**The Fulham Shore plc**
("**Fulham Shore**", the "**Company**" or "**Group**")

**Final Results**

The Directors of Fulham Shore are pleased to announce the Company's audited results for the year ended 25 March 2018.

## HIGHLIGHTS

- Revenues of £54,695,000 (2017: £40,441,000)
- Headline EBITDA* of £7,430,000 (2017: £7,274,000)
- EBITDA* of £5,544,000 (2017: £4,703,000)
- Headline Operating Profit of £3,716,000 (2017: £4,899,000)
- One off impairment charge on property, plant and equipment of £867,000 (2017: £Nil)
- Operating Profit of £142,000 (2017: £1,507,000)
- Loss after tax of £150,000 (2017: profit of £1,209,000)
- Net debt as at 25 March 2018 of £11,991,000 (26 March 2017: £5,909,000)
- Opened 9 new Franco Manca pizzeria and 4 new The Real Greek during the year ended 25 March 2018 in the UK (2017: 13 Franco Manca pizzeria and 3 The Real Greek)
- Opened the first Franco Manca pizzeria franchise in Salina, Italy
- Since the year end:
    - 2 further Franco Manca pizzeria opened in Bath and Cambridge
    - Closing one underperforming restaurant in Brighton Marina
- Management initiatives have led to an improved revenue performance in the first quarter of the new financial year

The above numbers are for continuing operations.

* as defined in the Financial Review.


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## CHAIRMAN'S STATEMENT

### Introduction

In the year ended 25 March 2018, Fulham Shore achieved a 35% increase in revenue from continuing operations to £54.7m (2017: £40.4m), an increase in Headline EBITDA from continuing operations to £7.43m (2017: £7.27m) and a loss before taxation from continuing operations of £0.1m (2017: profit of £1.4m).

This increase in both revenue and Headline EBITDA by the Group was achieved against a backdrop of a very difficult environment for retailers and restaurant operators in the UK. The sound foundation upon which Fulham Shore has expanded Franco Manca and The Real Greek has stood the Group in good stead during this time.

### Market overview

In last year's Strategic Report**,** I wrote that an unprecedented amount of capital had been invested in the UK restaurant sector during recent years. Restaurant supply has grown faster than demand across the country initially caused by the fall in demand for retail shop space. Landlords and agents have consequently actively sought to rent the vacant space to restaurant operators.

This structural imbalance of the restaurant industry then hit the brick wall of Brexit and the subsequent fragility of consumer confidence and inflationary pressures in the UK.

### Strategic vision and progress

Despite this backdrop, it has been a year of growth and strategic progress for the Group. We believe that this demonstrates that Fulham Shore is well placed to ride out the UK economic turbulence as a dynamic operator with strong and popular businesses and a good portfolio of sites.

During the year we opened: nine new Franco Manca pizzeria, with Oxford and Bristol particularly well received; and four The Real Greek restaurants, also to a great customer reception.

We closed the only site of our third business, a Bukowski franchise, at the year end. Following the year end, we sold the lease and contents for £0.3m net of expenses. We have therefore recognised the loss on this investment of £0.4m. We will now concentrate on expanding our two successful operations.

Also following the year end, we have agreed terms to surrender the lease for Franco Manca Brighton Marina to the landlord as this site has not performed to our expectations. This restaurant is expected to close later in the year. We have taken a cautious view concerning our other property values and have written down the carrying value of three underperforming sites, resulting in an £0.9m impairment charge, of which £0.5m relates to Brighton Marina.

### Franco Manca

Between March 2015 and March 2017, we increased the number of Franco Manca pizzeria in London from 10 to 33. This was in response to enormous demand and queues at peak times in our restaurants. As previously reported and as anticipated at the time, the result of this rapid expansion was some sales erosion in the original branches caused by the effect of opening another Franco Manca in close proximity (sometimes less than quarter of a mile apart).

After sharing our existing customers between these (now 35) London locations, new customers are discovering us and the sales in the original branches have stabilised. We still have queues at peak times reflecting the quality and value of the offer, so we will look to open new sites where there is continued demand in particular areas.

We have always served freshly made pizza, which is as it should be. Some other pizza businesses in the UK use frozen food products and frozen dough. We continue to make our dough every day in each of our pizzeria. Our aim is to keep the price of our Margherita pizza (the No 2 on the menu) well below the price of the frozen product at many high street pizza chains. The only thing we freeze at Franco Manca is our ice cream.

Franco Manca believes in competitive everyday menu pricing - not discounting. We pay at least the Government's national living wage to all our employees including those who are under 25 years old. Our staff keep all their tips and we do not interfere with, or take a proportion of, those tips.

Franco Manca management have committed their time and attention to increasing service quality. When and if a customer has a complaint, they aim to rectify the problem as soon as possible either immediately in the pizzeria or through social media. In this way they attempt never to lose a customer; these efforts have shown through in increasing customer numbers.

This financial year's performance and the opening of our Franco Manca franchise in Italy have encouraged us to investigate, and respond to, the many enquiries we have received to open Franco Manca pizzeria outside the UK. We are now looking around the world for opportunities.

**The Real Greek**
The Real Greek menu continues to offer great food and great value. Customers can share hot or cold meze, and, when finished, order more if they are still hungry. This eliminates waste, stops customers over-ordering, and keeps them and us happy.

Our Real Greek restaurants have many outdoor eating areas and terraces, so when the sun shines they perform disproportionately well compared to the steak houses and hamburger restaurants trading alongside them.

The Real Greek openings in the year to March 2018 have been in Southampton, Reading, Bournemouth and Bristol - all with large terraces to take advantage of our Greek style summers!

We are being offered many new sites for The Real Greek. This business offers the public and landlords, especially in new retail schemes, a differentiated concept and gives the consumer a popular and healthy alternative to the normal repetitive high street offerings available.

Emphasising the healthy aspect of the traditional Greek diet, the highlight of the year was the launch of our vegan Real Greek menu. This was heavily influenced by Pythagoras, Socrates and Plato, all of whom maintained that this diet was the foundation of democracy. Luckily many of our customers agreed with these ancient sages - and they love it too!

**Property**
The amount of new restaurant space coming to the market is the greatest for many years. Rents are falling, lease premiums are disappearing and the UK restaurant property market is in a period of turmoil. The capital needed to open a new restaurant is declining due to landlord incentives. Incentives alone, however, are never the right reason to open in a particular location and, if anything, this could continue poor expansion decisions being made in the sector.

We still intend to open a limited number of new restaurants this year and to fund these openings largely from our internally generated cash. Any increase in our openings target would be for stand out and highly profitable locations which would immediately offer above average returns.

Negotiating low rents supports our ability to offer low menu prices. Franco Manca especially concentrates on finding compact sites that may not be in the most prime locations. These off pitch locations are often at lower rents, but there is balance as it may take time for customers to find us and for the individual site to build up trade. We fit the premises out for what they are, hard wearing pizzeria built for very high volumes. Our two design imperatives are Enzo Apicella's original artwork and our industrial and spectacular pizza ovens.

**Current trading and outlook**
Sales in the first quarter of our current financial year, April to June 2018, have been encouraging in both Franco Manca and The Real Greek. This is a result of some great work from both businesses' management teams and they are to be congratulated. Both teams have concentrated on food quality, price and service. Both businesses have shown overall like for like revenue increases during this quarter despite tough comparatives sales in 2017 as well as the continuous stream of poor UK economic data from the retail and restaurant sector.

We will continue to approach expansion with caution. Our investment strategy will be much more circumspect than in 'normal' times. Careful property transactions will be even more crucial and our aim at present is to expand largely through internally generated funds. We have opened two restaurants since the year end, Franco Manca in Bath and Cambridge. Both are trading well. Franco Manca now has 43 pizzeria across the UK plus one franchise on the island of Salina in Italy, which reopened for its second summer season on 2 June 2018. We have signed a site on South St Andrews St in Edinburgh for Franco Manca in the next calendar year. We are in final stage negotiations on two others which should see Franco Manca starting to build this summer to open this autumn.

Despite the growth we have reported and our positive first quarter in the current financial year, the remainder of the financial year is difficult to predict. Costs will, in all likelihood, continue to rise but maybe not as much as they did during the past financial year.

Both our businesses continue to be leading lights in the restaurant sector. Top quality food and great value prices lead to busy restaurants and we believe that our two businesses continue to have significant growth potential across the UK. As a result and despite the challenging UK backdrop, we are confident that the Group will continue to perform well and we look forward to the current financial year as we continue to grow and develop our brands.

**DM Page**
Chairman

23 July 2018

## FINANCIAL REVIEW

Fulham Shore's performance in the year ended 25 March 2018 is summarised in the table below:

| For continuing operations | Year ended 25 March 2018 £m | Year ended 26 March 2017 £m | Change % |
|---|---|---|---|
| **Revenue** | **54.7** | **40.4** | **+35.4%** |
| **Headline EBITDA*** | **7.4** | **7.3** | **+2.1%** |
| Headline operating profit | 3.7 | 4.9 | -24.5% |
| Headline profit before tax | 3.5 | 4.8 | -27.3% |
| **EBITDA** | **5.5** | **4.7** | **+17.9%** |
| Operating profit | 0.1 | 1.5 | -90.6% |
| (Loss)/profit before taxation | (0.1) | 1.4 | |
| (Loss)/profit for the year | (0.2) | 1.2 | |
| Diluted earnings per share | (0.0p) | 0.2p | -100.0% |
| Headline diluted earnings per share | 0.6p | 0.7p | -14.3% |
| Cash flow from operating activities | 4.5 | 10.3 | -56.3% |
| Development capital expenditure | 10.0 | 12.4 | -19.4% |
| Net Debt | 12.0 | 5.9 | +103.4% |
| Number of restaurants operated in the UK | No. | No. | |
| Franco Manca | 41 | 32 | +28.1% |
| The Real Greek | 16 | 12 | +33.3% |
| Bukowski | - | 1 | -100.0% |
| | 57 | 45 | +26.7% |

* Reconciliation of profit before taxation to Headline EBITDA for continuing operations:

| | Year ended 25 March 2018 £m | Year ended 26 March 2017 £m |
|---|---|---|
| (Loss)/profit before taxation | (0.1) | 1.4 |
| Finance costs | 0.2 | 0.1 |
| Depreciation and amortisation | 3.7 | 2.4 |
| Amortisation of brand | 0.8 | 0.8 |
| Exceptional costs – impairment of property, plant and equipment | 0.9 | - |
| **EBITDA** | **5.5** | **4.7** |
| Share based payments | 0.6 | 0.6 |
| Pre-opening costs | 1.2 | 2.0 |
| Exceptional costs – loss on disposal | 0.1 | - |
| **Headline EBITDA** | **7.4** | **7.3** |

Total Group revenue from continuing operations grew by 35.4%, driven primarily by new openings within the UK during the year. We opened four The Real Greek and nine Franco Manca pizzeria in the UK and closed our Bukowski franchise, taking the total restaurants operated by the Group in the UK to 57

(2017: 45) at year end. During the year, our franchisee in Italy also opened a Franco Manca pizzeria on the island of Salina.

Summer of 2017 should have been one of the busiest periods of our financial year and the weak trading across the dining out market that we also experienced has impacted this year's overall revenue performance. Some of our pre-2017 restaurants, particularly in the London suburbs, were experiencing revenue below the equivalent period a year earlier with increased volatility and some expected cannibalisation from our new restaurants in nearby locations. However, revenue from these restaurants have seen slight improvements and stabilisation in the second half of the financial year and further improvements following the year end.

Group Headline EBITDA (as reconciled above) from continuing operations continues to be a key measure for the Group as well as industry analysts as it is indicative of ongoing EBITDA of the businesses. Headline EBITDA from continuing operations for the year was £7.4m (2017: £7.3m), an increase of 2.1% on the prior year while the Group's EBITDA increased 17.9% to £5.5m (2017: £4.7m). During the year, the Group incurred the full year impact of and the benefit from the broader management team put in place in Franco Manca during the previous financial year to support the brand's opening programme.

Group depreciation and amortisation, excluding amortisation of the Franco Manca brand, increased 56.4% to £3.7m (2017: £2.4m) following the number of new restaurants opened during the year and the previous year. The Group incurred a number of one off costs in the year including £0.9m (2017: £Nil) impairment charge for three restaurants which are underperforming management's expectations. All three restaurants are still trading but Franco Manca Brighton Marina is due to close and be surrendered back to the landlord later in the year. Together, these have led to a decrease of operating profit by 90.6% to £0.1m.

With our new openings, we have invested more than £1.2m (2017: £1.9m) in pre-opening costs. Finance costs have increased 88.1% to £0.3m as the Group drew down on its revolving credit facilities, as planned, to support the increased opening programme for both Franco Manca and The Real Greek. Overall this has resulted in a loss before taxation of £0.1m (2017: £1.4m profit before tax).

The Group's tax rate has increased to 36.4% (2017: 11.9% of profit before tax) of loss before tax due to a number of factors. The tax charge for the year was made up of two parts: £0.3m charge relating to the current year and £0.2m credit relating to prior years. The latter, £0.2m credit adjustment to taxation for prior years, has arisen from our work on capital allowances on the capital expenditure over the past two years, correction of tax rates used for forecasting to the current enacted 17%, correction of tax treatment of certain property, plant and equipment and correction of deferred tax asset on share based payments. More detailed breakdown of deferred tax recognised during the year can be found in note 16 to the financial statements. The £0.3m tax charge for the year is high as a percentage of loss before tax due to a number of non tax deductible one of costs being recognised in the year as well as a deferred tax charge as a result of the Group's share price being lower at the year end and therefore a reduced deferred tax asset on share based payments. Excluding the taxation credit adjustment in relation to prior years, the Group's loss after tax from continuing and discontinued operations would have been £0.8m (2017: £1.0m profit after tax).

Our basic and diluted earnings per share from continuing operations decreased from 0.2p to 0.0p while Headline diluted earnings per share reduced by 14.3% to 0.6p.

*Cost inflation*
During the year, the weakness of Sterling against both the Euro and the US Dollar following the Brexit vote has continued to put pressure on food cost inflation. Where possible we have benefited from additional volume discounts due to our opening programme which has helped to mitigate some of the cost pressures.

We also saw 4.2% increase in the Government's National Living Wage for over 25 year old employees at the beginning of the financial year. All our businesses have chosen to treat all staff members the same irrespective of age.

Our other two material cost items are rent and utility costs. Rental inflation of our estate continues to increase modestly. Utility cost inflation continues to be volatile as the wholesale cost of energy has been impacted by the movement of Sterling and global economic adjustments.

*Cash flows and balance sheets*
The Group's cash flow from operating activities has decreased 56.3% to £4.5m (2017: £10.3m) as the benefit from short term supplier trading credit facilities at the previous year end reversed during the year.

We invested £10.0m (2017: £12.4m) in development capital primarily in new restaurants but also including investment in IT systems to introduce advanced customer relationship management facilities to both businesses.

Resultant net debt from our activities at 25 March 2018 was £12.0m (2017: £5.9m). This is financed by our facilities with HSBC Bank PLC, made up of a £14.25m revolving credit facility and a £0.75m overdraft.

Following the year end, the Group has reduced its opening programme to take account of market uncertainty. As a result, the Group will be looking to fund future openings largely through existing operational cash flow where possible.

*People*
During the year, the Group's key operations were within the UK. With our opening programme, the Group created more than 250 new jobs during the year (2017: 360 new jobs). We continue to invest in our staff through training, incentives and personal development.

*Post balance sheet event*
Following the year end, the Group sold its lease and contents in D'Arblay Street, Soho, London, that operated the Bukowski franchise as described in notes 23 and 24 to the financial statements. This has been treated as discontinued operations in the financial statements with a cost to the business of £0.4m recognised during the year.

In July 2018, the Group agreed terms to surrender the lease for the Franco Manca Brighton Marina restaurant for a surrender fee payment of £0.1m as the restaurant has performed significantly below management expectation. This restaurant has been subject to an impairment charge of £0.5m during the year which is included in the £0.9m impairment charge recognised in the statement of comprehensive income.

**Principal risks and uncertainties**
The Directors consider the following to be the principal risks faced by the Group:

*Economic conditions*
The Group's performance depends to a large degree on the economic conditions and consumer confidence in the UK. Over recent months, the UK economy has seen reducing levels of unemployment but weaker consumer spending. However, there continue to be rapid changes to the UK economy, with the result of the EU Referendum creating considerable political and economic uncertainty. The Group's existing restaurants offer an exceptional customer value experience which the Directors believe positions the business well in dealing with continued volatility in the UK economy.

*Development programme*
The Group's development programme is dependent on securing the requisite number of new properties at sensible rents. The UK restaurant property market remaining competitive at the right locations and rents. To mitigate these issues, the Group has an experienced property team concentrating on securing new sites for the Group.

*Supply chain*
The Group focuses on the freshness and quality of the produce used in its restaurants. It is exposed to potential supply chain disruptions due to the delay or losses of inventory in transit. The Group seeks to mitigate this risk through effective supplier selection and an appropriate back-up supply chain.

*Employees*
The Group's performance depends largely on its management team and its restaurant teams. The inability to recruit people with the right experience and skills could adversely affect the Group's results. The result of the EU Referendum has created considerable uncertainty over the immigration status of EU nationals. To mitigate these issues the Group has invested in its human resources teams and has implemented a number of incentive schemes designed to retain key individuals.

*Competition*
The Group operates in a competitive and fragmented market which regularly sees new concepts come to the market. However, the Directors believe that the strength of the existing restaurant brands, value offer and constant strive towards delivering the best product and service will help the business to mitigate competitive risk.

*Cyber security*
The Group has introduced an online "click and collect" service which relies on online systems that may experience cyber security failure leading to loss of revenue or reputation loss. The Group utilises robust supplier selection processes and third party reviews and testing on a regular basis to identify weaknesses and improve on existing protection and processes.

*Regulatory compliance*
The Group is growing quickly and the government is increasing the number of areas requiring additional regulatory compliance including GDPR which may increase expenditure to ensure compliance and the Group may experience a failure to comply thus leading to significant fines. The Group reviews regulatory changes on a regular basis.

Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them.

**Financial risk management**
The Board regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not use complicated financial instruments, and where financial instruments are used it is for reducing interest rate risk. The Group does not trade in financial instruments. Group operations are primarily financed from equity funds raised, bank borrowings and retained earnings. In addition to the financial instruments described above, the Group also has other financial instruments such as receivables, trade payables and accruals that arise directly from the Group's operations. Further information is provided in note 15 to the financial statements.

**Key performance indicators**
The Board receives a range of management information delivered in a timely fashion. The principal measures of progress, both financial and non-financial, that are reviewed on a regular basis to monitor the development of the Company and the Group are shown in the table at the beginning of this section.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**for the year ended 25 March 2018**

| | Notes | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|---|
| **Revenue** | 1 | 54,695 | 40,441 |
| Cost of sales | | (32,039) | (22,553) |
| **Gross profit** | | 22,656 | 17,888 |
| Administrative expenses | | (18,940) | (12,989) |
| **Headline operating profit** | | 3,716 | 4,899 |
| Share based payments | 18 | (616) | (631) |
| Pre-opening costs | 7 | (1,209) | (1,914) |
| Amortisation of brand | | (821) | (821) |
| Exceptional costs – cost of acquisition | | - | (26) |
| Exceptional costs – impairment of property, plant and equipment | | (867) | - |
| Exceptional costs – loss on disposal of property, plant and equipment | | (61) | - |
| **Operating profit** | 2 | 142 | 1,507 |
| Finance income | | 2 | 1 |
| Finance costs | 4 | (254) | (135) |
| **(Loss)/profit before taxation** | | (110) | 1,373 |
| Income tax expense – current year | 5 | (258) | (164) |
| Income tax expense – prior year | | 218 | - |
| **(Loss)/profit for the year from continuing operations** | | (150) | 1,209 |
| Loss for the year from discontinued operations | 24 | (415) | (240) |
| **(Loss)/profit for the year** | | (565) | 969 |
| (Loss)/profit for the year attributable to: | | | |
| Owners of the company | | (576) | 947 |
| Non-controlling interests | | 11 | 22 |
| | | (565) | 969 |
| Earnings per share | | | |
| Continuing and discontinued operations | | | |
| Basic | 6 | (0.1p) | 0.2p |
| Diluted | 6 | (0.1p) | 0.2p |
| Continuing operations | | | |
| Basic | 6 | (0.0p) | 0.2p |
| Diluted | 6 | (0.0p) | 0.2p |
| Headline Basic | 6 | 0.6p | 0.7p |
| Headline Diluted | 6 | 0.6p | 0.7p |

## CONSOLIDATED AND COMPANY BALANCE SHEETS
## 25 March 2018

| | *Notes* | Group 25 March 2018 £'000 | Group 26 March 2017 £'000 | Parent company 25 March 2018 £'000 | Parent company 26 March 2017 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 7 | 26,550 | 27,374 | - | - |
| Property, plant and equipment | 8 | 31,768 | 27,306 | 203 | 227 |
| Investments | 9 | 281 | - | 43,439 | 43,011 |
| Trade and other receivables | 11 | 943 | 947 | 11,724 | 7,974 |
| Deferred tax assets | 16 | 193 | 1,406 | 185 | 1,238 |
| | | 59,735 | 57,033 | 55,551 | 52,450 |
| **Current assets** | | | | | |
| Inventories | 10 | 1,490 | 1,052 | - | - |
| Trade and other receivables | 11 | 3,325 | 2,602 | 135 | 184 |
| Cash and cash equivalents | 12 | 359 | 271 | 7 | - |
| Assets classified as held for sale | 24 | 329 | - | - | - |
| | | 5,503 | 3,925 | 142 | 184 |
| **Total assets** | | 65,238 | 60,958 | 55,693 | 52,634 |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | (11,521) | (13,332) | (888) | (1,011) |
| Income tax payable | | (486) | (533) | - | - |
| Borrowings | 14 | - | (180) | - | (12) |
| | | (12,007) | (14,045) | (888) | (1,023) |
| **Net current liabilities** | | (6,504) | (10,120) | (746) | (839) |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 13 | (1,470) | - | - | - |
| Borrowings | 14 | (12,350) | (6,000) | (13,325) | (8,190) |
| Deferred tax liabilities | 16 | (1,779) | (2,265) | - | - |
| | | (15,599) | (8,265) | (13,325) | (8,190) |
| **Total liabilities** | | (27,606) | (22,310) | (14,213) | (9,213) |
| **Net assets** | | 37,632 | 38,648 | 41,480 | 43,421 |
| **Equity** | | | | | |
| Share capital | 17 | 5,714 | 5,714 | 5,714 | 5,714 |
| Share premium | | 6,889 | 6,889 | 6,889 | 6,889 |
| Merger relief reserve | | 30,459 | 30,459 | 30,459 | 30,459 |
| Reverse acquisition reserve | | (9,469) | (9,469) | - | - |
| Retained earnings | | 3,936 | 4,963 | (1,582) | 359 |
| Equity attributable to owners of the company | | 37,529 | 38,556 | 41,480 | 43,421 |
| Non-controlling interest | | 103 | 92 | - | - |
| **Total Equity** | | 37,632 | 38,648 | 41,480 | 43,421 |

The loss for the financial year dealt with in the financial statements of the Company is £1,566,000 (2017: £436,000).

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**for the year ended 25 March 2018**

| | Share Capital £'000 | Share Premium £'000 | Merger Relief Reserve £'000 | Reverse Acq-uisition Reserve £'000 | Retained Earnings £'000 | Equity Share-holders' Funds £'000 | Non-Control-ling Interests £'000 | Total Equity £'000 |
|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | |
| **At 27 March 2016** | 5,692 | 6,866 | 30,459 | (9,469) | 3,078 | 36,626 | 70 | 36,696 |
| Profit for the year | - | - | - | - | 947 | 947 | 22 | 969 |
| **Total comprehensive income** | - | - | - | - | 947 | 947 | 22 | 969 |
| Transactions with owners | | | | | | | | |
| Ordinary shares issued (net of expenses) | 22 | 23 | - | - | - | 45 | - | 45 |
| Share based payments | - | - | - | - | 631 | 631 | - | 631 |
| Deferred tax on share based payments | - | - | - | - | 307 | 307 | - | 307 |
| **Total transactions with owners** | 22 | 23 | - | - | 938 | 983 | - | 983 |
| **At 26 March 2017** | 5,714 | 6,889 | 30,459 | (9,469) | 4,963 | 38,556 | 92 | 38,648 |
| (Loss)/profit for the year | - | - | - | - | (576) | (576) | 11 | (565) |
| **Total comprehensive income** | - | - | - | - | (576) | (576) | 11 | (565) |
| Transactions with owners | | | | | | | | |
| Share based payments | - | - | - | - | 616 | 616 | - | 616 |
| Deferred tax on share based payments | - | - | - | - | (1,067) | (1,067) | - | (1,067) |
| **Total transactions with owners** | - | - | - | - | (451) | (451) | - | (451) |
| **At 25 March 2018** | 5,714 | 6,889 | 30,459 | (9,469) | 3,936 | 37,529 | 103 | 37,632 |

## COMPANY STATEMENT OF CHANGES IN EQUITY
## for the year ended 25 March 2018

| | Share Capital £'000 | Share Premium £'000 | Merger Relief Reserve £'000 | Retained Earnings £'000 | Total Equity £'000 |
|---|---|---|---|---|---|
| **At 27 March 2016** | 5,692 | 6,866 | 30,459 | (94) | 42,923 |
| Loss for the year | - | - | - | (436) | (436) |
| **Total comprehensive income for the year** | - | - | - | (436) | (436) |
| Transactions with owners | | | | | |
| Ordinary shares issued (net of expenses) | 22 | 23 | - | - | 45 |
| Share based payments | - | - | - | 631 | 631 |
| Deferred tax on share based payments | - | - | - | 258 | 258 |
| **Total transactions with owners** | 22 | 23 | - | 889 | 934 |
| **At 26 March 2017** | 5,714 | 6,889 | 30,459 | 359 | 43,421 |
| Loss for the year | - | - | - | (1,566) | (1,566) |
| **Total comprehensive income for the year** | - | - | - | (1,566) | (1,566) |
| Transactions with owners | | | | | |
| Share based payments | - | - | - | 616 | 616 |
| Deferred tax on share based payments | - | - | - | (991) | (991) |
| **Total transactions with owners** | - | - | - | (375) | (375) |
| **At 25 March 2018** | 5,714 | 6,889 | 30,459 | (1,582) | 41,480 |

## CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
## for the year ended 25 March 2018

| | *Notes* | Group<br>Year ended 25 March 2018<br>£'000 | Group<br>Year ended 26 March 2017<br>£'000 | Parent<br>Year ended 25 March 2018<br>£'000 | Parent<br>Year ended 26 March 2017<br>£'000 |
|---|---|---|---|---|---|
| **Net cash flow from/(used in) operating activities** | 19 | 4,522 | 10,273 | (509) | (209) |
| **Investing activities** | | | | | |
| Acquisition of property, plant and equipment | | (10,044) | (12,358) | (7) | (236) |
| Acquisition of intangible assets | | (27) | (76) | - | - |
| Acquisition of investments | | (281) | - | - | - |
| Cash flow from acquisition of subsidiaries | 19 | - | (376) | - | - |
| Loan to subsidiary undertakings | | - | - | (5,969) | (2,553) |
| Net cash flow used in investing activities | | (10,352) | (12,810) | (5,976) | (2,789) |
| **Financing activities** | | | | | |
| Proceeds from issuance of new ordinary shares (net of expenses) | | - | 45 | - | 45 |
| Capital received from bank borrowings | | 6,350 | 3,090 | 6,350 | 3,090 |
| Interest received | | 2 | 1 | 465 | 261 |
| Interest paid | | (254) | (135) | (311) | (210) |
| Net cash flow from financing activities | | 6,098 | 3,001 | 6,504 | 3,186 |
| **Net increase in cash and cash equivalents** | | 268 | 464 | 19 | 188 |
| **Cash and cash equivalents at the beginning of the year** | 12 | 91 | (373) | (12) | (200) |
| **Cash and cash equivalents at the end of the year** | 12 | 359 | 91 | 7 | (12) |

## ACCOUNTING POLICIES

### GENERAL INFORMATION

The Fulham Shore PLC is a public limited company incorporated and domiciled in England and Wales with registration number 07973930 and registered office at 1st Floor, 50-51 Berwick Street, London, W1F 8SJ, United Kingdom. The Company's ordinary shares are traded on the AIM Market.

### BASIS OF PREPARATION

The above audited financial information does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The above figures for the period ended 25 March 2018 have been extracted from the Group's financial statements which have been reported on by the Group's auditors and received an audit opinion which was unqualified. The Group's statutory financial statements for the year ended 26 March 2017 have been lodged with the Registrar of Companies. These financial statements received an audit report which was unqualified and did not include any reference to matters to which the auditors drew attention by way of emphasis without qualifying their report or a statement under section 498(2) or section 498(3) of the Companies Act 2006. The financial statements for the year ended 25 March 2018 will be dispatched to the shareholders and filed with the Registrar of Companies. The preliminary announcement was approved by the Board and authorised for issue on 24 July 2018.

The financial statements for the years ended 25 March 2018 and 26 March 2017 have been prepared under the historical cost convention and, as permitted by EU Law, the Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). This financial information has been prepared on a basis consistent with the accounting policies adopted in the financial statement but does not contain all the information required to be disclosed in financial statements prepared in accordance with IFRS.

This financial information for the year ended 25 March 2018 are presented in Sterling because that is the primary currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The parent company has not presented its own income statement, statement of total comprehensive income and related notes as permitted by section 408 of the Companies Act 2006.

At the date of authorisation of these financial information, the following Standards and Interpretations relevant to the Group operations that have not been applied in these financial statements were in issue but not yet effective:

| | |
|---|---|
| IFRS 2 (Amendment) | Classification and Measurement of Share Based Payment Transactions |
| IFRS 9 | Financial instruments |
| IFRS 12 (Amendment) | Disclosure of interest in Other Entities |
| IFRS 15 | Revenue from contracts with customers |
| IFRS 16 | Leases |
| IFRIC 22 | Foreign Currency Transactions and Advance Considerations |
| IFRIC 23 | Uncertainty over income tax treatments (not yet endorsed) |
| IAS 28 (Amendment) | Investments in Associates and Joint Ventures |

The Directors anticipate that the adoption of these Standards and Interpretations as appropriate in future years will have no material impact on the financial statements of the Group other than the new IFRS 16 Leases which will be mandatory for accounting periods beginning on or after 1 January 2019. This new standard will significantly change how restaurant leases will be accounted for. The Group is preparing its assessment project to identify the impact of the new lease accounting standard on the Group's existing and future restaurant leases.

**GOING CONCERN**

The consolidated financial statements have been prepared on a going concern basis. Given the risk analysis undertaken by the Directors and after reviewing the Group's net current liabilities position as at 25 March 2018, the budget for the next financial year, other longer term plans and financial resources including undrawn but available short term and long term facilities described in note 14 and operational cash flow where cash from revenues are received within 3 days, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore the Board is satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

**SIGNIFICANT ACCOUNTING POLICIES**

*BASIS OF CONSOLIDATION*

The consolidated financial statements incorporate those of The Fulham Shore PLC and all of its subsidiary undertakings for the period. Subsidiaries acquired are consolidated from the date that the Group has the power to control, exposure or rights to variable returns, and the ability to use its power over the returns and will continue to be consolidated until the date that such control ceases.

Although the legal form of the transaction during the period ended 29 June 2015 was an acquisition of Kefi Limited by The Fulham Shore PLC, the substance is the reverse of this. Accordingly the business combination has been prepared using reverse acquisition accounting.

The acquisition of other subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are expensed to the Statement of Comprehensive Income. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

*INTANGIBLE ASSETS*

*Goodwill*

Goodwill arising on the acquisition of an entity represents the excess of the cost of an acquisition over the Group's interest in the fair value attributed to the net assets at acquisition. Goodwill is not subject to amortisation but is tested for impairment at least annually. After initial recognition, goodwill is stated at cost less any accumulated impairment losses. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is allocated to an associated operating segment made up of a group of cash generating units for the purpose of impairment testing. Each of these groups of cash generating units represents the Group's investment in a subsidiary which is equivalent to an operating segment of the Group. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Trademarks and licenses*

The fair value of the intangible assets acquired through the reverse acquisition was determined using discounted cash flow models. The key assumptions for the valuation method are those regarding future cash flows, tax rates and discount rates. The cash flow projections were based on management forecasts for the subsequent four years period. The estimated useful lives range from 4 to 20 years on a straight-line basis.

*Brand*
The fair value of the brand intangible assets acquired through an acquisition of a subsidiary was determined using discounted royalty relief models. The key assumptions for the valuation method are those regarding future cash flows, tax rates and discount rates. The cash flow projections were based on management forecasts for the subsequent ten year period.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of brand from the beginning of the financial year that they are available for use. The estimated useful lives are 10 years on a straight-line basis.

*Computer Software*
Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives, being between 3 and 5 years. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and directly attributable overheads. Software integral to a related item of hardware equipment is accounted for as property, plant and equipment. Costs associated with maintaining computer software programmes are recognised as an expense when they are incurred.

*PROPERTY, PLANT AND EQUIPMENT*
Property, plant and equipment are stated at historical cost less depreciation and any recognised impairment loss. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is provided on property, plant and equipment at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

| | |
|---|---|
| Leasehold properties and improvements | over lease term or renewal term |
| Plant and equipment | 20% to 33% straight line |
| Furniture, fixtures and fittings | 10% to 20% straight line |

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate on an annual basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

*IMPAIRMENT OF ASSETS*
Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets which have separately identifiable cash flows, known as cash generating units, are grouped into their operating segment. If the recoverable amount of a group of cash generating units is less than the carrying amount of that group's assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the group of cash generating units and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset in the group. Impairment losses recognised for goodwill are not reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit, predominantly an individual restaurant for the purposes of property, plant and equipment, to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

*OTHER INVESTMENTS*

Other investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the relevant timeframe, and are initially measured at fair value, including transaction costs.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

*FINANCIAL INSTRUMENTS*

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

*INVENTORIES*

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

*TRADE AND OTHER RECEIVABLES*

Receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow, discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

*CASH AND CASH EQUIVALENTS*

Cash and cash equivalents comprise cash in hand and call deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

*TRADE AND OTHER PAYABLES*

Payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

*SHARE CAPITAL*

Share capital represents the nominal value of ordinary shares issued.

*SHARE PREMIUM*

Share premium represents the amounts subscribed for share capital in excess of nominal value less the related costs of share issue.

*MERGER RELIEF RESERVE*
In accordance with Companies Act 2006 S.612 'Merger Relief', the company issuing shares as consideration for a business combination, accounted at fair value, is obliged, once the necessary conditions are satisfied, to record the excess of the consideration received over the nominal value of the shares issued to the merger relief reserve.

*REVERSE ACQUISITION RESERVE*
Reverse accounting under IFRS 3 'Business Combinations' requires the difference between the equity of the legal parent and the issued equity instruments of the legal subsidiary pre-combination to be recognised as a separate component of equity.

*RETAINED EARNINGS*
Retained earnings represents the cumulative profit and loss net of distributions.

*FOREIGN CURRENCIES*
Assets and liabilities denominated in foreign currencies are translated into sterling, the presentational and functional currency of the Group, at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

*FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS*
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Interest bearing loans and overdrafts are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowing. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

*TAXATION*
Income tax expense represents the sum of the current tax payable and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may not be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit or the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also recognised directly in equity.

*LEASES*

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis or other systematic basis if representative of the time pattern of the user's benefit over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

*PROVISIONS*

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

*RETIREMENT BENEFITS*

The amount charged to the income statement in respect of pension costs is the contributions payable to money purchase schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

*REVENUE RECOGNITION*

Revenue represents the fair value of the consideration received or receivable, net of Value Added Tax, for goods sold and services provided to customers outside the Group after deducting discounts. Revenue is recognised when the significant risks and rewards of ownership are transferred.

*INTEREST INCOME*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

*SHARE BASED PAYMENTS*

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using a Black-Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

*DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE*
Non-current assets (disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and (a) represents a separate line of business or geographical area of operations; and (b) is a part of a single coordinated plan to dispose of a separate line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to sell.

Non-current assets held for sale and discontinued operations are carried at the lower of carrying amount or fair value less cost to sell. Any gain or loss from disposal, together with the results of these operations until the date of disposal, is reported separately as discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the Consolidated financial statements and related notes for all periods presented. Comparatives in the balance sheet are not re-presented when a non-current asset or disposal group is classified as held for sale. Comparatives are re-presented for presentation of discontinued operations in the Statement of cash flow and Statement of comprehensive income.

Adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period are classified separately in discontinued operations. Circumstances to which these adjustments may relate include resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnifications, resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the Company, or the settlement of employee benefit plan obligations provided that the settlement is directly related to the disposal transaction.

**ACCOUNTING PERIOD**
The consolidated group accounts have been prepared for the year to 25 March 2018 with the comparative year to 26 March 2017.

The Company accounts have been prepared for the same periods as the Group.

**ACCOUNTING ESTIMATES AND JUDGEMENTS**
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group’s accounting policies, described above, with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. These judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions. Although these judgements, estimates and associated assumptions are based on management’s best knowledge of current events and circumstances, the actual results may differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The judgements, estimates and assumptions which are of most significance to the Group are detailed below:

*Assessment of the recoverable amounts in respect of assets tested for impairment*
The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that amounts may be impaired. For property, plant and equipment and intangible assets, other than goodwill, the Group tests for impairment when there is an indication of impairment.

The impairment analysis for such assets is principally based upon discounted estimated future cash flows from the use and eventual disposal of the assets (see notes 7 and 8). Such an analysis includes an estimation of the future anticipated results and cash flows, annual growth rates, whether short term or long term, future capital expenditures and the appropriate discount rates (see notes 7 and 8 for key assumptions). Changes in the estimates which underpin the Group's forecasts and selection of appropriate discount rate could have an impact on the value in use of the cash generating units and group of cash generating units being tested.

*Valuation of share based payments*
The charge for share based payments is calculated in accordance with the methodology described in note 18. The model requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield, risk-free interest rates, expected time of exercise and employee attrition rates. Changes in such estimates may have a significant impact on the original fair value calculation at the date of grant and the employee attrition rate will impact the judgement relating to the number of share based incentives that would vest and therefore the share based payments charge.

*Deferred taxation*
The recognition of deferred taxation assets or liabilities are further described in note 16.

Recognition of deferred tax assets on tax losses, is based upon whether management judge that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits. The Group assesses the availability of future taxable profits using the same cash flow forecasts for the Group's operations as are used in the Group's value in use calculations for impairment testing purposes. Where tax losses are forecast to be recovered beyond the five year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

Changes in the estimates which underpin the Group's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered and whether the deferred tax assets should have been recognised.

Deferred taxation assets on share based payments are calculated based on the intrinsic value of the share based incentives at the year end, Company's share price, availability of tax deduction on exercise of the share based incentives and employee leave rates. Changes in the number of share based incentives that are expected to vest (as described above), availability of tax deduction and other assumptions will have an impact on the value of deferred taxation assets.

Deferred tax liabilities on capital allowances are calculated using estimates of the proportion of property, plant and equipment acquired during the year that qualifies for capital allowances and the appropriate rates of allowances and estimates of tax rates applicable in the future. Management make such estimates based on experience with similar historic property, plant and equipment acquired. Changes in the make-up of the building components in one of these assets may have an impact on capital allowances claimable and therefore the quantum of the deferred tax liabilities.

The Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits and availability of capital allowances.

*Finite lived intangible assets*
Intangible assets include amounts spent by the Group acquiring brands and the costs of purchasing and/or developing computer software.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the consolidated income statement. Useful lives are periodically reviewed to ensure that they remain appropriate.

*Property, plant and equipment*

Property, plant and equipment represents 48.7% (2017: 44.8%) of the Group's total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed periodically. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the consolidated income statement. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The useful life of equipment is assumed not to exceed the duration of restaurant property lease unless there is a reasonable expectation of renewal or ability for the equipment to be transferred for use in another restaurant.

*Accounting treatment of other investments*
Investments are recognised at fair value at the time of acquisition. Management judgement is used to determine whether the Group has significant influence or control over the investment which would give rise to different accounting methodology being applied as an associate or subsidiary.

**OPERATING SEGMENTS**
The Group considers itself to have two key operating segments, being the management and operation of The Real Greek restaurants and the management and operation of Franco Manca restaurants. The Group operates in only one geographical segment, being the United Kingdom.

**DEFINITIONS**

*OPERATING PROFIT*
Operating profit is defined as profit before taxation, finance income and finance costs.

*HEADLINE OPERATING PROFIT*
Headline operating profit is defined as operating profit before amortisation of brand, impairment of property, plant and equipment, impairment of goodwill and intangible assets, onerous lease costs, restructuring costs, costs of reverse acquisition, cost of acquisition, share based payments, loss on disposal of property, plant and equipment and pre-opening costs.

*HEADLINE PROFIT BEFORE TAXATION*
Headline profit before taxation is defined as profit/loss before taxation before amortisation of brand, impairment of property, plant and equipment, impairment of goodwill and intangible assets, onerous lease costs, restructuring costs, costs of reverse acquisition, costs of acquisition, share based payments, loss on disposal of property, plant and equipment and pre-opening costs.

*PRE-OPENING COSTS*
The restaurant pre-opening costs represent costs incurred up to the date of opening a new restaurant that are written off to the profit and loss account in the period in which they are incurred.

*EBITDA*
EBITDA is defined as operating profit before depreciation, amortisation and impairment.

*HEADLINE EBITDA*
Headline EBITDA is defined as EBITDA before onerous lease costs, restructuring costs, costs of reverse acquisition, cost of acquisition, share based payments, loss on disposal of property, plant and equipment and pre-opening costs.

*HEADLINE EPS*
Headline EPS is defined in note 6.

## 1 SEGMENT INFORMATION

For management purposes, the Group was organised into two operating divisions during the year ended 25 March 2018. These divisions, The Real Greek and Franco Manca, are the basis on which the Group reports its primary segment information as identified by the chief operating decision maker which is the Group's board of directors.

For the year ended 25 March 2018:

| | The Real Greek segment £'000 | Franco Manca segment £'000 | Other unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| External revenue | 18,139 | 36,556 | - | 54,695 |
| Headline EBITDA | 2,436 | 5,427 | (433) | 7,430 |
| Depreciation and amortisation | (931) | (2,751) | (32) | (3,714) |
| Headline operating profit | 1,505 | 2,676 | (465) | 3,716 |
| Pre-opening costs | (375) | (834) | - | (1,209) |
| Impairment property, plant and equipment | (214) | (653) | - | (897) |
| Operating profit | 718 | 78 | (654) | 142 |
| Finance income | - | 2 | - | 2 |
| Finance costs | - | - | (254) | (254) |
| Segment profit/(loss) before taxation | 718 | 80 | (908) | (110) |
| Income tax expense | | | (40) | (40) |
| Profit for the year from continuing operations | | | (948) | (150) |
| Assets | 11,585 | 52,757 | 896 | 65,238 |
| Liabilities | (3,969) | (10,208) | (13,429) | (27,606) |
| Net assets | 7,616 | 42,549 | (12,533) | 37,632 |
| Capital expenditure | 2,874 | 6,741 | 26 | 9,641 |

Head office and PLC costs, previously treated as an operating segment, are not related to the Group's two business segments and are therefore included in other unallocated and are not part of a business segment.

## 1 SEGMENT INFORMATION (continued)

For the year ended 26 March 2017:

| | The Real Greek segment £'000 | Franco Manca segment £'000 | Other unallocated £'000 | Total £'000 |
|---|---|---|---|---|
| External revenue | 13,675 | 26,766 | - | 40,441 |
| Headline EBITDA | 2,284 | 5,415 | (425) | 7,274 |
| Depreciation and amortisation | (649) | (1,707) | (19) | (2,375) |
| Headline operating profit | 1,635 | 3,708 | (444) | 4,899 |
| Pre-opening costs | (388) | (1,526) | - | (1,914) |
| Operating profit | 1,049 | 1,100 | (642) | 1,507 |
| Finance income | 1 | - | - | 1 |
| Finance costs | - | (1) | (134) | (135) |
| Segment profit/(loss) before taxation | 1,050 | 1,099 | (776) | 1,373 |
| Income tax expense | | | (164) | (164) |
| Profit for the year from continuing operations | | | (939) | 1,209 |
| Assets | 7,979 | 48,914 | 4,065 | 60,958 |
| Liabilities | (4,073) | (10,872) | (7,365) | (22,310) |
| Net assets | 3,906 | 38,042 | (3,300) | 38,648 |
| Capital expenditure | 2,185 | 10,716 | 246 | 13,147 |

The Group's two business segments primarily operate in one geographical area which is the United Kingdom.

## 2 OPERATING PROFIT

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Operating profit is stated after charging: | | |
| Staff costs (note 3) | 20,882 | 14,786 |
| Depreciation of property, plant and equipment | 3,684 | 2,432 |
| Amortisation of intangible assets | 851 | 837 |
| Operating lease rentals: | | |
| Land and buildings | 5,514 | 3,936 |
| Inventories – amounts charged as an expense | 10,489 | 8,196 |
| Auditor's remuneration: | | |
| - for statutory audit services | 83 | 75 |
| - for other assurance services | 20 | 7 |
| - for tax services | 33 | 27 |
| - for transactional services | - | 5 |
| Share based payments | 616 | 631 |
| Pre-opening costs | 1,209 | 1,914 |
| Exceptional costs –cost of acquisition | - | 26 |
| Exceptional costs – impairment of property, plant and equipment | 867 | - |
| Exceptional costs – loss on disposal | 61 | - |

## 3 EMPLOYEES

| | Year ended 25 March 2018 No. | Year ended 26 March 2017 No. |
|---|---|---|
| The average monthly number of persons (including Directors) employed by the Group during the year was: | | |
| Administration and management | 29 | 23 |
| Restaurants | 1,086 | 800 |
| | 1,115 | 823 |
| The average monthly number of persons (including Directors) employed by the Company during the year was: | | |
| Administration and management | 6 | 6 |
| | 6 | 6 |

## 3 EMPLOYEES (continued)

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Staff costs for above persons | | |
| Salaries and fees | 19,317 | 13,808 |
| Social security costs | 1,453 | 912 |
| Share based payments | 616 | 631 |
| Defined contribution pension costs | 112 | 73 |
| | 21,498 | 15,424 |

DIRECTORS' REMUNERATION

The remuneration of Directors, who are the key management personnel of the company, is set out in aggregate below. Further details of directors' emoluments can be found in the tables of directors' remuneration on pages 18 to 21.

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Salaries, fees and other short term employee benefits | 918 | 899 |
| Social security costs | 72 | 59 |
| Share based payments | 448 | 473 |
| Defined contribution pension costs | 3 | |
| | 1,441 | 1,431 |

NJ Donaldson exercised Nil share options in the year ended 25 March 2018 (2017: 1,115,972) realising a gain of £Nil (2017: £184,000).

Included above are fees paid to related parties for the provision of directors' services which are further described in note 22.

The Directors are the only employees of the Company. The Directors' remuneration above is the only staff costs for the Company.

## 4 FINANCE COSTS

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Interest expenses on bank loans and overdrafts | 254 | 135 |
| | 254 | 135 |

## 5 INCOME TAX EXPENSE

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Income tax expense on continuing operations | | |
| Based on the result for the year: | | |
| UK corporation tax at 19% (2017: 20%) | 432 | 463 |
| Adjustment in respect of prior periods | (65) | (302) |
| Total current taxation | 367 | 161 |
| Deferred taxation: | | |
| Origination and reversal of temporary timing differences | | |
| Current year | (109) | 3 |
| Prior year | (218) | - |
| Total deferred tax | (327) | 3 |
| Total tax expense on profit on continuing operations | 40 | 164 |
| The above is disclosed as | | |
| Income tax expense – current year | 258 | 164 |
| Income tax expense – prior year | (218) | - |
| | 40 | 164 |

## 5 INCOME TAX EXPENSE (continued)

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Income tax expense on discontinued operations | | |
| Deferred taxation: | (13) | 11 |
| Total tax expense on profit on discontinued operations | (13) | 11 |

Further information on the movement on deferred taxation is given in note 16.

| Factors affecting tax charge for year: | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| (Loss)/profit before taxation from continuing operations | (110) | 1,373 |
| Taxation at UK corporation tax rate of 19% (2017: 20%) | (21) | 275 |
| Expenses not deductible for tax purposes | 6 | 14 |
| Depreciation/impairment on non-qualifying fixed assets | 214 | 315 |
| Share based payments | 162 | (87) |
| Rate change on deferred tax liability | (38) | - |
| Adjustment to previously recognised deferred tax | (218) | (23) |
| Adjustment to tax charge in respect of previous periods | (65) | (303) |
| Total income tax expense in the income statement | 40 | 164 |

Factors that may affect deferred tax charges are disclosed in note 16 including a breakdown of the adjustment to previously recognised deferred tax.

Note 23 provides additional details with regards to current and deferred tax on discontinued operations.

## 6 EARNINGS PER SHARE

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| (Loss)/profit for the purposes of basic and diluted earnings per share: | (576) | 947 |
| Add back loss for the purposes of basic and diluted earnings per share (discontinued operations): | 415 | 240 |
| (Loss)/profit for the purposes of basic and diluted earnings per share (continuing operations): | (161) | 1,187 |
| Share based payments | 616 | 631 |
| Deferred tax on share based payments | 146 | (236) |
| Pre-opening costs | 1,209 | 1,915 |
| Amortisation of brand | 821 | 821 |
| Deferred tax on amortisation of brand | (137) | (137) |
| Exceptional costs – cost of acquisition | - | 26 |
| Exceptional costs – impairment of property, plant and equipment | 867 | - |
| Deferred tax on impairment of property, plant and equipment | (98) | - |
| Exceptional costs – loss on disposal | 61 | - |
| Headline profit for the year for the purposes of headline basic and diluted earnings per share: | 3,324 | 4,207 |

| | Year ended 25 March 2018 No. '000 | Year ended 26 March 2017 No. '000 |
|---|---|---|
| Weighted average number of ordinary shares in issue for the purposes of basic earnings per share | 571,385 | 570,371 |
| Effect of dilutive potential ordinary shares from share options | 24,495 | 30,855 |
| Weighted average number of ordinary shares in issue for the purposes of diluted earnings per share | 595,880 | 601,226 |

## 6 EARNINGS PER SHARE (continued)

Further details of the share options that could potentially dilute basic earnings per share in the future are provided in note 18.

| | Year ended 26 March 2017 | Year ended 26 March 2017 |
|---|---|---|
| Earnings per share: | | |
| Basic | | |
| From continuing operations | (0.0p) | 0.2p |
| From discontinued operations | (0.1p) | 0.0p |
| Total basic earnings per share | (0.1p) | 0.2p |
| Diluted | | |
| From continuing operations | (0.0p) | 0.2p |
| From discontinued operations | (0.1p) | 0.0p |
| Total basic earnings per share | (0.1p) | 0.2p |
| Headline Basic | 0.6p | 0.7p |
| Headline Diluted | 0.6p | 0.7p |

## 7 INTANGIBLE ASSETS

| Group | Trademarks, License and franchises £'000 | Software £'000 | Brand £'000 | Goodwill £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| 27 March 2016 | 1,739 | - | 8,211 | 19,632 | 29,582 |
| Additions | - | 76 | - | - | 76 |
| Reclassification | (1,681) | - | - | 1,073 | (608) |
| 26 March 2017 | 58 | 76 | 8,211 | 20,705 | 29,050 |
| Additions | - | 27 | - | - | 27 |
| 25 March 2018 | 58 | 103 | 8,211 | 20,705 | 29,077 |
| Accumulated amortisation | | | | | |
| 27 March 2016 | 626 | - | 821 | - | 1,447 |
| Charge in the year | 5 | 11 | 821 | - | 837 |
| Reclassification | (608) | - | - | - | (608) |
| 26 March 2017 | 23 | 11 | 1,642 | - | 1,676 |
| Charge in the year | 8 | 22 | 821 | - | 851 |
| 25 March 2018 | 31 | 33 | 2,463 | - | 2,527 |
| Net book value | | | | | |
| 25 March 2018 | 27 | 70 | 5,748 | 20,705 | 26,550 |
| 26 March 2017 | 35 | 65 | 6,569 | 20,705 | 27,374 |

The amortisation charges for trademarks, license and franchises for the year are recognised within administrative expenses.

As at 25 March 2018 brand intangible assets which relates to Franco Manca has a remaining amortisation period of 7 years (2017: 8 years).

Goodwill of £1,774,000 relates to the The Real Greek and is attributable to its group of cash generating units. This includes goodwill of £1,667,000 which was recognised on the reverse acquisition of The Fulham Shore PLC by Kefi Limited that has been reallocated in the year ended 26 March 2017 to The Real Greek cash generating unit as it related to the original acquisition of The Real Greek by the Company.

Goodwill of £18,931,000 relates to the acquisition of Franco Manca Holdings Limited ("Franco Manca Holdings"). The goodwill is attributable to the cash generating units held within Franco Manca 2 UK Limited. Included in this goodwill is £1,073,000 which was reclassified in the prior year from franchise intangible asset following the reacquisition of the rights when Franco Manca Holdings was acquired.

## 7 INTANGIBLE ASSETS (continued)

For the purposes of impairment testing, the Directors consider each of Franco Manca and The Real Greek, operating segments of the Group, as the lowest level within the Group at which the goodwill is monitored for internal management purposes. Each of these segments are made up of a group of separate restaurants which are cash generating units (CGUs) in their own right.

The recoverable amount for each segment and group of CGUs was determined using a value in use calculation based upon management forecasts for the trading results for that segment. Value in use calculations are based on:

- cash flow forecasts derived from the most recent approved financial budgets for the 2019 financial year for the sites open at the end of March 2018;
- extrapolated cash flow over twenty five years, an appropriate timeframe for branded restaurant businesses, using forecast growth rates based on past and current run-rates for the initial five years that then reduce to the industry growth rate of 2%;
- less estimated annual capital expenditure required to maintain the existing restaurants' look and feel in each segment based on historic refurbishment programmes and investments in IT systems;
- applied pre-tax discount rate to cash flow projections of 12.4% (2017: 14.3%) which is the rate believed by the Directors to reflect the risks associated with the group of CGUs using a WACC model with comparison to other available restaurant businesses. During the year, the Group's capital structure had a greater portion of debt, at a lower cost of capital, than the year ended 26 March 2017 leading to a reduced discount rate.

Other than as disclosed below, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any segment to materially exceed its recoverable amount. The estimated recoverable amount of The Real Greek and Franco Manca segments exceed their carrying values by £20,674,000 and £14,764,000 respectively. The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an impairment loss being recognised for the year ended 25 March 2018:

| | The Real Greek<br>% | Franco Manca<br>% |
|---|---|---|
| Reduction in long term growth rate | (4.7%) | (1.9%) |
| Increase in pre-tax discount rate | 30.2% | 4.2% |

## 8 PROPERTY, PLANT AND EQUIPMENT

| Group | Leasehold improvements £'000 | Plant and equipment £'000 | Furniture, fixtures and fittings £'000 | Assets under construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| 27 March 2016 | 14,835 | 2,097 | 818 | 1,543 | 19,293 |
| Additions | 9,020 | 2,111 | 768 | 1,248 | 13,147 |
| Reclassification | 1,452 | 24 | 5 | (1,481) | - |
| Disposals | (146) | (9) | - | - | (155) |
| 26 March 2017 | 25,161 | 4,223 | 1,591 | 1,310 | 32,285 |
| Additions | 6,908 | 1,694 | 660 | 379 | 9,641 |
| Reclassification | 1,168 | 51 | 189 | (1,408) | - |
| Reclassification as held for sale | (552) | (75) | (17) | - | (644) |
| Disposals | - | (6) | - | (61) | (67) |
| 25 March 2018 | 32,685 | 5,887 | 2,423 | 220 | 41,215 |
| Accumulated depreciation | | | | | |
| 27 March 2016 | 1,781 | 548 | 231 | - | 2,560 |
| Charge in the year | 1,587 | 649 | 196 | - | 2,432 |
| Disposals | (12) | (1) | - | - | (13) |
| 26 March 2017 | 3,356 | 1,196 | 427 | - | 4,979 |
| Charge in the year | 2,339 | 1,052 | 334 | - | 3,725 |
| Reclassification as held for sale | (264) | (41) | (10) | | (315) |
| Impairment | 949 | 83 | 30 | - | 1,062 |
| Disposals | - | (4) | - | - | (4) |
| 25 March 2018 | 6,380 | 2,286 | 781 | - | 9,447 |
| Net book value | | | | | |
| 25 March 2018 | 26,305 | 3,601 | 1,642 | 220 | 31,768 |
| 26 March 2017 | 21,805 | 3,027 | 1,164 | 1,310 | 27,306 |

During the year, the Group impaired the short term leasehold improvements in relation to the property at D'Arblay Street, Soho, London which was sold after the year end (see Note 23) and a further two properties trading as Franco Manca and one property trading as The Real Greek which are trading financially below management expectation.

## 8 PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment review of property, plant and equipment is reviewed when there is indication of impairment. For the purposes of impairment testing of property, plant and equipment, the Directors consider each restaurant unit as a separate cash generating units (CGUs). The recoverable amount for each CGU was determined using a value in use calculation based upon management forecasts for the trading results for those restaurants. Value in use calculations are based on:

- cash flow forecasts derived from the most recent approved financial budgets for the 2019 financial year for the sites open at the end of March 2018;
- extrapolated cash flow over the remaining unexpired length of the lease years using forecast growth rates based on run rate expectations for the initial five years that then reduce to the industry growth rate of 2%;
- less estimated annual capital expenditure required to maintain the existing restaurants' look and feel in each segment based on historic refurbishment programmes;
- applied pre-tax discount rate to cash flow projections of 12.4% (2017: 14.3%) which is the rate believed by the Directors to reflect the risks associated with the CGU using a WACC model with comparison to other available restaurant businesses.

The Group has also conducted a sensitivity analysis on the impairment test of the CGU carrying value including reducing sales level by reducing long term growth rate by 1 % and there is no reasonably expected change that would give rise to an impairment charge.

The following impairment charges have been recognised in the Statement of Comprehensive Income as exceptional costs – impairment of property, plant and equipment.

| | 25 March 2018 £'000 | 25 March 2018 £'000 |
|---|---|---|
| | Impairment charge | Recoverable amount |
| For continuing operations | | |
| Franco Manca Brighton Marina | 505 | - |
| Franco Manca restaurant 1 | 148 | 437 |
| Total for Franco Manca operating segment | 653 | 437 |
| The Real Greek restaurant 1 | 214 | 299 |
| Total for The Real Greek operating segment | 214 | 299 |
| Total for the Group | 867 | 736 |
| For discontinued operations | | |
| Bukowski Soho | 195 | - |

The recoverable amount for Bukowski Soho has been reclassified to Asset held for sale (see note 23).

## 8 PROPERTY, PLANT AND EQUIPMENT (continued)

| Parent Company | Leasehold improvements £'000 | Plant and equipment £'000 | Furniture, fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|---|
| Cost | | | | |
| 27 March 2016 | 3 | 29 | 10 | 42 |
| Additions | 202 | 19 | 15 | 236 |
| 26 March 2017 | 205 | 48 | 25 | 278 |
| Additions | - | 7 | - | 7 |
| 25 March 2018 | 205 | 55 | 25 | 285 |
| Accumulated depreciation | | | | |
| 27 March 2016 | 3 | 25 | 3 | 31 |
| Charge in the year | 13 | 5 | 2 | 20 |
| 26 March 2017 | 16 | 30 | 5 | 51 |
| Charge in the year | 21 | 8 | 2 | 31 |
| 25 March 2018 | 37 | 38 | 7 | 82 |
| Net book value | | | | |
| 25 March 2018 | 168 | 17 | 18 | 203 |
| 26 March 2017 | 189 | 18 | 20 | 227 |

All depreciation charges have been recognised in administrative expenses in the income statement.

All non-current assets are located in the United Kingdom.

## 9 INVESTMENTS

| | 25 March 2018 £'000 | 26 March 2017 £'000 |
|---|---|---|
| Group | | |
| Unlisted shares at cost | 201 | - |
| Loans | 80 | - |
| Carrying amount and cost | 281 | - |

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, including transaction costs and subsequently measured.

During the year the Group made an investment in Made of Dough Limited subscribing for 25% of the equity. Although the investment is for more than 20% of the investee and includes one board representation, the structure of the investee board, the shareholder agreement and the start up nature of the business operations has led the Group to conclude that the Group does not have significant influence over its operations and therefore not an associate.

Other investments classified as loans and receivables are stated at amortised cost using the effective interest method, less any impairment.

| | 25 March 2018 £'000 | 26 March 2017 £'000 |
|---|---|---|
| Parent Company | | |
| Cost and net book value | | |
| Opening position | 43,011 | 42,579 |
| Investment in subsidiaries | 428 | 432 |
| Closing position | 43,439 | 43,011 |

## 9 INVESTMENTS (continued)

As at 25 March 2018, the Company had the following subsidiary undertakings which are all registered at 1st Floor, 50-51 Berwick Street, London W1F 8SJ:

| Name of subsidiary | Class of Holding | Proportion of shares held, ownership interest and voting power | Nature of business |
|---|---|---|---|
| *Incorporated in England and Wales* | | | |
| FM98 LTD Limited* | Ordinary | 99% | Operation of restaurants |
| 10DAS Limited | Ordinary | 100% | Operation of restaurants |
| Café Pitfield Limited | Ordinary | 100% | Dormant |
| Kefi Limited | Ordinary | 99% | Dormant |
| The Real Greek Food Company Limited* | Ordinary | 99% | Operation of restaurants |
| The Real Greek Wine Company Limited* | Ordinary | 99% | Dormant |
| Souvlaki & Bar Limited* | Ordinary | 99% | Dormant |
| CHG Brands Limited* | Ordinary | 99% | Dormant |
| The Real Greek International Limited* | Ordinary | 99% | Dormant |
| Franco Manca Holdings Limited | Ordinary | 99% | Dormant |
| Franco Manca 2 UK Limited* | Ordinary | 99% | Operation of restaurants |
| FM6 Limited* | Ordinary | 99% | Restaurant property |
| FM111 Limited* | Ordinary | 99% | Restaurant property |
| Franco Manca International Limited* | Ordinary | 99% | Dormant |

* Held by subsidiary undertaking

## 10 INVENTORIES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Raw materials and consumables | 1,490 | 1,052 | - | - |

Inventories are charged to cost of sales in the consolidated comprehensive statement of income.

## 11 TRADE AND OTHER RECEIVABLES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Included within non-current assets: | | | | |
| Amounts receivable from subsidiaries | - | - | 11,724 | 7,974 |
| Other receivables | 943 | 947 | - | - |
| | 943 | 947 | 11,724 | 7,974 |
| Included within current assets: | | | | |
| Trade receivables | 1,095 | 847 | 3 | 53 |
| Other receivables | 319 | 179 | - | - |
| Other taxation and social security costs | - | - | - | 11 |
| Prepayments and accrued income | 1,911 | 1,576 | 132 | 120 |
| | 3,325 | 2,602 | 135 | 184 |
| | 4,268 | 3,549 | 11,859 | 8,158 |

Other receivables due after more than one year relate to rent deposits.

Receivables are denominated in sterling.

The Group and Company hold no collateral against these receivables at the balance sheet date. The Directors consider that the carrying amount of receivables are recoverable in full and approximates to their fair value.

## 12 CASH AND CASH EQUIVALENTS

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Cash at bank and in hand | 359 | 271 | 7 | - |
| Cash and cash equivalents as presented in the balance sheet | 359 | 271 | 7 | - |
| Bank overdraft | - | (180) | - | (12) |
| | 359 | 91 | 7 | (12) |

Bank balances comprise cash held by the company on a short term basis with maturity of three months or less. The carrying amount of these assets approximates to their fair value.

## 13 TRADE AND OTHER PAYABLES

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Included in current liabilities: | | | | |
| Trade payables | 5,622 | 7,375 | 113 | 266 |
| Other taxation and social security payable | 1,350 | 1,012 | 117 | 30 |
| Other payables | 208 | 95 | 29 | 28 |
| Accruals | 4,206 | 3,788 | 629 | 687 |
| Deferred income | 135 | 1,062 | - | - |
| | 11,521 | 13,332 | 888 | 1,011 |
| Included in non-current liabilities: | | | | |
| Deferred income | 1,470 | - | - | - |
| | 1,470 | - | - | - |

Trade payables were all denominated in sterling and comprise amounts outstanding for trade purchases and ongoing costs and are non-interest bearing.

The Directors consider that the carrying amount of trade payables approximate to their fair value.

Deferred income relates to lease incentives received by the Group on restaurant leases acquired. For the year ended 26 March 2017, included in current liabilities is £915,000 relating to non-current liabilities.

## 14 BORROWINGS

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Short term borrowings: | | | | |
| Bank overdraft | - | 180 | - | 12 |
| Long term borrowings: | | | | |
| Bank loans | 12,350 | 6,000 | 12,350 | 6,000 |
| Amounts owed to subsidiary undertakings | - | - | 975 | 2,190 |
| | 12,350 | 6,000 | 13,325 | 8,190 |
| | 12,350 | 6,180 | 13,325 | 8,202 |

As at 25 March 2018, the Group's committed Sterling borrowing facilities comprises a revolving credit facility of £14,250,000 (2017: £6,000,000) expiring between two and five years and a bank overdraft facility from HSBC Bank PLC which is secured by a mortgage debenture in favour of HSBC Bank PLC representing fixed or floating charges over all assets of the Group. The interest rate applicable on this bank loan is 2.50% above LIBOR.

The bank overdraft is repayable on demand with interest being charged at 2.5% over base rate and is secured by a debenture giving fixed and floating charges over all assets of the Group.

Amounts owed to subsidiary undertakings are amounts borrowed from The Real Greek Food Company Limited, a subsidiary of the Company and are repayable on 26 March 2020. The interest rate applicable on the amounts owed to subsidiary undertakings is 3.5%.

## 15 FINANCIAL INSTRUMENTS

The Group is exposed to the risks that arise from its use of financial instruments. The Group's finance function provides a centralised service to all Group businesses for funding, foreign exchange and interest rates management. Derivative instruments may be transacted solely for risk management purposes. The management consider that the key financial risk factors of the business are liquidity risks, market risk, foreign exchange risk and credit risk.

This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them.

**Financial Assets and Liabilities**

The Group and Company had the following financial assets and liabilities:

| | | Group | | Parent company |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| *Non-current financial assets* | | | | |
| Other investments | 281 | - | - | - |
| Amounts owed by subsidiary undertakings | - | - | 11,724 | 7,974 |
| Other receivables | 943 | 947 | - | - |
| *Current financial assets* | | | | |
| Cash at bank and in hand | 359 | 271 | 7 | - |
| Trade and other receivables* | 1,414 | 1,026 | 3 | 53 |
| | 2,997 | 2,244 | 11,734 | 8,027 |
| *Current financial liabilities* | | | | |
| At amortised cost – borrowings | - | 180 | - | 12 |
| At amortised cost – payables** | 10,036 | 11,258 | 771 | 981 |
| *Non-current financial liabilities* | | | | |
| At amortised cost – borrowings | 12,350 | 6,000 | 12,350 | 6,000 |
| At amortised cost – payables | - | - | 975 | 2,190 |
| | 22,386 | 17,438 | 14,096 | 9,183 |

* excludes other taxation and social security receivable and prepayments included in trade and other receivables in note 11.
** excludes other taxation and social security and deferred income included in trade and other payables in note 13.

## 15 FINANCIAL INSTRUMENTS (continued)

The maturity analysis table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

For the year ended 25 March 2018

| | Less than 1 year £'000 | Between 1 and 5 years £'000 | More than 5 years £'000 | Total £'000 |
|---|---|---|---|---|
| Other investments | - | 80 | 201 | 281 |
| Cash at bank and in hand | 359 | - | - | 359 |
| Trade and other receivables | 1,414 | 43 | 900 | 2,357 |
| Bank loans and overdrafts | - | (12,350) | - | (12,350) |
| Trade and other payables | (10,036) | - | - | (10,036) |
| | (8,263) | (12,224) | 1,101 | (19,389) |

For the year ended 26 March 2017

| | Less than 1 year £'000 | Between 1 and 5 years £'000 | More than 5 years £'000 | Total £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 271 | - | - | 271 |
| Trade and other receivables | 1,026 | 47 | 900 | 1,973 |
| Bank loans | (180) | (6,000) | - | (6,180) |
| Trade and other payables | (11,258) | - | - | (11,258) |
| | (10,108) | (5,953) | 900 | (15,194) |

The financial instruments recognised on the balance sheets and shown above are all loans and receivables and financial liabilities at amortised cost.

## 15 FINANCIAL INSTRUMENTS (continued)

The maturity analysis table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

For the year ended 25 March 2018

| | Less than 1 year £'000 | Between 1 and 5 years £'000 | Total £'000 |
|---|---|---|---|
| Trade and other receivables | 3 | 11,724 | 11,727 |
| Bank loans and overdrafts | - | (12,350) | (12,350) |
| Trade and other payables | (771) | (975) | (1,746) |
| | (768) | (1,601) | (2,369) |

For the year ended 26 March 2017

| | Less than 1 year £'000 | Between 1 and 5 years £'000 | Total £'000 |
|---|---|---|---|
| Trade and other receivables | 53 | 7,974 | 8,027 |
| Bank loans and overdrafts | (12) | (6,000) | (6,012) |
| Trade and other payables | (983) | (2,190) | (3,173) |
| | (942) | (216) | (1,158) |

The financial instruments recognised on the balance sheets and shown above are all loans and receivables and financial liabilities at amortised cost.

Liquidity Risks

The Group and Company had a committed long term revolving credit facility of £14,250,000 (2017: £6,000,000) and short term bank overdraft facilities available to manage its liquidity as at 25 March 2018 of £750,000 (2017: £500,000). Both facilities were extended following the year end as described in Note 23.

## 15 FINANCIAL INSTRUMENTS (continued)

*Market Risks*
The Group's market risk exposure arises mainly from its floating interest rate interest bearing borrowings. Only the following financial assets and liabilities were interest bearing:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| *Floating rate* | | | | |
| Other investments | 80 | - | - | - |
| Cash at bank and in hand | 359 | 271 | - | - |
| Bank overdraft | - | (180) | - | (12) |
| Bank loans | (12,350) | (6,000) | (12,350) | (6,000) |
| | (11,911) | (5,909) | (12,350) | (6,012) |

Trade and other receivables and trade and other payables are all non-interest bearing.

Weighted average interest rates paid for bank loans during the year ended 25 March 2018 were 1.9% and year ended 26 March 2017 were 1.9% and the weighted average interest rates paid for bank overdrafts during the year ended 25 March 2018 were 2.5% and year ended 26 March 2017 were 2.5%.

The Group has derived a sensitivity analysis based on a 0.5% variance in LIBOR element of floating interest rates. The annualised impact of an increase in LIBOR by 0.5% applied to the balance of floating rate bank loans at the year end would be £61,750 (2017: £30,000).

*Foreign Exchange Risks*
During the years ended 25 March 2018 and 26 March 2017, the Group did not receive or pay significant amounts denominated in foreign currencies. As purchasing from foreign franchised territories that is not denominated or agreed in Sterling increase to a significant level, the Group will implement a foreign exchange management policy.

*Credit Risks*
The Group's exposure to credit risk arises mainly from as follows:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Other investments | 80 | - | - | - |
| Cash at bank and in hand | 359 | 271 | - | - |
| Trade receivables and other receivables | 1,414 | 1,026 | 11,734 | 8,027 |
| | 1,853 | 1,297 | 11,734 | 8,027 |

The carrying amounts of the above assets are considered to be recoverable in full and approximate to their fair value. They are neither past due nor impaired:

## 15 FINANCIAL INSTRUMENTS (continued)

The majority of the Group's cash balances have been held in current accounts at HSBC Bank PLC during the years ended 25 March 2018 and 26 March 2017 and did not earn any significant interest.

The majority of the Group's trade receivables are due for maturity within 7 days and largely comprise amounts receivable from credit and debit card clearing houses.

Fair Values of Financial Assets and Financial Liabilities
The fair value amounts of the Group's financial assets and liabilities as at 25 March 2018 and 26 March 2017 did not materially vary from the carrying value amounts.

## 16 DEFERRED TAXATION

Analysis of movements in net deferred tax balance during the period:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Opening position | (859) | (1,163) | 1,238 | 825 |
| Adjustment in relation to prior year cumulative deferred tax on share based payments error | (484) | - | (498) | - |
| Tax on share based payments | (583) | - | (484) | - |
| Transfer from/(to) reserves | (1,067) | 307 | (992) | 258 |
| Adjustment in relation to brought forward deferred tax errors* | 218 | - | - | - |
| Movement in accelerated capital Allowances - continuing | 17 | (476) | - | - |
| - discontinued | 13 | (11) | - | - |
| Tax on share based payments | (45) | 212 | (50) | 155 |
| Tax on intangible assets | 137 | 271 | - | - |
| Transfer from/(to) profit and loss | 340 | (3) | (50) | 155 |
| Net deferred tax (liability)/asset | (1,586) | (859) | 196 | 1,238 |

During the year ended 25 March 2018, the Group transferred £1,067,000 deferred tax charge to reserves (2017: £307,000 credit to reserves) in relation to deferred tax on share based payments which included £484,000 error relating to the year ended 26 March 2017 and before. The remaining £583,000 deferred tax charge to reserves is a result of the change in share price during the financial year.

* Included above is an adjustment for brought forward deferred taxation which has been credited to the Statement of Comprehensive Income as follows:

- £211,000 reduction in deferred tax liability on capital allowances in relation to capital allowances incorrectly estimated on assets treated as revenue items for tax purposes in the year ended 27 March 2016 and before;

## 16 DEFERRED TAXATION (continued)

- o £108,000 reduction in deferred tax liability from a reduction of tax rate to 17%, being the substantially enacted tax rate for future periods rather than 19% and 20% rates previously applying in the previous years; and
- o £101,000 reduction in deferred tax asset on share based payments relating to a correction to the methodology used to calculate deferred tax assets.

The Directors believe that these adjustments are not material to the comparative year's results.

The Group's deferred taxation liability disclosed above relates to the following:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Deferred tax assets | | | | |
| Share options | 193 | 1,406 | 185 | 1,238 |
| Deferred taxation assets | 193 | 1,406 | 185 | 1,238 |
| Deferred tax liabilities | | | | |
| Accelerated capital allowances | 829 | 1,178 | - | - |
| Intangible assets | 950 | 1,087 | - | - |
| Deferred taxation liabilities | 1,779 | 2,265 | - | - |

The Company has losses of £283,000 (2017: £283,000) which, subject to agreement with HM Revenue & Customs, are available to offset against the Company's future profits. A deferred taxation asset in respect of these losses of £51,000 (2017: £57,000) has not been recognised in the financial statements. Although the directors are confident that the Company will achieve future profitability in line with current expectations, the timing of such profits is uncertain and therefore the directors have not recognised the entire deferred tax asset. The Directors have recognised deferred tax assets in relation to the share based payment charge recognised in the year as such deferred tax asset may be used against future group tax relief.

## 17 SHARE CAPITAL

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Allotted, issued called up and fully paid: 571,385,237 (2017: 571,385,237) ordinary shares of 1p each | 5,714 | 5,714 | 5,714 | 5,714 |

The Company has one class of ordinary share which carries no rights to fixed income.

## 18 SHARE BASED PAYMENTS

The Group currently uses a number of equity settled share plans to incentivise to its Directors and employees.

The Group operates four share plans:

- The Fulham Shore Enterprise Management Incentive ("EMI") Share Option Plan;
- The Fulham Shore Unapproved Share Option Plan ("Unapproved Plan");
- The Fulham Shore Company Share Option Plan ("CSOP"); and
- The Fulham Shore Share Incentive Plan ("SIP")

The Group's Share Plans provide for a grant price equal to the market price of the Company shares on the date of grant. The vesting period on all Share Plans except the SIP is 3 years with an expiration date 7 to 10 years from the date of grant. Furthermore, share options are forfeited if the employee leaves the Group before the options vest unless forfeiture is waived at the discretion of the Remuneration Committee. For the SIP, the vesting period ranges from 1 day to 3 years with an expiration date 10 years from the date of grant. For the initial grant under the SIP, the shares are not forfeited if the employee leaves the Group before vesting. On all schemes, there are no other material vesting conditions.

The charge recorded in the financial statements of the Group in respect of share-based payments is £616,000 (2017: £631,000).

**The Fulham Shore EMI, Unapproved Plan and CSOP**

Outstanding share options under The Fulham Shore EMI, The Fulham Shore Unapproved Share Option Plan and The Fulham Shore CSOP to acquire ordinary shares of 1 pence each as at 25 March 2018 are as follows:

| | Year ended 25 March 2018 | Year ended 26 March 2017 |
|---|---|---|
| | '000 | '000 |
| At the beginning of the year | 60,608 | 55,625 |
| Granted during the year | 2,950 | 7,200 |
| Exercised during the year | - | (1,116) |
| Lapsed during the year | (925) | (1,101) |
| At the end of the year | 62,633 | 60,608 |

## 18 SHARE BASED PAYMENTS (continued)

Weighted average exercise price

| | Year ended 25 March 2018 £ | Year ended 26 March 2017 £ |
|---|---|---|
| At the beginning of the year | 0.09 | 0.08 |
| Granted during the year | 0.18 | 0.18 |
| Exercised during the year | - | (0.02) |
| Lapsed during the year | (0.18) | (0.11) |
| At the end of the year | 0.10 | 0.09 |

Outstanding and exercisable share options to acquire ordinary shares of 1 pence each as at 25 March 2018 under various Group share plans are as follows:

For the year ended 25 March 2018

| Range of exercise prices | Options outstanding | | | Options exercisable | | |
|---|---|---|---|---|---|---|
| | Number of shares '000 | Weighted average exercise price £ | Weighted average remaining contractual life months | Number of shares '000 | Weighted average exercise price £ | Weighted average remaining contractual life months |
| EMI | | | | | | |
| £0.02 | 2,232 | 0.0200 | 23 | 2,232 | 0.0200 | 23 |
| £0.05 | 2,779 | 0.0500 | 35 | 2,779 | 0.0500 | 35 |
| £0.06 | 9,440 | 0.0600 | 43 | 9,440 | 0.0600 | 43 |
| | 14,451 | 0.0519 | 38 | 5,011 | 0.0519 | 38 |
| Unapproved | | | | | | |
| £0.05 | 554 | 0.0500 | 35 | 554 | 0.0500 | 35 |
| £0.06 | 13,805 | 0.0600 | 43 | 13,805 | 0.0600 | 43 |
| £0.11 | 24,673 | 0.1100 | 49 | - | - | - |
| £0.17625 | 1,285 | 0.1763 | 111 | | | |
| £0.1775 | 162 | 0.1775 | 107 | - | - | - |
| £0.1825 | 2,064 | 0.1825 | 99 | - | - | - |
| | 42,543 | 0.0988 | 50 | 14,359 | 0.0596 | 35 |
| CSOP | | | | | | |
| £0.17625 | 1,465 | 0.1763 | 111 | | | |
| £0.1775 | 738 | 0.1775 | 107 | - | - | - |
| £0.1825 | 3,436 | 0.1825 | 99 | - | - | - |
| | 5,639 | 0.1802 | 103 | - | - | - |

## 18 SHARE BASED PAYMENTS (continued)

For the year ended 26 March 2017

| | Options outstanding | Options exercisable |
|---|---|---|

| Range of exercise prices | Number of shares '000 | Weighted average exercise price £ | Weighted average remaining contractual life months | Number of shares '000 | Weighted average exercise price £ | Weighted average remaining contractual life months |
|---|---|---|---|---|---|---|
| EMI | | | | | | |
| £0.02 | 2,232 | 0.0200 | 35 | 2,232 | 0.0200 | 35 |
| £0.05 | 2,779 | 0.0500 | 47 | 2,779 | 0.0500 | 47 |
| £0.06 | 9,440 | 0.0600 | 55 | - | - | - |
| | 14,451 | 0.0519 | 50 | 5,011 | 0.0366 | 42 |
| Unapproved | | | | | | |
| £0.05 | 554 | 0.0500 | 47 | 554 | 0.0500 | 47 |
| £0.06 | 13,805 | 0.0600 | 55 | - | - | - |
| £0.11 | 24,673 | 0.1100 | 61 | - | - | - |
| £0.1775 | 293 | 0.1775 | 119 | - | - | - |
| £0.1825 | 2,114 | 0.1825 | 111 | - | - | - |
| | 41,439 | 0.0967 | 62 | 554 | 0.0500 | 47 |
| CSOP | | | | | | |
| £0.1775 | 907 | 0.1775 | 119 | - | - | - |
| £0.1825 | 3,811 | 0.1825 | 111 | - | - | - |
| | 4,718 | 0.1815 | 113 | - | - | - |

During the year ended 25 March 2018, the market price of ordinary shares in the Company ranged from £0.0900 (2017: £0.1525) to £0.2238 (2017: £0.2235). The share price as at 25 March 2018 was £0.0935 (2017: £0.1788).

The fair value of the options is estimated at the date of grant using a Black-Scholes valuation model.

Expected life of options used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 18 SHARE BASED PAYMENTS (continued)

Expected volatility was determined by calculating the historical 90 days volatility of the Group's share price over the previous 180 days. The inputs to the Black Scholes model were as follows:

| | Year ended 25 March 2018 | Year ended 26 March 2017 |
|---|---|---|
| Weighted average expected life | 3 years | 3 years |
| Weighted average exercise price | 17.625 pence | 17.75 to 18.25 pence |
| Risk free rate | 0.50% | 0.50% |
| Expected volatility | 34.1% | 32.1% to 40.0% |

**The Fulham Shore SIP**

The Fulham Shore SIP was introduced during the year ended 27 March 2015. Outstanding ordinary shares of 1 pence each granted under The Fulham Shore SIP as at 25 March 2018 are as follows:

| | Year ended 25 March 2018 '000 | Year ended 26 March 2017 '000 |
|---|---|---|
| At the beginning and end of the year | 591 | 591 |

For the year ended 25 March 2018

| Range of exercise prices | SIP shares outstanding Number of shares '000 | SIP shares outstanding Weighted average exercise price £ | SIP shares outstanding Weighted average remaining contractual life months | SIP shares exercisable Number of shares '000 | SIP shares exercisable Weighted average exercise price £ | SIP shares exercisable Weighted average remaining contractual life months |
|---|---|---|---|---|---|---|
| Nil | 591 | - | 85 | 591 | - | 85 |
| | 591 | - | 85 | 591 | - | 85 |

## 18 SHARE BASED PAYMENTS (continued)

For the year ended 26 March 2017

| Range of exercise prices | SIP shares outstanding | | | SIP shares exercisable | | |
|---|---|---|---|---|---|---|
| | Number of shares ‘000 | Weighted average exercise price £ | Weighted average remaining contractual life months | Number of shares ‘000 | Weighted average exercise price £ | Weighted average remaining contractual life months |
| Nil | 591 | - | 97 | 591 | - | 97 |
| | 591 | - | 97 | 591 | - | 97 |

The fair value of the SIP shares is estimated at the date of grant using a Black-Scholes valuation model.

**Warrants**

Outstanding share warrants in the Company to acquire ordinary shares of 1 pence each as at 25 March 2018 are as follows:

| | 25 March 2018 ’000 | 26 March 2017 ’000 |
|---|---|---|
| At the beginning of the year | - | 1,116 |
| Exercised during the year | - | (1,116) |
| At the end of the year | - | - |

## 19 NOTE TO CASH FLOWS STATEMENTS

Reconciliation of net cash flows from operating activities

| | Group | | Parent | |
|---|---|---|---|---|
| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
| (Loss)/profit from continuing operations | (150) | 1,209 | (1,566) | (436) |
| Loss from discontinued operations | (415) | (240) | - | - |
| (Loss)/profit for the year | (565) | 969 | (1,566) | (436) |
| Income tax expense | 27 | 175 | 61 | (147) |
| (Loss)/profit before tax | (538) | 1,144 | (1,505) | (583) |
| Finance income | (2) | (1) | (465) | (261) |
| Finance costs | 254 | 135 | 312 | 209 |
| Operating profit for the year | (286) | 1,278 | (1,658) | (635) |
| Adjustments | | | | |
| Depreciation and amortisation | 4,575 | 3,269 | 31 | 20 |
| Impairment | 1,062 | - | 1,004 | - |
| Loss on disposal of fixed assets | 63 | 2 | - | - |
| Share based payments expense | 616 | 631 | 188 | 199 |
| Cost of acquisition | - | 26 | - | - |
| Operating cash flows before movements in working capital | 6,030 | 5,206 | (435) | (416) |
| Increase in inventories | (438) | (365) | - | - |
| (Increase)/decrease in trade and other receivables | (719) | (1,166) | 49 | 19 |
| Increase in trade and other payables | 63 | 6,866 | (123) | 188 |
| Cash generated from/(used in) operations | 4,936 | 10,541 | (509) | (209) |
| Income taxes paid | (414) | (268) | - | - |
| Net cash flow from operating activities | 4,522 | 10,273 | (509) | (209) |

## 19 NOTE TO CASH FLOWS STATEMENTS (continued)

| | Group | | Parent | |
|---|---|---|---|---|
| | Year ended 25 March 2018 | Year ended 26 March 2017 | Year ended 25 March 2018 | Year ended 26 March 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash flow from acquisition of subsidiaries | | | | |
| Consideration paid on acquisition | - | (350) | - | - |
| Cost of acquisition of subsidiary | - | (26) | - | - |
| Net cash flow from acquisition of subsidiaries | - | (376) | - | - |

## 20 COMMITMENTS UNDER OPERATING LEASES

The Group had aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 | 26 March 2017 | 25 March 2018 | 26 March 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Land and buildings | | | | |
| within one year | 6,043 | 4,685 | 136 | 136 |
| in two to five years | 22,652 | 17,779 | 261 | 397 |
| after five years | 48,711 | 41,478 | - | - |
| | 77,406 | 63,942 | 397 | 533 |
| Others | | | | |
| within one year | 21 | 21 | - | - |
| | 21 | 21 | - | - |
| | 77,427 | 63,963 | 397 | 533 |

Included above are certain annual lease commitments relating to a subsidiary company that have been guaranteed by the parent company.

Operating lease payments for land and buildings represent rent payable by the Group for a restaurant property. Leases either negotiated as a new lease or acquired through lease assignment have an average term of 20 years and rentals are fixed for an average of 5 years.

## 21 CAPITAL COMMITMENTS

The Group capital expenditure contracted for but not provided in the financial statements as follows:

| | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Committed new restaurant builds | - | 3,692 | - | - |

## 22 RELATED PARTY DISCLOSURES

*Remuneration of key management personnel*
The remuneration of the directors, who are the key management personnel of the Group is provided in the Report on Directors Remuneration on pages 18 to 21, and in note 3. Details of share options granted to Directors are also shown in the Report on Directors Remuneration.

*Other related party transactions*
During the year, the Group provided restaurant management or operation services to the following companies in which DM Page and NAG Mankarious are directors and shareholders:

| Amounts invoiced (including VAT) | Group | | Parent company | |
|---|---|---|---|---|
| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
| Bukowski Limited | - | (3) | - | - |
| Wild Food Ideas Limited | 4 | 12 | - | - |
| | 4 | 9 | - | - |

| Amounts outstanding at year end | Group | | Parent company | |
|---|---|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 | 25 March 2018 £'000 | 26 March 2017 £'000 |
| Bukowski Limited | - | 1 | - | - |
| Wild Food Ideas Limited | - | 1 | - | - |
| | - | 2 | - | - |

## 22 RELATED PARTY DISCLOSURES (continued)

During the year, the Group was invoiced £83,000 (2017: £98,000) for the services of NJ Donaldson by London Bridge Capital Partners LLP, a company in which NJ Donaldson is a director, and the balance outstanding at 25 March 2018 was £33,000 (2017: £33,000).

During the year, the Group was invoiced £146,000 (2017: £161,000) for franchise fees and products by Bukowski Limited, a company in which NAG Mankarious is a director and DM Page and NAG Mankarious are shareholders. The balance outstanding at 25 March 2018 was £19,000 (2017: £21,000). The Group also acquired equipment of £18,000 (2017: £Nil) from Bukowski Limited and the balance owed by the Group outstanding at 25 March 2018 was £18,000 (2017: £Nil)

During the year, the Group was invoiced £936,000 (2016: £643,000) for restaurant management services by Room 307 Limited, a company in which NAG Mankarious and NCW Wong are directors and DM Page, NAG Mankarious and NCW Wong are shareholders. The balance outstanding at 25 March 2018 was £266,000 (2017: £299,000).

During the year, the Group was invoiced £171,000 (2017: £128,000) for information technology services by Restaurants IT Limited, a company in which NCW Wong is a director and DM Page, NAG Mankarious and NCW Wong are shareholders. The balance outstanding at 25 March 2018 was £61,000 (2017: £63,000).

During the year, the Group invoiced £86,000 (2017: £Nil) in rent relating to a property leased to Fixed Restaurants Limited, a company in which DM Page, NAG Mankarious, NJ Donaldson and NCW Wong are directors and indirect shareholders. The balance outstanding as at 25 March 2018 was £Nil (2017: £Nil).

During the year, the Group and Company invoice £3,000 (2017: £Nil) for desk space provided to Meatailer Limited, a company in which DM Page and NAG Mankarious are directors and shareholders and NJ Donaldson and NCW Wong are shareholders. The balance outstanding as at 25 March 2018 was £3,000 (2017: £Nil).

*Transactions between the Company and its subsidiaries*
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. During the year, the Company provided restaurant management services to the following subsidiaries:

Amounts invoiced (including VAT)

| | Parent company | |
|---|---|---|
| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
| 10DAS Limited | 57 | 49 |
| The Real Greek Food Company Limited | 603 | 624 |
| Franco Manca 2 UK Limited | 806 | 794 |
| | 1,466 | 1,467 |

## 22 RELATED PARTY DISCLOSURES (continued)

During the year the Company also loaned amounts to the following subsidiaries:

Amounts loaned/(repaid)

| | Parent company | |
|---|---|---|
| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
| 10DAS Limited | 331 | 324 |
| The Real Greek Food Company Limited | 1,215 | (1,098) |
| Franco Manca 2 UK Limited | 4,423 | 3,326 |
| | 5,969 | 2,552 |

Amounts outstanding at year end

| | Parent company | |
|---|---|---|
| | 25 March 2018 £'000 | 26 March 2017 £'000 |
| FM98 LTD Limited | - | - |
| 10DAS Limited | 1,233 | 902 |
| The Real Greek Food Company Limited | (975) | (2,190) |
| Franco Manca 2 UK Limited | 11,494 | 7,072 |
| | 11,752 | 5,784 |

The Company is a legal guarantor and a party to an agreement in which 10DAS Limited, a subsidiary company, entered into a lease of a restaurant space. The total potential aggregate minimum lease payments under this guarantee at the end of the year were £1,462,000 (2017: £1,587,000). This commitment is included in the Group disclosure in note 20. Following the year end, the guarantee was released.

## 23 DISCONTINUED OPERATION AND NON-CURRENT ASSETS CLASSED AS HELD FOR SALE

During the period, the Group committed to the disposal of the property and business of the Bukowski franchise at D'Arblay Street, Soho, London within the next 6 months. The sale completed following the year end in April 2018. An impairment loss was recognised on reclassification of the property, plant and equipment as held for sale.

| | Year ended 25 March 2018 £'000 | Year ended 26 March 2017 £'000 |
|---|---|---|
| Revenue | 617 | 833 |
| Expenses | (850) | (1,062) |
| Operating loss | (233) | (229) |
| Net finance costs | - | - |
| Loss before taxation | (233) | (229) |
| Income taxation expense | 13 | (11) |
| | (220) | (240) |
| Impairment | (195) | - |
| Loss from discontinued operations attributable to the owners of the company | (415) | (240) |
| Cash flows from discontinued operations included in the consolidated cash flow statement are as follows: | | |
| Net cash used in operating activities | (301) | (163) |
| Net cash used in investing activities | 18 | (114) |
| | (283) | (277) |
| Property, plant and equipment held for sale | 329 | - |

The impairment charge above relates to the impairment of the property, plant and equipment for the D'Arblay Street restaurant business. The Group expect the fair value (estimated based on final offer from the buyer of the property following the year end) less costs to be approximately £329,000. There are no liabilities expected to be held for sale.

## 24 SUBSEQUENT EVENTS

See Note 23 for details of the disposal of the D'Arblay Street restaurant site following year end.

In July 2018, the Group agreed terms to terminate the outstanding lease for the Franco Manca Brighton Marina restaurant.