55

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.

Loans and borrowings

The Group has a loan facility with Barclays Bank Plc. Of the £7 million term loan £6.42 million was outstanding at the year-end. Interest is payable between 2.5% and 4% over LIBOR dependent upon the ratio of the amount drawn down to adjusted EBITDA.

We cancelled the unutilised £5 million Revolving Credit Facility, that was previously earmarked for new restaurant openings.

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

At 30 December 2018 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.

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 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Rent, insurance and legal services		
- Kropifko Properties Ltd	(167)	(240)
- KLP Partnership	(84)	(88)
- ECH Properties Ltd	(75)	(68)
- Proper Proper T Ltd	(105)	(105)
- Super Hero Properties	(69)	-
- Howard Kennedy LLP	(5)	(5)
Expenses reimbursed	-	(8)
Income	-	-
Balance due to related parties	152	137
Balance due from related parties	-	-

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

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

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

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Group		
Loss before tax	(11,817)	(9,470)
Finance income	-	(1)
Finance expense	252	203
Share based payment charge	111	134
Depreciation and impairment	13,016	11,847
Profit from sale of property plant and equipment	(2,132)	(1,237)
Amortisation of intangible assets	3	3
Onerous lease provision movement	1,687	1,625
Decrease / (increase) in inventories	107	(190)
Decrease / (increase) in trade and other receivables	1,231	(392)
(Decrease)/ Increase in trade and other payables	(2,069)	263
	389	2,785

31 Reconciliation of financing activity

	Non-current loans and borrowings (note 21) £'000	Current loans and borrowings (note 21) £'000	Total £'000
At 31 December 2017	6,417	583	7,000
Borrowings becoming current in 2018 (non-cash movement)	(2,284)	2,284	-
Loan repayment	(583)	-	(583)
As at 30 December 2018	3,550	2,867	6,417

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

32 Effects of changes in accounting policies

The Group adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018.

Due to the nature of trade IFRS 15 has not had an impact on the recognition of revenue for the current or previous period. This accounting policy is outlined in note 1f

IFRS 9 applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. IFRS 9 replaces IAS 39 Financial Instrument: Recognition and Measurement and introduces a single model that has initially only two classification categories rather than the multiple classification and measurement models in the previous standard. The new models are amortised at cost and fair value. For both the Group and Company there has been no change to the measurement of financial instruments on adoption of IFRS 9. See the accounting policy outlined in note 1n.

The company has made provisions against intercompany debts. Details of the impairment model applied and the significant estimates and judgements are outlined in note 17. Movements in the impairment allowance for intercompany receivables are as follows:

	£'000
At 1 January 2018 under IAS 39	6,626
Restated through retained earnings	<u>-</u>
Opening position	6,626
Increase during the year	11,585
<hr/> As at 30 December 2018	<hr/> <u>18,211</u>

Notes

forming part of the financial statements for the 52 weeks ended 30 December 2018

33 Assets held for sale

The Group looks to dispose of sites which are underperforming or no longer fit its restaurant portfolio. In line with this strategy, the Group was marketing two properties at 30 December 2018 which have been sold post year-end (see note 34).

The following major classes of assets have been classified as held for sale on the consolidated balance sheet.

	30 December 2018 £'000	31 December 2017 £'000
Leasehold improvements	350	-
Furniture, fixtures and computer equipment	155	-
<hr/>		
Total assets held for sale	505	-

On 8 March 2018 the Group sold its Gloucester Road site as a going concern for consideration of £2.7m, which has been recognised in these financial statements. The assets for this site are not disclosed in the comparative figures as this site did not meet the criteria to be held for sale.

34 Post Balance Sheet Events

On 8 January 2019 the Group sold its Cobham site as a going concern for a consideration of £0.35m. On 31 January 2019 South Woodford was assigned at a total consideration of £0.15m. On 6th March 2019 Tunbridge Wells was assigned at a total consideration of £0.05m. One further site has been exchanged and waiting for completion.

NOTICE OF ANNUAL GENERAL MEETING

TASTY PLC

(Registered in England and Wales with no. 5826464)

Notice is hereby given that the 2019 Annual General Meeting of Tasty plc will be held at 32 Charlotte Street, London, W1T 2NQ on 4th June 2019 at 11 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 30 December 2018, together with the report of the auditors and the directors thereon, be received and adopted.
- 2 THAT, Keith Lassman , who retires in accordance with the Company's articles of association, be re-elected as a director.
- 3 THAT, Jonny Plant, who retires in accordance with the Company's articles of association, be re-elected as a director.
- 4 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 5 will be proposed as an ordinary resolution and resolution 6 as a special resolution:

- 5 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 £47,029.92 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.
- 6 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 6 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 £14,108.982; 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

7th May 2019

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, 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, 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, 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 31st May 2019 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 31st May 2019 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 7th May 2019 the Company's issued share capital comprised 141,089,758 Ordinary Shares and 59,795,496 Deferred Shares. The total number of voting rights in the Company as at 7th May 2019 is 141,089,758 . 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 Annual General Meeting should call the Company's registrars, Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY on 0370 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.