# Richoux Group plc

## Annual Report December 2017

# Contents

# Advisers and officers

| | |
|---|---|
| Company Number | 03517191 |
| Registered Office | 2nd Floor Elizabeth House<br>20 School Road<br>Tilehurst<br>Reading<br>RG31 5AL |
| Directors | Simon Morgan (Chairman)<br>Jonathan Kaye (Chief Executive)<br>Mehdi Gashi<br>Salvatore Diliberto<br>The Hon. Robert A. Rayne |
| Company Secretary | Anwer Piracha FCCA |
| Nominated Adviser and Nominated Broker | Cenkos Securities plc<br>6,7,8 Tokenhouse Yard<br>London<br>EC2R 7AS |
| Auditors | Rees Pollock<br>35 New Bridge Street<br>London<br>EC4V 6BW |
| Solicitors | Dechert LLP<br>160 Queen Victoria Street<br>London<br>EC4V 4QQ |
| | Glovers Solicitors LLP<br>6 York Street<br>London<br>W1U 6QD |
| Registrars | Link Assets Services (UK) Limited<br>The Registry<br>65 Gresham Street<br>London<br>EC2V 7NQ |
| Bankers | Barclays Bank Plc<br>1 Churchill Place<br>Canary Wharf<br>London<br>E14 5HP |

# Chairman's Review

**Results**

Revenue for the 53 week period ended 31 December 2017 decreased 17.4 per cent on the 52 week period ended 25 December 2016 to £11.00 million (*2016: £13.32 million*). Adjusted EBITDA before pre-opening costs, impairment, reorganisation costs and onerous lease provision decreased to a loss of £0.8 million (*2016: £0.20 million*). The adjusted operating loss before pre-opening costs, impairment, reorganisation costs and onerous lease provision was £1.34 million (*2016: £0.63 million*). The net loss for the period was £4.5 million (*2016: £6.7 million*).

The Board, led by Jonathan Kaye, undertook a strategic review of all restaurants and operations of the Group. As part of this review certain restaurants were rebranded or closed which contributed to the significant impairment charge and onerous lease provision.

The Directors are not recommending the payment of a dividend.

**Operations**

The Group currently has seventeen restaurants which operate under the Richoux, Villagio, Friendly Phil's and The Broadwick brands. Further details on each of the brands are set out below.

***Richoux***

Richoux is an all day cafe and brasserie established in London in 1909.

The Group currently has five Richoux restaurants in Knightsbridge, Mayfair, Piccadilly, Gloucester Arcade, Port Solent, and Chislehurst. The Port Solent and Chislehurst restaurants were previously Villagio restaurants, and were converted into Richoux restaurants in February and March 2017 respectively. The restaurant in St John's Wood closed in May 2017 when the restaurant lease ended. The restaurants in Gloucester Arcade, Knightsbridge and Piccadilly were refurbished in May, June and July 2017 respectively. Since the year end the Chislehurst Richoux restaurant has been rebranded as The Broadwick, a new brand being introduced by the Group in appropriate locations.

***Friendly Phil's***

Friendly Phil's is a vintage American Diner.

The Group currently has six Friendly Phil's restaurants, in Hempstead Valley which opened in March 2017, Port Solent, which opened in April 2017, Chatham which opened in May 2017, Braintree which opened in May 2017, Canterbury which opened in May 2017 and Fareham which opened in June 2017. These restaurants were previously Dean's Diner restaurants apart from Canterbury which was a Zintino restaurant.

The restaurant in Bicester was sold in January 2017, the lease for the restaurant in Orpington was surrendered in April 2017, the restaurant in Trowbridge was sold in September 2017 and the lease for the restaurant in Yate was surrendered in September 2017.

***Italian Restaurants***

The Group currently has four Italian style restaurants in Andover, Basildon, Hammersmith, and Chatham operating under Villagio or Zintino brand. The restaurant in High Wycombe was sold at the end of January 2017.

As with Richoux, Chislehurst, since the year ended our Zippers restaurant in Chatham has been rebranded as The Broadwick.

***The Broadwick***

The Broadwick is a restaurant and bar offering popular global food, homemade on the premises. Portions are hearty and the drink offer is extensive. The restaurants are bright, vibrant, and individual in their design.

We currently have two restaurants (Chislehurst and Chatham) operating under this new format and early signs are encouraging.

***Chairman's Review (continued)***

***Cash flow and capital expenditure***

At 31 December 2017 the Group held cash of £1.74 million (*2016: £3.86 million*).

Capital expenditure of £4.05 million was incurred in the period; on the rebranding and refurbishment of the existing restaurants.

**Team**

As noted above, and in line with the Group's revised growth strategy, during 2017 we began to reposition a number of our restaurants by converting them to Richoux or Friendly Phil's restaurants, as well as disposing of or closing certain other restaurants and this process currently continues. The successful delivery of our plans depends upon our team and I would like to take the opportunity to thank all of them for the continued commitment and enthusiasm during what, for many of them, has been a period of significant change.

**Annual General Meeting and additional General Meeting**

Details of our Annual General Meeting for 2018, to be held at 10:00 a.m. on 25 June 2018, at Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ are included at pages 43 to 48 of this Annual Report.

Due to a number of factors, including in particular the making of a provision against loans previously made by the Company to certain of its subsidiary undertakings, the Company's net assets now represent less than half of its called up share capital. Accordingly, in accordance with section 656 Companies Act 2006, the Board is required to call a General Meeting to consider whether any, and if so what, steps should be taken to address the situation. Accordingly, immediately following the Annual General Meeting for 2018, a further General Meeting will be held to discuss this matter.

**Outlook**

Like many restaurant groups in the casual dining sector, trading during 2017 has been difficult. In addition, during this period trading in some of our restaurants was interrupted whilst we converted or refurbished them. The impact of temporary closures will continue during 2018.

The cost of converting or refurbishing restaurants and of closing underperforming restaurants, the reduction of income due to temporary closures and the current trading climate all have had an impact on the Group's cash balances. We continue to focus on cost reduction and, where necessary, will continue refining our portfolio. We are also conscious that, in this trading environment, opportunities may also arise for companies like ourselves which are ungeared. The Board has had informal discussions with some of the Company's key stakeholders, who have indicated that, if during the course of the year the Board concludes that further funds are required, it would be their intention to support such a fund raising. We propose to seek the necessary authorities to allot shares in connection with such a fundraising at our 2018 Annual General Meeting.

S D Morgan

**Simon Morgan**
*Chairman*
25 *May 2018*

# Board of Directors

*Simon Morgan, (54) Non-executive Chairman, Chairman of the audit and remuneration committees*

Simon is currently a partner of CMS Cameron McKenna Nabarro Olswang LLP, he specialises in corporate transactions in the media, real estate, and leisure sectors.

*Jonathan Kaye, (39) Chief Executive*

Jonathan was the founder and Chief Executive Officer of the Prezzo restaurant group. Prezzo was floated on AIM in 2002, with a market cap of £9.1 million. Jonathan grew Prezzo over a 13 year period to over 245 restaurants operating under the Prezzo (207 units) and Chimichanga (39 units) brands. Prezzo was sold in 2015 for £304 million to TPG Capital. Jonathan has a range of other business interests in property and leisure companies, and serves as a non-executive on the board of the Comptoir Libanais restaurant group.

*Mehdi Gashi, (39) Operations Director*

Mehdi started working in restaurants in 2001 when he joined Prezzo plc. While at Prezzo he played a key role in operations and delivering the roll out of the Prezzo restaurant brand across the UK. Mehdi was appointed as an executive director of Prezzo plc in 2012. Mehdi left Prezzo in March 2016 following its sale to TPG Capital for £304 million.

*Salvatore Diliberto, (77) Non-executive Director*

Salvatore has a lifetime of experience in the catering industry. He was operations manager for City Hotels from 1972 to 1984 with responsibility for thirty restaurants. Salvatore joined City Centre Restaurants in 1984 as a Director of The Black Angus Steak Houses Limited. He ran an independent restaurant from 1988 to 1993 as well as various franchises for the City Centre Group. He was managing director of ASK Restaurants Limited from 1994 to 2004.

*The Hon. Robert A. Rayne, (69) Non-executive Director, member of the audit and remuneration committees*

The Hon. Robert A. Rayne is chairman of Derwent London plc and a director of LMS Capital plc, an international investment company listed on the main market of the London Stock Exchange. He has expertise in a wide range of sectors, including real estate, media, consumer, technology, and energy. He has been on the boards of a number of public companies both in the USA and the UK, including First Leisure Corporation and Crown Sports. He is also a director of Weatherford International Ltd and ChyronCorporation, as well as a number of unlisted companies.

# Directors' Report

The Directors present their Annual Report and the audited financial statements for the 53 week period ended 31 December 2017.

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

**Post balance sheet events**
Details of the Group's post balance sheet events are shown in note 30 to the consolidated financial statements.

**Financial instruments**
The Group's financial risk management objectives and policies, together with detail of the Group's exposure to risk are shown in note 22 to the consolidated financial statements.

**Going concern**
The Board has held informal discussions with some of the Company's key stakeholders who have indicated that, if during the course of the year the Board concludes that further funds are required, it would be their intention to support such a fund raising. The Directors, therefore believe there to be no material uncertainty over the Group and Company's ability to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**Directors and Directors' interests**
The Directors who held office during the period were as follows:

Philip Shotter (*resigned 20 February 2017*)
Salvatore Diliberto
The Hon. Robert A. Rayne
Jonathan Kaye
Mehdi Gashi
Simon Morgan (*appointed 20 February 2017*)

The Directors who held office at the end of the financial period had the following interests in the ordinary shares of Richoux Group plc according to the register of Directors' interests:

| | Interest in 4p ordinary shares at end of the period | Interest in 4p ordinary shares at beginning of period or later date of appointment |
|---|---|---|
| Simon Morgan | 125,000 | - |
| The Hon. Robert A. Rayne | 20,417,681 | 16,313,843 |
| Salvatore Diliberto* | 26,236,441 | 20,963,066 |
| Jonathan Kaye | 5,104,395 | 1,979,395 |
| Mehdi Gashi | 400,000 | 400,000 |

*Includes 2,636,687 held by his wife Irene Diliberto.

Directors' holdings of options over ordinary shares during the financial period are indicated below:

| | At start of period | Granted | Exercised | Lapsed | At end of period | Exercise Price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|
| Salvatore Diliberto | 750,000 | - | - | 750,000 | - | 27.5p | 17-09-2010 | 17-09-2017 |
| Salvatore Diliberto | 200,000 | - | - | - | 200,000 | 9p | 10-12-2012 | 10-12-2019 |
| Salvatore Diliberto | 500,000 | - | - | - | 500,000 | 12p | 10-10-2015 | 09-10-2022 |
| Salvatore Diliberto | 300,000 | - | - | - | 300,000 | 14.5p | 11-12-2017 | 10-12-2024 |
| Salvatore Diliberto | - | 300,000 | - | - | 300,000 | 14p | 11-12-2020 | 10-12-2027 |

# Directors' Report *(continued)*

### Directors and Directors' interests *(continued)*

Jonathan Kaye, under the terms of the share incentive granted at the General Meeting on the 15 November 2016, may following the achievement of certain performance targets, exchange his 23,027 A ordinary shares in Richoux Limited for up to 23,027,403 ordinary shares in the Company (see note 25).

Mehdi Gashi, under the terms of the share incentive granted on 9 November 2017, may following the achievement of certain performance targets, exchange his 2,500 A ordinary shares in Richoux Limited for up to 2,500,000 ordinary shares in the Company (see note 25).

Simon Morgan, under the terms of the share incentive granted on 9 November 2017, may following the achievement of certain performance targets, exchange his 150 A ordinary shares in Richoux Limited for up to 150,000 ordinary shares in the Company (see note 25).

The middle market price of the Company's ordinary shares on the AIM market of the London Stock Exchange was 13p on 29 December 2017. During the period ended 31 December 2017, the middle market prices of such shares on the AIM market of the London Stock Exchange ranged between a low of 12.5p and a high of 31.5p.

### Directors' indemnities
The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

### Authority to allot shares and share issues
The Directors are authorised to allot shares up to a maximum aggregate nominal amount of £1,400,208. This authority has been used to grant 500,000 share options under the 2017 CSOP share option scheme, grant 650,000 share options under the 2014 Unapproved share option scheme, grant up to 3,400,000 shares through the share incentive agreement and to allot 25,277,488 shares through a subscription. The authority expires at the conclusion of the Annual General Meeting and the Directors are seeking approval to renew their general authority to allot shares at that meeting. In addition, the Directors are authorised to allot shares up to an aggregate nominal value of £921,096.12 in connection with the share incentive arrangements for Jonathan Kaye, this authority expires on 15 November 2021 unless varied or revoked by the Company in a General Meeting.

### Disabled employees
It is the Group's policy to give full and fair consideration to every application for employment from disabled persons, bearing in mind, the abilities, and aptitudes of the applicants in relation to available vacancies. Such persons, once employed are given appropriate training and equal opportunities. Where existing employees become disabled, their services will be retained wherever practicable.

### Employee consultation
The Directors consider that the involvement of employees is important to the success of the Group. Employees are regularly informed of the Group's performance and progress at both formal and informal meetings.

### Health and safety at work
The Group has a proactive approach to health and safety at work, regarding compliance with statutory requirements as a minimum standard. The Group's formal health and safety statement is available at all Group locations.

### Future development
Details of the Group's future development are shown in the Strategic Report on page 8.

## Directors' Report *(continued)*

**Provision of information to auditors**
Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

– so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

– the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditors**
Rees Pollock have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting. The board has discussed their independence and considers them independent.

By order of the board

**Jonathan Kaye**
*Chief Executive Officer*

25 May 2018

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20 School Road
Tilehurst
Reading
RG31 5AL

# Strategic Report

**Business review and key performance indicators**
Revenue has decreased to £11.00 million (*2016: £13.32 million*) and adjusted EBITDA has decreased to loss £0.8 million (*2016: £0.20 million*). This decrease largely reflects the strategic review of all the restaurants and operations of the Group which resulted in a number of restaurants being closed or rebranded with pre-opening costs increasing to £0.44 million (*2016: £0.10 million*). The net loss for the period was £4.5 million (*2016: £6.7 million*).

The Directors utilise a number of detailed performance indicators to manage the business. The focus in the Income Statement is on sales and operating profit compared to budget and the prior year. In the Statement of Financial Position the focus is on managing working capital.

The Directors recognise the importance of customer relations and food quality, and the team are trained extensively in this regard. Performance is monitored by our area managers as well as by regular mystery diner visits and food quality audits. Restaurant managers are bonused on a combination of achieving standards as well as sales growth and costs control.

**Principal uncertainties and risks**

***Economic conditions***
Deterioration in consumer confidence due to future economic conditions could have a detrimental impact on the Group in terms of sales and footfall. This risk is mitigated by the positioning the Group's brands in the affordable casual dining market, constantly reviewing pricing to ensure it is competitive, and continued focus on customers with targeted and adaptable marketing. There is also uncertainty following the EU referendum in June 2016 and the decision to leave the EU.

***Cost inflation***
The Group's key variable costs are the costs of food and labour both of which face inflationary pressures in the medium term. The Group monitors its food supply chain closely, regularly reviewing food costs and implementing a variety of strategies to mitigate the impact of price increases. The Group closely monitors labour costs and uses a number of initiatives to control costs. There are also labour cost pressures which are outside the control of the Group such as the recently introduced living wage and minimum wage increases which are suffered by both the Group and its competitors.

***Strategic risks***
There are a number of inherent risks in developing new brands. However, the Group has a strong team with a proven track record in developing new brands.

**Future development**
The Group is putting expansion on hold while we work to repair the existing estate unless an attractive opportunity presents itself. This involves closing and disposing of underperforming restaurants as well as refurbishing or rebranding others. To that end, we have closed four restaurants towards end of 2016 and two restaurants during 2017, of which we have disposed of one restaurant. We have also rebranded an additional eight restaurants. In the immediate future, we intend to concentrate on continuing to develop the new Friendly Phil's and Richoux formats, alongside overhauling our Italian concept, Villagio.

The motivation and engagement of the team will remain a priority. We have so far replaced all of the multi-unit restaurant managers in the business and introduced a team of area chefs who continually monitor food standards across the estate. This process of internal auditing will only be strengthened as the new brands continue to develop.

On behalf of the Board

**Jonathan Kaye**

*Chief Executive Officer*
25 May 2018

# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

International Accounting Standard 1 requires that financial statements present fairly for each period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Rees Pollock

**Rees Pollock**
*Chartered Accountants*
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# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RICHOUX GROUP PLC FOR THE PERIOD ENDED 31 DECEMBER 2017

## Opinion

We have audited the financial statements of Richoux Group PLC ('the parent company') and its subsidiaries ('the group') for the period ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of financial position and the consolidated and parent company statements of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

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

## Basis for opinion

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

## Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which states that the board may need to approach shareholders for further funds in the next twelve months. While the board has received indicative support from some shareholders, there is no binding commitment. These conditions, along with the other matters set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

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

| *Key audit matter and risk description* | *How the scope of our audit addressed the risk* |
|---|---|
| **Impairment of property, plant and equipment** | |
| As regards the group's financial statements, property, plant and equipment is the most quantitatively significant item on the statement of financial position with a net book value at the period end of £3.163m (2016 - £2.358m). The balance is primarily comprised of leasehold buildings and the fixtures, fittings and equipment therein that support the group's restaurant operations.<br><br>For the period ended 31 December 2017 the group has recorded an impairment charge of £2.675m relating to 11 underperforming sites.<br><br>The assessment of the carrying value of property, plant and equipment requires management to determine whether any indications of impairment exist by reference to expected future profitability of cash generating units ('CGUs'). CGUs are considered to be the individual restaurant sites.<br><br>Management have prepared forecasts which reflect the anticipated difficult trading conditions discussed in the Chairman's Statement, but which also project modest future levels of growth for sites that have been rebranded or refreshed.<br><br>Impairment of tangible fixed assets is recognised by the board as a critical judgement as outlined in note 3 to the financial statements. | We assessed management's process for identifying sites with a potential impairment, including reviewing the analysis for restaurants where no impairment was recognised.<br><br>We considered the indicators of impairment identified by management, and performed an analysis to challenge their assumptions. Our work included:<br>• Obtaining evidence, including market-based evidence, to support the growth and discount rates used;<br>• Testing the mechanics and integrity of management's impairment model;<br>• Challenging the assumptions used in the model. This included analysis of forecast performance taking into account historical performance of the sites and the overall brands, as well as management's strategy and expectations for the sites including the impact of recent rebranding;<br>• Assessing completeness of management's process by considering other factors which may indicate further potential impairment, for example low historic profitability.<br><br>Based on our work, we concur with management's assessments and are satisfied that the amount recognised as an impairment charge is appropriate and in line with the group's accounting policy. |
| **Appropriateness of applying the going concern basis** | |
| Management's assessment of the appropriateness of applying the going concern basis is discussed in the Chairman's Report and note 2 to the financial statements.<br><br>While the group raised an additional £4.08m from shareholders during the 2017, it reported a post-tax loss for the year of £4.47m. Continued losses of this magnitude would rapidly reduce net current assets and cash reserves. Cash and cash equivalents were £1.74m at the period end (2016: £3.86m). Accordingly, the going concern assumption has been identified as a key audit risk. If the going concern assumption were not appropriate this would have a pervasive effect which could impact on the group and parent company's ability to realise assets in the normal course of business. | We evaluated management's assessment of the group's ability to continue in operational existence for the foreseeable future by reviewing cash flow forecasts prepared by management.<br><br>We considered the impact on the forecasts of events that have taken place subsequent to the period end date but prior to the date of approval of the financial statements.<br><br>We challenged the significant inputs and assumptions used in the forecast model, including the impact of the future disposal of two sites. We considered the options that are available to management in the event that the projected cash flows fall below forecast figures.<br><br>We consider the judgements made by management in applying the going concern assumption to be reasonable in light of the evidence available to the date of this report.<br><br>We consider the disclosure in note 2 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate and judgement. |

This is not a complete list of all risks identified by our audit.

**Our application of materiality**

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the group's financial statements as a whole to be £175,000 (2016: £186,000). In determining this, we considered a range of benchmarks with specific focus on the loss for the year, total revenue for the year and total assets as at the balance sheet date. This materiality level represents 3.9% (2016: 2.7%) of loss before tax, 1.6% (2016: 1.4%) of revenue and 2.8% (2016: 2.4%) of total assets.

Based on our professional judgement, we determined overall materiality for the parent company's financial statements as a whole to be £60,000 (2016: £60,000). In determining this, we considered a range of benchmarks with specific focus on the total assets at the period end date, after removing intra-group balances which were considered in detail. This materiality level represents 1.9% (2016: 1.1%) of adjusted total assets.

We report to the Audit Committee all identified unadjusted errors in excess of £17,500 for the group's financial statements and £6,000 for the parent company's financial statements. Errors below that threshold would also be reported if, in our opinion as auditor, disclosure was required on qualitative grounds.

**An overview of the scope of our audit**

Our audit was scoped by obtaining an understanding of the group and its environment, including controls, and assessing the risks of material misstatement.

Our audit work to respond to the assessed risks was performed directly by the group audit engagement team who performed full scope audit procedures on the parent company and its trading subsidiaries. Our audit work was executed at levels of materiality applicable to each individual subsidiary, which were lower than group materiality, ranging from £70,000 to £100,000.

In particular, the extent of our audit procedures in respect of assessing the appropriateness of applying the going concern basis has been addressed under key audit matters.

**Other information**

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

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

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**

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

Jonathan Munday (Senior Statutory Auditor)
for and on behalf of
Rees Pollock, Statutory Auditor
25 May 2018

# Consolidated statement of comprehensive income
***for the 53 week period ended 31 December 2017***

| | *Note* | **53 week period ended 31 December 2017 Total £000** | 52 week period ended 25 December 2016 Total £000 |
|---|---|---|---|
| **Continuing operations:** | | | |
| **Revenue** | *4* | **10,998** | 13,320 |
| **Cost of sales:** | | | |
| Excluding pre-opening costs | | **(11,647)** | (13,367) |
| Pre-opening costs | | **(439)** | (103) |
| **Total cost of sales** | | **(12,086)** | (13,470) |
| **Gross loss** | | **(1,088)** | (150) |
| Administrative expenses | | **(964)** | (582) |
| Net profit on disposal on property , plant and equipment | | **277** | - |
| Other operating income | *4* | **-** | 3 |
| Operating loss before impairment, reorganisation, and provisions | | **(1,775)** | (729) |
| Impairment of goodwill | *15* | **(83)** | - |
| Impairment of other intangible assets | *15* | **-** | (4) |
| Impairment of property, plant, and equipment | *16* | **(2,675)** | (5,039) |
| Reorganisation costs | *5* | **(26)** | (511) |
| Onerous lease provision | *3,21* | **88** | (420) |
| **Operating loss** | | **(4,471)** | (6,703) |
| Finance income | *11* | **1** | 7 |
| **Loss before taxation** | *7* | **(4,470)** | (6,696) |
| Taxation | *12* | **-** | - |
| **Loss and total comprehensive loss for the period** | | **(4,470)** | (6,696) |
| **Loss and total comprehensive loss attributable to equity holders of the parent** | | **(4,470)** | (6,696) |
| **Loss and total comprehensive loss per share:** | | | |
| Loss per share | *14* | **(3.9)p** | (7.3)p |
| Diluted loss per share | *14* | **(3.9)p** | (7.1)p |

The notes on pages 17 to 42 form an integral part of the financial statements

# Consolidated statement of changes in equity
***for the 53 week period ended 31 December 2017***

| | Share capital £000 | Share premium account £000 | Profit and loss account £000 | Total £000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 27 December 2015 | 3,684 | 12,249 | (7,072) | 8,861 |
| Loss for the period | - | - | (6,696) | (6,696) |
| Total comprehensive loss | - | - | (6,696) | (6,696) |
| Credit to equity for equity settled share based payments | - | - | 32 | 32 |
| New share capital subscribed | 291 | 1,447 | - | 1,738 |
| Total contributions by owners of the Company, recognised directly in equity | 291 | 1,447 | 32 | 1,770 |
| At 25 December 2016 | 3,975 | 13,696 | (13,736) | 3,935 |
| Loss for the period | - | - | (4,470) | (4,470) |
| Total comprehensive loss | - | - | (4,470) | (4,470) |
| Credit to equity for equity settled share based payments | - | - | 53 | 53 |
| New share capital subscribed | 1,024 | 3,058 | - | 4,082 |
| New share capital issue costs | - | (5) | - | (5) |
| Total contributions by owners of the Company, recognised directly in equity | 1,024 | 3,053 | 53 | 4,130 |
| **At 31 December 2017** | **4,999** | **16,749** | **(18,153)** | **3,595** |

The notes on pages 17 to 42 form an integral part of the financial statements

# Company statement of changes in equity
*for the 53 week period ended 31 December 2017*

| | Share capital £000 | Share premium account £000 | Profit and loss account £000 | Total £000 |
|---|---|---|---|---|
| **Company** | | | | |
| At 27 December 2015 | 3,684 | 12,249 | (12,852) | 3,081 |
| Loss for the period | - | - | (2,866) | (2,866) |
| Total comprehensive loss | - | - | (2,866) | (2,866) |
| Credit to equity for equity settled share based payments | - | - | 32 | 32 |
| New share capital subscribed | 291 | 1,447 | - | 1,738 |
| Total contributions by owners of the Company, recognised directly in equity | 291 | 1,447 | 32 | 1,770 |
| At 25 December 2016 | 3,975 | 13,696 | (15,686) | 1,985 |
| Loss for the period | - | - | (8,482) | (8,482) |
| Total comprehensive loss | - | - | (8,482) | (8,482) |
| Credit to equity for equity settled share based payments | - | - | 53 | 53 |
| New share capital subscribed | 1,024 | 3,058 | - | 4,082 |
| New share capital issue costs | - | (5) | - | (5) |
| Total contributions by owners of the Company, recognised directly in equity | 1,024 | 3,053 | 53 | 4,130 |
| **At 31 December 2017** | **4,999** | **16,749** | **(24,115)** | **(2,367)** |

The notes on pages 17 to 42 form an integral part of the financial statements

Company registered number: 03517191

# Consolidated and Company statements of financial position

***at 31 December 2017***

| | Note | Group 2017 £000 | Group 2016 £000 | Company 2017 £000 | Company 2016 £000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Goodwill | *15* | **146** | 234 | **-** | - |
| Other intangible assets | *15* | **44** | 57 | **40** | 50 |
| Property, plant and equipment | *16* | **3,163** | 2,358 | **19** | 12 |
| Investments in subsidiaries | *17* | **-** | - | **1,532** | 1,517 |
| **Total non-current assets** | | **3,353** | 2,649 | **1,591** | 1,579 |
| **Current assets** | | | | | |
| Inventories | *18* | **204** | 198 | **-** | - |
| Trade and other receivables | *19* | **984** | 927 | **83** | 3,407 |
| Cash and cash equivalents | | **1,736** | 3,857 | **1,448** | 3,651 |
| **Total current assets** | | **2,924** | 4,982 | **1,531** | 7,058 |
| **Total assets** | | **6,277** | 7,631 | **3,122** | 8,637 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | *20* | **(2,354)** | (2,817) | **(5,489)** | (6,652) |
| Provisions | *21* | **-** | (420) | **-** | - |
| **Total current liabilities** | | **(2,354)** | (3,237) | **(5,489)** | (6,652) |
| **Non-current liabilities** | | | | | |
| Trade and other payables | *20* | **(328)** | (459) | **-** | - |
| **Total non-current liabilities** | | **(328)** | (459) | **-** | - |
| **Total liabilities** | | **(2,682)** | (3,696) | **(5,489)** | (6,652) |
| **Net assets/(liabilities)** | | **3,595** | 3,935 | **(2,367)** | 1,985 |
| **Capital and reserves** | | | | | |
| Share capital | *24* | **4,999** | 3,975 | **4,999** | 3,975 |
| Share premium account | | **16,749** | 13,696 | **16,749** | 13,696 |
| Retained earnings | | **(18,153)** | (13,736) | **(24,115)** | (15,686) |
| **Total equity** | | **3,595** | 3,935 | **(2,367)** | 1,985 |

These financial statements were approved by the board of Directors and authorised for issue on 15 May 2018 and were signed on its behalf by:

**Jonathan Kaye**

*Director*

The notes on pages 17 to 42 form an integral part of the financial statements

# Consolidated and Company statement of cash flows

*for the 53 week period ended 31 December 2017*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | *Note* | **53 week period ended 31 December 2017 £000** | 52 week period ended 25 December 2016 £000 | **53 week period ended 31 December 2017 £000** | 52 week period ended 25 December 2016 £000 |
| **Operating activities** | | | | | |
| Cash (used in)/generated from operations | *27* | **(2,752)** | 6 | **(6,258)** | (2,252) |
| Interest paid | | **-** | - | **-** | - |
| **Net cash (used in)/generated from operating activities** | | **(2,752)** | 6 | **(6,258)** | (2,252) |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(3,772)** | (2,271) | **(12)** | (8) |
| Purchase of intangible fixed assets | | **(9)** | (29) | **(11)** | (22) |
| Net proceeds from sale of property, plant and equipment | | **334** | 4 | **-** | - |
| Interest received | | **1** | 7 | **1** | 6 |
| **Net cash used in investing activities** | | **(3,446)** | (2,289) | **(22)** | (24) |
| **Financing activities** | | | | | |
| Proceeds from issue of ordinary shares | | **4,082** | 1,738 | **4,082** | 1,738 |
| Share issue costs | | **(5)** | - | **(5)** | - |
| **Net cash from financing activities** | | **4,077** | 1,738 | **4,077** | 1,738 |
| **Net decrease in cash and cash equivalents** | | **(2,121)** | (545) | **(2,203)** | (538) |
| **Cash and cash equivalents at beginning of the period** | | **3,857** | 4,402 | **3,651** | 4,189 |
| **Cash and cash equivalents at the end of the period** | | **1,736** | 3,857 | **1,448** | 3,651 |

The notes on pages 17 to 42 form an integral part of the financial statements

# Notes

*(forming part of the financial statements)*

## 1 General information

Richoux Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The Company is a public limited company, listed on the AIM market of the London Stock Exchange. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Chairman's Review on page 2.

These financial statements are prepared and presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

## 2 Accounting policies

***Basis of preparation***

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

At the date of authorisation of these financial statements, certain new standards which have not been applied in these financial statements were in issue but not yet effective. None of these are expected to have a significant impact on the financial statements except for:

IFRS 16 'Leases': this standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by the lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors the accounting required by IAS 17 is largely unchanged, although changes to the definition of what constitutes a lease means lessors will also be affected. This standard is effective for annual periods commencing on or after 1 January 2019.

***Going concern***

The Directors have prepared forecasts which show that, under current trading conditions and planned refurbishments the Board may need to approach shareholders for further funds in the next twelve months. Based on initial discussions key shareholders have indicated their support for such a fund raising. The Directors therefore believe there to be no material uncertainty over the Group and Company's ability to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of these financial statements. No assessment has been made of the effect of the going concern assumption proving not to be appropriate.

***Basis of consolidation***

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 December 2017. Unless otherwise stated, the acquisition method of accounting has been adopted for acquisitions made during the period. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal. Intra-group transactions, balances, income and expenses are eliminated fully on consolidation.

# Notes *(continued)*

## 2 Accounting policies *(continued)*

### *Business combinations*

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The cost of 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, acquisition related costs are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognised.

### *Goodwill*

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or business the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

### *Intangible assets and amortisation*

Intangible assets are initially recognised at cost. The cost of intangibles recognised separately from a business combination is the purchase price including directly attributable costs. The cost of intangibles recognised in a business combination is the fair value on the date of acquisition. Intangible assets in business combinations are recognised separately from goodwill when the asset is either separable or arises from other contractual or legal rights and its fair value can be measured reliably. Intangible assets are subsequently measured at cost less accumulated amortisation and impairment. Amortisation of intangible assets is recognised within administrative expenses in the statement of comprehensive income. Intangible assets with a finite life are amortised over their expected useful lives, as follows:

| | | |
|---|---|---|
| Trademarks | - | 10 per cent straight line; |
| Software | - | between 20 and 33 per cent straight line. |

### *Investments*

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, less provision for any permanent diminution in their carrying value.

### *Property, plant and equipment and depreciation*

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives, as follows:

| | | |
|---|---|---|
| Short leasehold land and buildings | - | over the unexpired term of lease; |
| Fixtures, fittings and equipment | - | between 10 and 20 per cent straight line. |

The Directors are of the opinion that there is no material difference between the fair value and the carrying amount of the short leasehold land and buildings.

# Notes *(continued)*

## 2 Accounting policies *(continued)*

***Impairment of tangible and intangible assets excluding goodwill***

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets 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 assets is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the 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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in comprehensive income immediately.

***Leases***

Leases in which a significant portion of risks and rewards are retained by the lessor are classified as operating leases and the rentals are charged to the profit and loss account on a straight line basis over the life of the lease. Where rental income is received for sublet properties, this rental income is netted off against the total rentals payable for that property. Where sites under operating leases are closed, provision is made in full for the expected liabilities to exit the operating lease agreement and is discounted where material. The benefit of lease incentives is spread over the term of the lease.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# Notes *(continued)*

## 2 Accounting policies *(continued)*

***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and 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 nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is unable to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred 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 deferred tax is also dealt with in equity.

Deferred 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 relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

***Share-based payments***

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that had not vested at 27 June 2005.

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 Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model or Monte Carlo simulation. 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.

***Provisions***

Provisions are measured at the present value of the expenditure expected to be required to settle obligations using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for onerous leases are recognised when: the Group has a present legal obligation as a result of signing a lease; it is probable that an outflow of resources will be required to settle the obligation as the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received under it; and the amount has been reliably measured.

# Notes *(continued)*

## 2 Accounting policies *(continued)*

***Revenue recognition***

Revenue represents the amounts net of discounts, value added tax and other sales-related taxes derived from the provision of goods and services to third party customers.

Sales of goods are recognised when the goods have passed to the buyer.

Interest income is recognised as the interest accrues, applying the effective interest method.

Initial franchise license fees are recognised at the time the license is granted. Ongoing franchise income is recognised in line with performance. Franchise income, net of all associated costs and charges, is included as other operating income, and does not constitute a reportable business segment. Franchise income is derived from the Middle East.

Rental income receivable under the operating sublease/lease is recognised on a straight-line basis over the term of the relevant leases. This income is offset against the total lease payments for the properties, and does not constitute a reportable business segment.

***Pre-opening costs***

Property rentals and related costs together with other operating costs incurred up to the date of the opening of a new or refurbished restaurant are written off to the profit and loss account in the year in which they are incurred.

***Operating profit***

Operating profit is stated after charging impairment and reorganisation costs but before investment income and finance costs.

***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors.

***Foreign currencies***

In preparing the financial statements of the Group, transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period.

***Pensions***

The Group makes contributions to the personal defined contribution pension plans of certain employees. Contributions are charged to the profit and loss account as they fall due.

## Notes *(continued)*

### 3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are: -

- The estimated impairment of goodwill – determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGUs) to which the goodwill has been allocated. Goodwill is allocated on the initial purchase of the business to the individual CGUs that comprise that business based on the individual CGU's cash generation as a percentage of the total cash generated by the business as a whole. The estimation of value-in-use is based on the budgets and forecasts prepared by management and the actual future results may differ from these. The critical assumptions in the forecasting process are estimating turnover and gross margin levels. Management base these estimates on a combination of historical experience, and expectations of increased trade from refurbishment and operational improvements. Such expectations are generated by similar improvements at other Group restaurants but, by their very nature, each restaurant is unique to a degree and so increased trade elsewhere may not be duplicated at other sites. The allocation of goodwill to the individual CGUs is based on a short period of historic data. Variances from this data could have resulted in a differing allocation. Management are of the opinion that the initial allocation has, however, been shown to be reasonable based on subsequent results. Details of the impairment calculations are outlined in note 15.
- The estimated impairment of other intangible and tangible fixed assets – determining whether intangible and tangible fixed assets are impaired requires an estimation of the value in use of the CGUs to which the assets have been allocated. In assessing whether an asset has been impaired, the carrying value of the CGU is compared to its recoverable amount based on its value in use. As noted above, this requires the use of budgets and forecasts against which actual results may vary, which includes expectations for new restaurants. Details of the impairment calculations, including the results of sensitivity analysis conducted thereon, are outlined in notes 15 and 16.
- Share based payments – the Company operates share option schemes that entitle employees to purchase shares in the Company. A share based payments expense is recognised in each period as it is incurred, based on the Black Scholes option valuation mode or Monte Carlo simulation. The key assumptions of these models are outlined in note 25.
- Economic useful life of assets – assets are amortised/depreciated over their expected useful lives, if the estimation of their expected useful lives is incorrect; then this may result in the amortisation/depreciation in the period being too high or too low.
- Onerous lease provision – the Group had made estimates of the costs of surrender of its leasehold interests in the closed restaurants, based on the estimated time to surrender and the estimated surrender premium payable (see note 21). If this estimate is incorrect it may mean that the provision charged/credited in the period is too high or too low.
- Unrecognised deferred tax asset – deferred tax assets are recognised where it is probable that the temporary timing difference will reverse in the foreseeable future. The assets are not recognised where there is sufficient uncertainty over the timing and nature of profits against which these assets will reverse (note 23).

### 4 Revenue

An analysis of the Group's revenue is as follows:

| | 2017 | 2016 |
|---|---|---|
| | £000 | £000 |
| **Continuing operations:** | | |
| Sale of goods | **10,998** | 13,320 |
| Revenue in the income statement | **10,998** | 13,320 |
| Sublease rental income (netted off operating lease payment) | **124** | 120 |
| Franchise income | **-** | 3 |
| Investment income | **1** | 7 |
| | **11,123** | 13,450 |

# Notes *(continued)*

## 5 Reorganisation costs

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Staff compensation, redundancy and associated costs | **26** | 90 |
| Stock write off | - | 29 |
| Websites and brand design | - | 47 |
| Professional fees in connection with Jonathan Kaye appointment | - | 192 |
| Master franchise agreement | - | 153 |
| | **26** | 511 |

## 6 Segment reporting

Based on the financial information which is monitored by the board, which comprises the chief operating decision maker as defined in IFRS 8, the Group has three reportable business segments based around its core restaurant brands, Diners, Richoux and Italian restaurants. All brands are engaged in the restaurant trade so derive their revenues and results from similar products and services. There are no geographical segments and there are no major customers.

Occasionally the Group also receives franchise income, however this is not considered to be a significant business segment and the Group has no control over the timing of this income. Franchise income is reported under other operating income.

The Group sublet part of one and the whole of another of its leased properties and receives sublease payments from third parties.

**Business segments for the 53 week period ended 31 December 2017:**

| | **Diners £000** | **Italians £000** | **Richoux £000** | **Un-allocated £000** | **Total £000** |
|---|---|---|---|---|---|
| Revenue | 2,776 | 3,143 | 5,079 | - | **10,998** |
| Segment gross loss | (417) | (79) | (326) | (266) | **(1,088)** |
| Administrative expenses | - | - | - | (964) | **(964)** |
| Net profit/(loss) on disposal | 71 | 5 | 204 | (3) | **277** |
| Impairment of goodwill | - | - | (83) | - | **(83)** |
| Impairment of property, plant and equipment | (1,748) | - | (927) | - | **(2,675)** |
| Reorganisation costs | - | - | - | (26) | **(26)** |
| Reversal onerous lease provision | 88 | - | - | - | **88** |
| Finance income | - | - | - | 1 | **1** |
| Loss before taxation | (2,006) | (74) | (1,132) | (1,258) | **(4,470)** |
| Non current assets as at 25 December 2016 | 338 | 1,365 | 873 | 73 | **2,649** |
| Additions | 2,099 | 104 | 1,809 | 34 | **4,046** |
| Depreciation and amortisation | (131) | (163) | (201) | (32) | **(527)** |
| Impairment of goodwill | - | - | (83) | - | **(83)** |
| Impairment of property, plant and equipment | (1,748) | - | (927) | - | **(2,675)** |
| Disposals | (26) | - | (28) | (3) | **(57)** |
| Non current assets as at 31 December 2017 | 532 | 1,306 | 1,443 | 72 | **3,353** |

The unallocated segment loss includes the costs of the restaurant area management; unallocated administrative expenses include the costs of the Group's head office.

# Notes *(continued)*

## 6 Segment reporting *(continued)*

**Business segments for the 52 week period ended 25 December 2016:**

| | **Dean's Diner £000** | **Villagio £000** | **Richoux £000** | **Un-allocated £000** | **Total £000** |
|---|---|---|---|---|---|
| Revenue | 3,858 | 4,627 | 4,835 | - | **13,320** |
| Segment gross (loss)/profit | (222) | (23) | 379 | (284) | **(150)** |
| Administrative expenses | - | - | - | (582) | **(582)** |
| Other operating income | - | - | - | 3 | **3** |
| Impairment of intangible assets | (3) | (1) | - | - | **(4)** |
| Impairment of property, plant and equipment | (2,866) | (1,504) | (669) | - | **(5,039)** |
| Reorganisation costs | - | - | - | (511) | **(511)** |
| Onerous lease provision | (420) | - | - | - | **(420)** |
| Finance income | - | - | - | 7 | **7** |
| Loss before taxation | (3,511) | (1,528) | (290) | (1,367) | **(6,696)** |
| Non current assets as at 27 December 2015 | 2,638 | 2,319 | 1,640 | 74 | **6,671** |
| Additions | 933 | 865 | 85 | 35 | **1,918** |
| Depreciation and amortisation | (318) | (305) | (175) | (32) | **(830)** |
| Impairment of intangible assets | (3) | (1) | - | - | **(4)** |
| Impairment of property, plant and equipment | (2,866) | (1,504) | (669) | - | **(5,039)** |
| Disposals | (46) | (9) | (8) | (4) | **(67)** |
| Non current assets as at 25 December 2016 | 338 | 1,365 | 873 | 73 | **2,649** |

The unallocated segment loss includes the costs of the restaurant area management; unallocated administrative expenses include the costs of the Group's head office.

## 7 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Auditors' fees (note 8) | **42** | 51 |
| Staff costs (note 10) | **4,958** | 5,308 |
| Cost of inventories recognised as an expense | **2,836** | 2,820 |
| Exchange gains | **-** | - |
| Amortisation of intangible assets | **19** | 21 |
| Depreciation of property, plant and equipment | **508** | 809 |
| Impairment of goodwill | **83** | - |
| Impairment of intangible assets | **-** | 4 |
| Impairment of property, plant and equipment | **2,675** | 5,039 |
| Reorganisation costs | **26** | 511 |
| Onerous lease provision | **(88)** | 420 |
| Net loss on disposal of intangible assets | **8** | 17 |
| Net (profit)/loss on disposal of property, plant and equipment | **(285)** | 46 |
| Hire of plant and machinery – rentals payable under operating leases | **75** | 96 |
| Hire of other assets – rentals payable under operating leases | **1,929** | 2,165 |

Total administrative expenses are £3,660,000 (*2016: £6,556,000*).

# Notes *(continued)*

## 8 Auditors' fees

The analysis of the auditors' remuneration is as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Audit services** | | |
| Fees payable to the Parent Company Auditor for the audit of the Company and consolidated financial statements | **17** | 17 |
| Fees payable to the Company Auditor for other services: | | |
| The audit of the Company's subsidiaries pursuant to legislation | **18** | 18 |
| Total audit fees | **35** | 35 |
| **Non-audit services** | | |
| Tax services | **7** | 16 |
| Total non-audit fees | **7** | 16 |
| | **42** | 51 |

## 9 Key management compensation and remuneration of Directors

The Directors who held office during the period were as follows:

Philip Shotter (resigned 20 February 2017)
Salvatore Diliberto
The Hon. Robert A. Rayne
Jonathan Kaye
Mehdi Gashi
Simon Morgan (appointed 20 February 2017)

The Directors are of the opinion that, in accordance with IAS 24, there are no other key management personnel other than the board. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group. Throughout the period from 26 December 2016 to 31 December 2017, key management personnel comprised an average of five (*2016: four*) people.

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Salaries - executive Directors** | | |
| Salvatore Diliberto | - | 106 |
| Edward Standring | - | 114 |
| Jonathan Kaye | **17** | 2 |
| Mehdi Gashi | **96** | 21 |
| **Compensation for loss of office - executive Directors** | | |
| Edward Standring | - | 10 |
| **Fees - non-executive Directors** | | |
| Philip Shotter | **2** | 20 |
| Simon Morgan | **17** | - |
| Robert Rayne | **17** | 20 |
| Salvatore Diliberto | **20** | - |
| | **169** | 293 |

Details of Directors' interests over shares in Richoux Group plc, including share options that they hold, are contained in the Directors' Report.

# Notes *(continued)*

## 10 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

| | 2017 | 2016 |
|---|---|---|
| **Continuing operations:** | | |
| Head office | **18** | 14 |
| Operations | **228** | 328 |
| | **246** | 342 |

The aggregate payroll costs of these persons were as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Continuing operations:** | | |
| Wages and salaries | **4,521** | 4,861 |
| Social security costs | **364** | 395 |
| Contributions to personal defined contribution pension schemes | **20** | 20 |
| Share based payment expense | **53** | 32 |
| | **4,958** | 5,308 |

Pension contributions were made to private individual schemes.

## 11 Finance income

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Bank interest | **1** | 7 |

# Notes *(continued)*

## 12 Taxation on loss on ordinary activities

(a) Reconciliation of charge in the period

The charge for the period can be reconciled to the loss per the income statement as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Loss before tax: | **(4,470)** | (6,696) |
| UK corporation tax at 19% *(2016: 20%)* on Group loss before tax | **(849)** | (1,339) |
| Timing differences relating to tangible fixed assets | **499** | 706 |
| Expenses not deductible for tax purposes | **11** | 47 |
| Depreciation and impairment on assets on which no capital allowances claimed | **(5)** | 438 |
| Tax losses carried forward | **362** | 64 |
| Other timing differences | **(18)** | 84 |
| Total current tax charge | **-** | - |

(b) Factors that may affect future tax charges

The Group has unprovided deferred tax assets as are more fully disclosed in note 23.

## 13 Richoux Group plc – Income statement

The Company has taken advantage of the exemption allowed by section 408 of the Companies Act 2006 from presenting its own profit and loss account. The Company made a loss of £8,482,000 for the period *(2016: £2,866,000)* See note 28, provisions against amounts due from Group undertakings.

## 14 Earnings per share

The calculation of the basic and diluted loss per share is based on the following data:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| **Loss** | | |
| Loss for the purposes of basic loss per share being the net loss attributable to equity holders of the parent | **(4,470)** | (6,696) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of the basic profit per share | **113,355,877** | 92,356,891 |
| Effect of dilutive potential ordinary shares: | | |
| Share options and incentive shares | **1,726,710** | 1,883,224 |
| Weighted average number of ordinary shares for the purposes of diluted profit per share | **115,082,587** | 94,240,115 |
| Share options and incentive shares not included in the diluted calculations as per the requirements of IAS 33 (as they are anti-dilutive) | **29,854,695** | 26,053,182 |
| **Basic loss per share:** | | |
| From total operations | **(3.9)p** | (7.3)p |
| **Diluted loss per share:** | | |
| From total operations | **(3.9)p** | (7.1)p |

# Notes *(continued)*

## 15 Intangible fixed assets

| Group | Goodwill £000 | Trademarks £000 | Software £000 | Total £000 |
|---|---|---|---|---|
| *Cost* | | | | |
| At 27 December 2015 | 269 | 24 | 170 | 463 |
| Additions | - | 1 | 28 | 29 |
| Disposals | - | - | (51) | (51) |
| At 25 December 2016 | 269 | 25 | 147 | 441 |
| Additions | - | 1 | 8 | 9 |
| Disposals | (5) | (6) | (23) | (34) |
| At 31 December 2017 | 264 | 20 | 132 | 416 |
| *Accumulated amortisation and impairment* | | | | |
| At 27 December 2015 | 35 | 10 | 114 | 159 |
| Charge for the period | - | 2 | 19 | 21 |
| Impairment | - | - | 4 | 4 |
| Disposals | - | - | (34) | (34) |
| At 25 December 2016 | 35 | 12 | 103 | 150 |
| Charge for the period | - | 2 | 17 | 19 |
| Impairment | 83 | - | - | 83 |
| Disposals | - | (3) | (23) | (26) |
| At 31 December 2017 | 118 | 11 | 97 | 226 |
| *Carrying amount* | | | | |
| **At 31 December 2017** | **146** | **9** | **35** | **190** |
| At 25 December 2016 | 234 | 13 | 44 | 291 |

***Impairment testing of goodwill and intangible fixed assets***

Goodwill of £264,000 (*2016: £269,000*) relates to the acquisition of Richoux Limited in August 2000 and is allocated to the group of cash generating units (CGUs) that comprise the business acquired (as described in note 3) with each restaurant site being treated as a single CGU.

The Group tests annually for impairment or more frequently if there are indications that the goodwill and intangible assets may be impaired. The recoverable amounts of the restaurants are calculated from value in use calculations based on cash flow projections from formally approved budgets to December 2018, and forecasts to future years on a sales growth for the sites. The discount rate applied to cash flow projections is 10 per cent (*2016: 10 per cent*).

An impairment charge of £83,000 has been recognised in relation to the goodwill of one of the CGUs that comprise the Richoux business (*2016: £4,000 was recognised; £3,000 in relation to the unrecoverable elements of the assets of six Dean's Diner restaurants and £1,000 in relation to the unrecoverable elements of the assets of three Villagio restaurants*). The value in use of the remaining restaurants is higher than the carrying value.

# Notes *(continued)*

## 15 Intangible fixed assets (*continued*)

| Company | Trademarks £000 | Software £000 | Total £000 |
|---|---|---|---|
| *Cost* | | | |
| At 27 December 2015 | 17 | 70 | 87 |
| Additions | - | 22 | 22 |
| Disposals | - | (7) | (7) |
| At 25 December 2016 | 17 | 85 | 102 |
| Additions | 1 | 10 | 11 |
| Disposals | (6) | - | (6) |
| At 31 December 2017 | 12 | 95 | 107 |
| *Accumulated amortisation* | | | |
| At 27 December 2015 | 8 | 42 | 50 |
| Charge for the period | 1 | 8 | 9 |
| Disposals | - | (7) | (7) |
| At 25 December 2016 | 9 | 43 | 52 |
| Charge for the period | 1 | 17 | 18 |
| Disposals | (3) | - | (3) |
| At 31 December 2017 | 7 | 60 | 67 |
| *Carrying amount* | | | |
| **At 31 December 2017** | **5** | **35** | **40** |
| At 25 December 2016 | 8 | 42 | 50 |

There is no impairment provision required for the Company (*2016: £nil*).

# Notes *(continued)*

## 16 Property, plant and equipment

| **Group** | **Short leasehold land and buildings £000** | **Fixtures, fittings, and equipment £000** | **Total £000** |
|---|---|---|---|
| ***Cost*** | | | |
| At 27 December 2015 | 8,665 | 3,743 | 12,408 |
| Additions | 1,233 | 656 | 1,889 |
| Disposals | (40) | (94) | (134) |
| At 25 December 2016 | 9,858 | 4,305 | 14,163 |
| Additions | 3,049 | 988 | 4,037 |
| Disposals | (4,310) | (2,156) | (6,466) |
| At 31 December 2017 | 8,597 | 3,137 | 11,734 |
| ***Accumulated depreciation and impairment*** | | | |
| At 27 December 2015 | 3,791 | 2,250 | 6,041 |
| Charge for period | 345 | 464 | 809 |
| Impairment | 3,762 | 1,277 | 5,039 |
| Disposals | (2) | (82) | (84) |
| At 25 December 2016 | 7,896 | 3,909 | 11,805 |
| Charge for period | 280 | 228 | 508 |
| Impairment | 2,246 | 429 | 2,675 |
| Disposals | (4,311) | (2,106) | (6,417) |
| At 31 December 2017 | 6,111 | 2,460 | 8,571 |
| ***Carrying amount*** | | | |
| **At 31 December 2017** | **2,486** | **677** | **3,163** |
| At 25 December 2016 | 1,962 | 396 | 2,358 |

***Impairment testing of property, plant and equipment***

The Group considers each trading restaurant to be a cash-generating unit (CGU) and each CGU is reviewed when there are indications of impairment.

The recoverable amounts of the restaurants are calculated from value in use calculations based on cash flow projections from formally approved budgets to December 2018, and forecasts to future years based on a sales growth rate of the sites. The discount rate applied to cash flow projections is 10 per cent (*2016: 10 per cent*).

An impairment charge of £2,675,000 has been recognised; £927,000 in relation to the unrecoverable elements of the assets of three Richoux restaurants and £1,748,000 in relation to the unrecoverable elements of the assets of six Friendly Phil's restaurants (*2016: £5,039,000 was recognised; £2,866,000 in relation to the unrecoverable elements of the assets of nine Dean's Diners restaurants, £1,504,000 in relation to the unrecoverable elements of the assets of five Villagio restaurants and £669,000 in relation to the unrecoverable elements of the assets of one Richoux restaurant*). The value in use of the remaining restaurants is higher than the carrying value.

# Notes *(continued)*

## 16 Property, plant and equipment *(continued)*

| **Company** | **Fixtures, fittings and equipment** £000 |
|---|---|
| *Cost* | |
| At 27 December 2015 | 25 |
| Additions | 8 |
| Disposals | (3) |
| At 25 December 2016 | 30 |
| Additions | 12 |
| Disposals | - |
| At 31 December 2017 | 42 |
| *Accumulated depreciation and impairment* | |
| At 27 December 2015 | 17 |
| Charge for period | 3 |
| Disposals | (2) |
| At 25 December 2016 | 18 |
| Charge for period | 5 |
| Disposals | - |
| At 31 December 2017 | 23 |
| *Carrying value* | |
| **At 31 December 2017** | **19** |
| At 25 December 2016 | 12 |

There is no impairment provision required in the Company (*2016: £nil*).

# Notes *(continued)*

## 17 Investments in subsidiaries

**Company**

| | **£000** |
|---|---|
| *Cost* | |
| At 27 December 2015 | 2,707 |
| Share based payment | 1 |
| At 25 December 2016 | 2,708 |
| Share based payment | 15 |
| At 31 December 2017 | 2,723 |
| *Accumulated impairment* | |
| At 27 December 2015, 25 December 2016 and 31 December 2017 | 1,191 |
| *Carrying value* | |
| **At 31 December 2017** | **1,532** |
| At 25 December 2016 | 1,517 |

***Subsidiary undertakings***

The Company owns the subsidiary undertakings below, all of which have been included in the consolidated financial statements. All shareholdings represent the entire issued ordinary share capital of each subsidiary undertaking (and the entire issued preference share capital for Newultra Limited), except for Richoux Limited where the Company owns the entire ordinary share capital and Jonathan Kaye, Mehdi Gashi, Sameh Amer and Simon Morgan owns the A ordinary share capital issued to them under the share incentive (see note 25).

| | **Country of Incorporation** | **Principal activity** |
|---|---|---|
| Bridgedon Limited | England and Wales | Dormant |
| Newultra Limited | England and Wales | Restaurants |
| Richoux Limited | England and Wales | Restaurants |
| NGS Finance Limited | Guernsey | Dormant |
| Richoux (UK) Limited | England and Wales | Dormant |
| Richoux Retail Limited * | England and Wales | Dormant |
| Richoux Restaurants (London) Limited * | England and Wales | Dormant |

* Richoux Retail Limited and Richoux Restaurants (London) Limited are subsidiaries of Richoux Limited.

## 18 Inventories

| | | **Group** |
|---|---|---|
| | **2017** | 2016 |
| | **£000** | £000 |
| Finished goods and goods for resale | **114** | 117 |
| Raw material and consumables | **90** | 81 |
| | **204** | 198 |

The Company statement of financial position contains no inventories (*2016: £nil*).

# Notes *(continued)*

## 19 Trade and other receivables

| | Group 2017 £000 | 2016 £000 | Company 2017 £000 | 2016 £000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Trade debtors | **74** | 23 | **10** | 16 |
| Amounts owed by Group undertakings | **-** | - | **-** | 3,255 |
| Other debtors | **16** | 16 | **-** | - |
| Prepayments and accrued income | **894** | 888 | **61** | 56 |
| Taxation and social security | **-** | - | **12** | 80 |
| | **984** | 927 | **83** | 3,407 |

## 20 Trade and other payables

| | Group 2017 £000 | 2016 £000 | Company 2017 £000 | 2016 £000 |
|---|---|---|---|---|
| **Current liabilities** | | | | |
| Trade payables | **966** | 1,207 | **21** | 87 |
| Taxation and social security | **418** | 396 | **20** | 19 |
| Other creditors | **470** | 505 | **115** | 107 |
| Accruals and deferred income | **500** | 709 | **2** | 34 |
| Amounts owed to Group undertakings | **-** | - | **5,331** | 6,405 |
| | **2,354** | 2,817 | **5,489** | 6,652 |
| **Non-current liabilities** | | | | |
| Accruals and deferred income | **328** | 459 | **-** | - |

## 21 Provisions

| | Onerous lease provision £000 |
|---|---|
| At 27 December 2015 | - |
| Provision in the period | (420) |
| At 25 December 2016 | (420) |
| Provision utilised in the period | 332 |
| Provision reversed in the period | 88 |
| **At 31 December 2017** | **-** |

The onerous lease provision represented the Directors' best estimate of the costs of surrender of the Group's leasehold interest in its closed restaurants, based on the estimated time to surrender and estimated surrender premium payable. The Company statement of financial position contains no provisions (*2016: nil*).

# Notes *(continued)*

## 22 Financial instruments

The Group uses a limited number of financial instruments to manage the financial risks faced by the Group comprising cash, short term deposits, and various items such as trade debtors and creditors, which arise directly from operations. In accordance with its policy, the Group did not trade in financial instruments during the period.

*Cash and cash equivalents*

Cash, for the purpose of the cash flow statement, comprises cash in hand, deposits repayable on demand and amounts receivable on credit card transactions.

*Trade receivables*

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

*Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*Trade payables*

Trade payables are initially recognised at the fair value and are subsequently measured at amortised cost using the effective interest rate method.

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Fair values*

The carrying values of trade receivables, other debtors, trade payables, accruals and other creditors arising from operations are not considered to differ from their fair values due to the short term nature of the assets and liabilities. The fair value of cash is not considered to differ from its carrying value as the cash is held on deposit at floating interest rates.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign exchange risk. The board reviews and agrees policies for managing each of these risks and these policies are summarised below.

# Notes *(continued)*

## 22 Financial instruments *(continued)*

### *Credit risk*

The nature of the Group's operations do not expose it to significant credit risk as most transactions are cash or cash-based and backed by bank guarantee.

Bank balances and cash are held by banks with high credit ratings assigned by independent credit ratings agencies. Despite the recent financial turmoil, the Directors are of the opinion that the cash balances do not represent a significant credit risk, although the Directors recognise some risk does arise in the current economic climate.

No collateral is held against credit risk. As at the statement of financial position date there were no overdue trade receivables *(2016: £nil)*, and the value of the Group's credit risk exposure at the statement of financial position date was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 |
| Trade debtors | **74** | 23 | **10** | 16 |
| Credit card transactions – included in cash and cash equivalents | **161** | 123 | **-** | - |
| Other debtors | **16** | 16 | **-** | - |
| Amounts owed by Group undertakings | **-** | - | **-** | 3,255 |
| | **251** | 162 | **10** | 3,271 |

All amounts due from related undertakings arise as a result of central treasury management on a rolling basis but are repayable on demand; provision is made where the underlying net assets of the related undertaking do not support recoverability of the aggregate balance (see note 28). As the balances do not attract interest a difference arises between the book and fair value of the asset. Based on a five year recoverability profile the fair value of the assets would be £nil (*2016: £2,215,*000) based on the estimated incremental borrowing rate of 8% (*2016: 8%*).

### *Interest rate risk*

In respect of interest rate risk, the Group's policy is to place surplus cash at commercial rates on deposit with its bankers, to the extent that the cash flow can be reasonably predicted. This policy has not changed during the period and no change is anticipated.

The Group and Company had £1,447,000 at an interest rate of 0.30 per cent held on an instant access account with its bankers (*2016: £3,660,000 which accrued no interest*). The remainder of the cash and cash equivalents balance accrues no interest.

### *Liquidity risk*

In respect of liquidity risk, the Group finances its operations from current cash reserves. The Group does not currently have any unused bank facilities.

### *Foreign exchange risk*

The Group's operations lead it to make certain purchases, which are denominated in Euros. The Group's exposure to foreign exchange risk arising from these transactions is currently minimal and accordingly, no hedging of the Group's foreign currency exposure is undertaken. The Board will keep this under review should the exposure increase.

At the statement of financial position date the assets and liabilities of the Group denominated in Euros were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 |
| Trade payables | **5** | - | **5** | - |

# Notes *(continued)*

## 22 Financial instruments *(continued)*

*Capital structure*

The Group only has ordinary share capital and currently has no gearing. Currently the Group holds cash reserves. These have arisen following the share issues during the period and the Group plans to utilise the cash for the expansion of the Richoux, Villagio and Friendly Phil's brands. The level of gearing will be reviewed as appropriate during this expansion.

## 23 Deferred taxation

The Group and Company have no recognised deferred tax liabilities or assets. The Group has the following unprovided deferred tax assets:

| | **Unprovided 2017 £000** | 2016 £000 |
|---|---|---|
| Timing differences relating to fixed assets | **(1,699)** | (1,022) |
| Other timing difference | **(1,148)** | (731) |
| | **(2,847)** | (1,753) |

Other timing differences relate to tax losses of £6,043,000 *(2016: £3,848,000)* carried forward as at 31 December 2017. These losses arise in respect of trading and non-trading losses carried forward.

Carried forward trading losses will, subject to approval by HM Revenue and Customs, reverse against taxable profits of the same trade. No asset has been recognised in respect of these trading losses due to uncertainties over the timing and nature of such profits in accordance with IAS 12.

Carried forward non-trading losses will reverse against non-trading gains in future periods. No asset has been recognised in respect of these losses and no such gains are anticipated in the foreseeable future.

The Company has non-trading losses of £1,574,000 (*2016: £589,000)*, which give rise to unprovided deferred tax assets of £299,000 *(2016: £112,000).*

## 24 Share capital

The share capital of the Company is shown below:

| | **Number** | **£000** |
|---|---|---|
| ***Shares classed as equity*** | | |
| ***Allotted, called up and fully paid*** | | |
| As at 27 December 2015 | **92,109,612** | **3,684** |
| Issued during the period | **7,271,972** | **291** |
| As at 25 December 2016 | **99,381,584** | **3,975** |
| Issued during the period | **25,597,488** | **1,024** |
| As at 31 December 2017 | **124,979,072** | **4,999** |

On the 27 October 2016 the Company issued 65,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2012.

On the 4 November 2016 the Company issued 200,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2012.

# Notes *(continued)*

## 24 Share capital *(continued)*

On the 21 November 2016 the Company issued 235,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2012.

On the 16 December 2016 the Company issued 6,771,972 ordinary shares of 4 pence each through a subscription at a price of 25 pence per share.

On the 25 January 2017 the Company issued 60,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2009.

On the 27 February 2017 the Company issued 50,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2012.

On the 30 March 2017 the Company issued 60,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2012.

On the 13 April 2017 the Company issued 50,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2014.

On the 13 June 2017 the Company issued 25,277,488 ordinary shares of 4 pence each through a subscription at a price of 16 pence per share.

On the 17 July 2017 the Company issued 40,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2009.

On the 22 September 2017 the Company issued 60,000 ordinary shares of 4 pence each under the terms of the 2007 EMI share option scheme rules for share options issued in 2012.

At 31 December 2017, options in respect of 5,154,003 (*2016: 4,909,003*) ordinary shares were outstanding (including 1,300,000 (*2016: 2,100,000*) to the Directors of the Company) under the Company's various options schemes as follows:

| **Date granted** | **Exercise Price** | **Number of shares** | **Years from date of grant that options are exercisable** |
|---|---|---|---|
| ***P Shotter option scheme*** | | | |
| 10 December 2009 | 9 pence | 150,000 | 3-10 |
| ***EMI option scheme*** | | | |
| 10 December 2009 | 9 pence | 620,000 | 3-10 |
| ***EMI option scheme*** | | | |
| 10 October 2012 | 12 pence | 770,000 | 3-10 |
| ***P Shotter option scheme*** | | | |
| 10 October 2012 | 12 pence | 100,000 | 3-10 |
| ***EMI option scheme*** | | | |
| 7 May 2013 | 10 pence | 629,003 | 0-10 |
| ***EMI option scheme*** | | | |
| 11 December 2014 | 14.5 pence | 730,000 | 3-10 |
| ***Unapproved share option scheme*** | | | |
| 11 December 2014 | 14.5 pence | 200,000 | 3-10 |
| ***P Shotter option scheme*** | | | |
| 11 December 2014 | 14.5 pence | 100,000 | 3-10 |
| ***CSOP option scheme*** | | | |
| 14 March 2017 | 28.5 pence | 505,000 | 3-10 |
| ***Non Employee option scheme*** | | | |
| 14 March 2017 | 28.5 pence | 200,000 | 3-10 |
| ***CSOP option scheme*** | | | |
| 11 December 2017 | 14 pence | 500,000 | 3-10 |
| ***Unapproved share option scheme*** | | | |
| 11 December 2017 | 14 pence | 650,000 | 3-10 |

## 25 Share based payments

| Group | **2017 £000** | 2016 £000 |
|---|---|---|
| Share based payment expense | **53** | 32 |

In 2007 the Company established the EMI Share Option Scheme, in 2014 the Company established the Unapproved Share Option Scheme, and in 2017 the Company amended the 2014 Unapproved Share Option Scheme to add the CSOP Schedule and Non-employee Schedule. These entitled employees and certain selected people to purchase shares in the entity.

Exercise prices are based on market value of the Company's shares at the date of grant. Options are conditional on the employee remaining in the Company's service for the period up to and including the vesting date (the vesting period) and may be exercised by ex-employees only at the Directors' discretion.

Movements in the total number of share options outstanding and their weighted average exercise price are as follows:

| **Company** | **2017** | | 2016 | |
|---|---|---|---|---|
| | ***Weighted average exercise price per share Pence*** | ***Options Number*** | *Weighted average exercise price per share Pence* | *Options Number* |
| Outstanding at start of period | **15** | **4,909,003** | 14 | 5,459,003 |
| Granted | **20** | **1,875,000** | - | - |
| Exercised | **12** | **(320,000)** | 9 | (500,000) |
| Lapsed | **(23)** | **(1,310,000)** | (13) | (50,000) |
| **Outstanding at end of period** | **15** | **5,154,003** | 15 | 4,909,003 |
| **Exercisable at end of the period** | **12** | **3,299,003** | 15 | 3,699,003 |

The fair value of options granted during the period to 31 December 2017 was £107,000 (*2016:* £nil).

The fair value of services received in return for share options granted are measured by reference to the fair value of the share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes model. The significant inputs into the model for the options granted during the 53 week period to 31 December 2017 were:

| | March 2017 | December 2017 |
|---|---|---|
| Share price at date of grant (pence) | 28.5p | 14p |
| Exercise price (pence) | 28.5p | 14p |
| Number of employees | 24 | 19 |
| Shares under option | 725,000 | 1,150,000 |
| Vesting period | 3 years | 3 years |
| Expected volatility (expressed as a standard deviation of expected share price returns) | 40.44% | 43.53% |
| Expected option life | 3 years | 3 years |
| Expected dividend yield | Nil | Nil |
| Risk free interest rate (based on national Government bonds) (%) | 0.59% | 1.20% |
| Fair value per option (pence) | 7.99p | 4.29p |

Share options are granted under a service condition. Such conditions are not taken into account in the fair value measurement of the services received. There are no market conditions associated with the share option grants.

The options granted in May 2013 are part of a pool of options capped at 1,528,917. The number of options that vest, and may be acquired is dependent on the Group meeting certain performance criteria during the 2012, 2013 and 2014 financial periods, as set by the remuneration committee of the Company. The 2013 and 2014 performance criteria were not met. The options linked to the Group's performance in 2012 will vest at an acquisition price of 10 pence per ordinary share.

# Notes *(continued)*

## 25 Share based payments *(continued)*

**Share Incentive Awards**

Following the General Meeting of the Company on the 15 November 2016, Jonathan Kaye was issued with 14,995 Series 1 A ordinary shares and 8,033 Series 2 A ordinary shares in Richoux Limited (these restricted shares do not give Jonathan Kaye the right to vote or to receive dividends). Following the achievement of certain performance targets these A ordinary shares may be exchanged for up to 23,027,403 ordinary shares in Richoux Group plc.

The share incentive will vest in respect of the Richoux Limited Series 1 A ordinary shares and can be exchanged for up to 14,994,588 Richoux Group plc ordinary shares if the average mid-market price of the Richoux Group plc ordinary shares is at least 40 pence measured over any ten consecutive Dealing Days. It will vest in respect of the Richoux Limited Series 2 A ordinary shares and can be exchanged for up to 8,032,815 Richoux Group plc ordinary shares if the average mid-market price of the Richoux Group plc ordinary shares is at least 55 pence measured over any ten consecutive Dealing Days.

The share incentive will vest after the second anniversary of the date of grant subject to the performance targets being met.

The full share incentive will vest early in the event of a change of control of the Company if the market value of an ordinary share in the Company on (or as a result of) the change of control is at least 40 pence. The share incentive may also vest early if Jonathan Kaye ceases employment; if Jonathan Kaye voluntarily resigns or his employment is terminated summarily without notice in accordance with the terms of his service agreement he will cease to have any rights under the share incentive, if he leaves for any other reason and the performance target(s) have been met the share incentive may vest early.

On the 9 November 2017 Simon Morgan subscribed for 150; Mehdi Gashi subscribed for 2,500; and Sameh Amer subscribed for 750; Series 1 A ordinary shares ("A shares") in Richoux Limited, which may on vesting be exchanged for the relevant number of ordinary shares of 4 pence each in the Company ("Ordinary Shares") (the "Share Incentives"). The subscription price for the A Shares was 1 penny per A Share.

The number of Ordinary Shares to be issued to them in exchange for their A Shares will be determined by the following formula; the number of A Shares held multiplied by the closing mid-market price of the Ordinary Shares on the dealing day immediately preceding the vesting date less 10 pence, multiplied by 1,000. Pursuant to the Share Incentives, they may acquire up to 3,400,000 Ordinary Share in aggregate. The A Shares are equal in value to the benefit that would have been delivered if the Incentive Shares were provided by way of a share option over Ordinary Shares at an exercise price of 10 pence per Ordinary Share (i.e. the value above 10 pence per Ordinary Share).

The A Shares can only be exchanged for Ordinary Shares if the average closing mid-market price for the Ordinary Shares is 40 pence or more over any period of ten consecutive dealing days (the "Hurdle"). If the Hurdle is not met the A shares will have no value. Subject to the Hurdle being met, the Share Incentives are exchangeable at the earliest of: (1) the second anniversary of the relevant subscription date, (2) a sale of 100% of the share capital of the Company to a third party or (3) a takeover or a liquidation of the Company.

The fair value of the share incentives granted during the period to 31 December 2017 was £4,000 (*2016: £28,000*).

The fair value of services received in return for the shares granted are measured by reference to the fair value of the shares granted. The estimate of the fair value of the services received is measured based on the Monte Carlo simulation. The significant inputs into the model for the shares granted during the 52 week period to 25 December 2016 and 53 week period to 31 December 2017 were:

| | Series 1 | Series 2 |
|---|---|---|
| Share price (pence) | 21.5p | 21.5p |
| Price target (pence) | 40p | 55p |
| Historical share price volatility | 24.27% | 24.27% |
| Risk free rate | 0.34% | 0.34% |
| Dividend yield | 0.00% | 0.00% |
| Expected life (years) | 5 | 5 |
| Fair value deduction (pence) | 10p | 10p |

# Notes *(continued)*

## 26 Commitments

(a) Capital commitments of the Group and Company at the end of the financial period, for which no provision has been made, are £225,000 *(2016: £1,300,000)*.

(b) At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | **Land and buildings** | | **Other** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| **Group** | **£000** | £000 | **£000** | £000 |
| Operating leases due: | | | | |
| Within one year | **1,769** | 2,054 | **28** | 51 |
| In the second to fifth years inclusive | **7,138** | 8,145 | **25** | 24 |
| Over five years | **15,487** | 20,476 | - | - |
| | **24,394** | 30,675 | **53** | 75 |

The Group subleases the whole of one and part of one of its leased properties and receives sublease payments from third parties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements are:

| | **Land and buildings** | | **Other** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 |
| Operating sublease/lease due: | | | | |
| Within one year | **104** | 126 | - | - |
| In the second to fifth years inclusive | **414** | 464 | - | - |
| Over five years | **1,120** | 940 | - | - |
| | **1,638** | 1,530 | - | - |

| | **Other** | |
|---|---|---|
| | **2017** | 2016 |
| **Company** | **£000** | £000 |
| Operating leases due: | | |
| Within one year | **4** | 1 |
| In the second to fifth years inclusive | **6** | 1 |
| | **10** | 2 |

In addition the Group continues to retain potential liabilities for leases that it has assigned, pursuant to guarantees given to landlords at the time of the lease assignments but only for so long as the parties to whom the leases have been assigned are the tenants under those leases.

# Notes *(continued)*

## 27 Reconciliation of operating loss to operating cash flows

| | Group 2017 £000 | Group 2016 £000 | Company 2017 £000 | Company 2016 £000 |
|---|---|---|---|---|
| Operating loss | **(4,471)** | (6,703) | **(8,483)** | (2,872) |
| Loss on disposal of intangible assets | **8** | 17 | **3** | - |
| (Profit)/loss on disposal of property, plant and equipment | **(285)** | 46 | **-** | 1 |
| Depreciation charge | **508** | 809 | **5** | 3 |
| Amortisation charge | **19** | 21 | **18** | 9 |
| Impairment of goodwill | **83** | - | **-** | - |
| Impairment of other intangible fixed assets | **-** | 4 | **-** | - |
| Impairment of property, plant and equipment | **2,675** | 5,039 | **-** | - |
| (Increase)/decrease in stocks | **(6)** | 17 | **-** | - |
| (Increase)/decrease in debtors | **(57)** | (34) | **3,324** | 402 |
| (Decrease)/increase in creditors | **(1,279)** | 758 | **(1,163)** | 174 |
| Equity settled share based payments | **53** | 32 | **38** | 31 |
| **Net cash inflow/(outflow) from operating activities** | **(2,752)** | 6 | **(6,258)** | (2,252) |

## 28 Related party transactions

*Consolidated*

Up to the date of Philip Shotter's resignation the Group paid professional fees for legal services of £16,000 (*2016: £29,000*) to Glovers Solicitors LLP of which Philip Shotter is a member. As at the end of the period £nil was outstanding (*2016: £nil*). This is in addition to fees included as Directors' emoluments.

The Group has a group VAT registration and the representative Company, Richoux Group plc, pays the net VAT for the Group.

The Group has a group insurance policy which is paid by Richoux Group plc.

*Company*

Balances due to and from the Company's subsidiaries represent cash transferred in line with the funding requirements of each Company and the Group's policy to place any excess funds on treasury deposit with its bankers. These balances are separately disclosed within trade and other receivables and trade and other payables. As at the statement of financial position date the value of these transactions was as follows:

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Gross amounts owed by Group undertakings – Newultra Limited | **14,453** | 10,437 |
| Gross amounts owed by Group undertakings – Bridgedon Limited | **207** | 207 |
| Provision – Newultra Limited | **(14,453)** | (7,182) |
| Provision – Bridgedon Limited | **(207)** | (207) |
| Net amounts owed by Group undertakings – Newultra Limited (note 19) | **-** | 3,255 |
| Net amounts owed by Group undertakings – Bridgedon Limited (note 19) | **-** | - |
| Amounts owed to Group undertakings – Richoux Limited (note 20) | **(5318)** | (6,392) |
| Amounts owed to Group undertakings – NGS Finance Limited (note 20) | **(13)** | (13) |

During the period a provision of £7,271,000 was made (*2016: £1,622,000*) against amounts due from Group undertakings.

# Notes *(continued)*

## 28 Related party transactions *(continued)*

### *Transactions with Directors*

Transactions with Directors are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **£000** | £000 | **£000** | £000 |
| Short term employee benefits | **169** | 293 | **152** | 293 |
| Share based payments | **22** | 17 | **7** | 17 |
| | **191** | 310 | **159** | 310 |

During the period Salvatore Diliberto subscribed for 5,273,375 (includes 2,636,687 subscribed for by his wife Irene Diliberto) ordinary shares (*2016: 1,054,394*), the Hon. Robert Rayne subscribed for 4,103,838 ordinary shares (*2016: 1,054,394*), Jonathan Kaye subscribed for 3,125,000 ordinary shares (*2016: 1,354,395*), Simon Morgan subscribed for 125,000 ordinary shares (*2016:* nil), and Mehdi Gashi subscribed for nil ordinary shares (*2016: 400,000*) as part of the subscription that took place during the period (see note 24). The price paid per share was 16 pence *(2016: 25 pence)*.

## 29 Transactions with substantial shareholders

During the period Phillip Kaye subscribed for 3,121,025 ordinary shares (*2016: 451,465*), Samuel Kaye subscribed for 1,250,000 ordinary shares (*2016: 451,465*), Adam Kaye subscribed for 1,250,000 ordinary shares (*2016: 451,465*), and Michinoko Limited subscribed for 4,216,750 ordinary shares (*2016: 1,054,394*) as part of the subscription that took place during the period (see note 24). The price paid per share was 16 pence *(2016: 25 pence)*.

On 22 December 2017 the Group entered into an agreement with Amberstar Limited, a Company in which Phillip Kaye is a shareholder, to temporarily suspend the rent of its former Chiswick restaurant, where it retains a liability under an authorised guarantee agreement, for up to six months from 25 December 2017.

## 30 Subsequent events

There were no significant subsequent events which the directors consider require disclosures within these financial statements.

# Notice of Annual General Meeting for 2018

Notice is given that the Annual General Meeting for 2018 of Richoux Group plc (the "**Company**") will be held at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ on 25th June 2018 at 10:00 am for the purpose of considering, and if thought fit, passing the following resolutions, of which resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions: -

## ORDINARY BUSINESS

### Ordinary Resolutions

1. THAT the Directors' Report and Accounts for the period ended 31 December 2017 and the Auditors' Report thereon be received and adopted.

2. THAT Jonathan Kaye who retires by rotation in accordance with the Articles of Association of the Company, be and is hereby re-elected as a Director of the Company

3. THAT Salvatore Diliberto who retires by rotation in accordance with the Articles of Association of the Company, be and is hereby re-elected as a Director of the Company.

4. THAT Rees Pollock be and are hereby re-appointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting to be held in 2019 and the directors of the Company be and are hereby authorised to settle their remuneration.

## SPECIAL BUSINESS

### Ordinary Resolution

5. THAT the directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

   5.1. up to an aggregate maximum nominal amount of £1,613,054; and

   5.2. in addition to the authority referred to in paragraph 5.1, up to a further maximum aggregate nominal amount of £1,613,054 in connection with an offer by way of a rights issue:

      5.2.1. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

      5.2.2. to holders of other equity securities as required by the rights of those securities or, as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange,

and such authorities shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2019 or, if earlier 25th September 2019 (unless such authority is revoked, varied, renewed or extended at or prior to such time) save that before the expiry of such authority, the directors of the Company may make an offer or agreement which would or might require the allotment of shares in the Company or the grant of rights to subscribe for or convert any security into shares in the Company after such expiry and the directors of the Company may act in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any securities into shares in the Company previously granted to the directors pursuant to section 551 of the Act (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

# Notice of Annual General Meeting *(continued)*

**Special Resolutions**

6. THAT the directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above or by way of sale of treasury shares as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

   6.1. the allotment of equity securities, in conjunction with or pursuant to a rights issue, open offer or any other pre-emptive offer in favour of ordinary shareholders (but in the case of the authority granted under resolution 5.2, by way of rights issue only), in proportion (as nearly as may be) to the respective number of ordinary shares held or deemed to be held by them in the capital of the Company, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange; and for the purpose of this resolution "rights issue" means an offer of equity securities to holders of ordinary shares in proportion to their respective holdings (as nearly as may be) and holders of other securities to the extent expressly required or (if considered appropriate by the directors) permitted by the rights attached thereto; and

   6.2. the allotment (otherwise than pursuant to resolution 6.1 above) of equity securities up to an aggregate nominal value of £1,613,054,

and such power shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2019 (unless such authority is revoked varied, renewed or extended at or prior to such time) save that, before the expiry of such authority, the directors of the Company may make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

7. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 4 pence each in the capital of the Company provided that:

   7.1. the maximum number of ordinary shares hereby authorised to be purchased is 12,097,907 ordinary shares being approximately 10 per cent of the issued share capital at the date of the passing of the resolution;

   7.2. the minimum price (exclusive of expenses) which may be paid for ordinary shares is 4 pence per ordinary share;

   7.3. the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of:

      7.3.1. an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and

      7.3.2. the higher of the price of the last independent trade and the highest current independent bid for an ordinary share on the London Stock Exchange Daily Official List at the time the purchase is carried out;

# Notice of Annual General Meeting *(continued)*

7.4. the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase will be executed wholly or partly after the expiry of such authority; and may make the purchase of ordinary shares in pursuance of any such contract; and

7.5. the authority hereby conferred shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2019 or, if earlier, 25th September 2019.

By order of the Board

Anwer Piracha
Secretary
29th May 2018

Registered Office: 2nd Floor Elizabeth House, 20 School Road, Tilehurst, Reading, RG31 5AL

**Notes**

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at close of business on 21st June 2018 (or if the Meeting is adjourned, members entered on the Register of Members of the Company not later than close of business on the date which is two working days before the date of the adjourned Meeting) shall be entitled to attend, speak and vote at the Annual General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the Meeting.

2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and to vote instead of him/her. A proxy need not be a member of the Company but must attend the Meeting in person. If a member wishes his/her proxy to speak on his/her behalf at the Meeting he/she will need to appoint his/her own choice of proxy (not the Chairman) and give his/her instructions directly to them. Completion and return of a form of proxy will not preclude a member from attending, speaking and voting at the Meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Meeting in person, the proxy appointment will automatically be terminated.

3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".

4. A form of proxy is enclosed and details of how to appoint and direct a proxy to vote on each resolution are set out in the notes to the form of proxy. To be valid the form of proxy must be completed and signed, and lodged with the Registrars of the Company, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF no later than 10.00am on 21st June 2018 and in the event of adjournment not less than 48 hours (excluding non-working days) before the time fixed for the Meeting together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a Company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the Meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID:RA10) no later than 48 hours (excluding non-working days) before the Meeting. For this purpose, the time of receipt will

**Notice of Annual General Meeting** (continued)

be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution, and if no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

9. In order to revoke a proxy instruction a member will need to send a signed hard copy notice clearly stating your intention to revoke a proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

10. Copies of the service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors, will be available for inspection at the Company's registered office during normal business hours on any week day (but not at weekends or on public holidays) up to and including the date of the Annual General Meeting. Copies of all the above mentioned documents will also be available on the date of the Annual General Meeting at the place of the Meeting for 15 minutes prior to the Meeting until its conclusion.

11. Except as provided above, members who have general queries about the Meeting should write to the Company Secretary at the address of our registered office. You may not use any electronic address provided either in this notice of Annual General Meeting or any related documents (including the annual report and accounts and proxy form) to communicate with the Company for any purposes other than those expressly stated.

## Explanatory Notes

Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 6 and 7 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

1. **Approval of the reports and accounts (ordinary resolution 1)** The Directors must present the report of the Directors and the accounts of the Company for the year ended 31 December 2017 to shareholders at the AGM. These include the financial statements, together with the Strategic Report, the reports of the Directors and the auditor. These are all contained in the Annual Report for 2017.

2. **Appointment of Rees Pollock as Auditor (ordinary resolution 2)** The Auditor is required to be reappointed at each AGM at which the Company's audited accounts are presented. The Directors are proposing the reappointment of Rees Pollock as Auditor until the conclusion of the next general meeting at which accounts are laid.

3. **Re-election of Directors (ordinary resolutions 3 and 4)** The Company's Articles of Association require that one-third of the Directors shall retire and stand for re-election on an annual basis. Resolutions 3 and 4 propose such re-election of each of Jonathan Kaye and Salvatore Diliberto as Directors of the Company, which will take effect at the conclusion of the AGM.

4. **Renewal of Directors' power to allot shares (ordinary resolution 5)** The Company's Directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by shareholders. The authority conferred on the Directors at last year's AGM under s.551 of the Companies Act 2006 to allot shares expires on the date of the forthcoming AGM. Paragraph 5.1 of this resolution seeks to renew the existing authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £1,613,054. This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 24 May 2018, the latest practicable date prior to publication of this Notice. Paragraph 5.2 of this resolution, seeks to grant the directors authority to allot shares in connection with a rights issue to existing shareholders in proportion (as nearly as practicable) to their existing holdings, up to an aggregate nominal amount of £1,613,054. This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 24 May 2018, the latest practicable date prior to publication of this Notice.

   If given, this authority will expire at the earlier of the Company's next AGM following the date of this resolution or 15 months from the passing of this resolution. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of the Company's shareholders when opportunities arise.

5. **Disapplication of pre-emption rights (special resolution 6)** Under s.561(1) of the Companies Act 2006, if the Directors wish to allot ordinary shares, or grant rights to subscribe for, or convert securities into ordinary shares, or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first given a limited waiver of their pre-emption rights. Resolution 6, which will be proposed as a special resolution, seeks to replace the authority given to the Board which would otherwise expire at the AGM, to allot equity securities for cash on a non-pre-emptive basis without first offering them to existing shareholders in proportion to their existing shareholdings.

   The power set out in resolution 6 would be limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,613,054. This aggregate nominal amount represents approximately one-third of the issued ordinary share capital of the Company (excluding treasury shares) as at 24 May 2018, the latest practicable date prior to publication of this Notice.

6. **Authority to purchase own shares (special resolution 7)** Resolution 7, which will be proposed as a special resolution, gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. This renews the authority granted at last year's AGM which expires on the date of the AGM. The authority limits the number of shares that could be purchased to a maximum of 12,097,907 (representing approximately 10% of the issued share capital of the Company (excluding treasury shares) as at the date of the passing of the resolution. This authority will expire at the conclusion of the AGM of the Company held in 2019.

   Any purchases of ordinary shares under this authority will be by means of market purchases through the London Stock Exchange. Any shares purchased under this authority may either be cancelled or held as treasury shares. Treasury shares may subsequently be cancelled, sold for cash or used to satisfy options issued to employees pursuant to the Company's employee share schemes. The Company has sought the authority of the shareholders to purchase its own shares by way of special resolution.

# General Meeting

Notice is given that a General Meeting of Richoux Group plc (the "**Company**") will be held at the offices of Dechert LLP, 160 Queen Victoria Street, London EC4V 4QQ on 25th June 2018 at 10:10am (or such later time as the Annual General Meeting for 2018 for the Company convened to be held at 10.00 a.m. on that date has concluded or been adjourned) for the purpose of considering whether any, and if so what, steps should be taken to address the fact that the Company's net assets now represent less than half of its called up share capital.

By order of the Board

Anwer Piracha
Secretary
29th May 2018

Registered Office: 2nd Floor Elizabeth House, 20 School Road, Tilehurst, Reading, RG31 5AL

**Notes**

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at close of business on [ ] June 2018 (or if the Meeting is adjourned, members entered on the Register of Members of the Company not later than close of business on the date which is two working days before the date of the adjourned Meeting) shall be entitled to attend, speak and vote at the General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the Meeting.

2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and to vote instead of him/her. A proxy need not be a member of the Company but must attend the Meeting in person. If a member wishes his/her proxy to speak on his/her behalf at the Meeting he/she will need to appoint his/her own choice of proxy (not the Chairman) and give his/her instructions directly to them. Completion and return of a form of proxy will not preclude a member from attending, speaking and voting at the Meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Meeting in person, the proxy appointment will automatically be terminated.

3. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".

4. A form of proxy is enclosed and details of how to appoint and direct a proxy to vote on each resolution are set out in the notes to the form of proxy. To be valid the form of proxy must be completed and signed, and lodged with the Registrars of the Company, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF no later than 10.10am on 21st June 2018 and in the event of adjournment not less than 48 hours (excluding non-working days) before the time fixed for the Meeting together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a Company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of the Meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID:RA10) no later than 48 hours (excluding non-working days) before the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution, and if no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

9. In order to revoke a proxy instruction a member will need to send a signed hard copy notice clearly stating your intention to revoke a proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member, which is a company, the notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

10. Except as provided above, members who have general queries about the Meeting should write to the Company Secretary at the address of our registered office. You may not use any electronic address provided either in this notice of General Meeting or any related documents (including the annual report and accounts and proxy form) to communicate with the Company for any purposes other than those expressly stated.

### Explanatory Notes

The Board is aware that the value of the Company's net assets is less than half of its called up share capital. This is by reference to the balance sheet of the Company as at 31 December 2017, which forms part of the financial statements of the Company for the year ended 31 December 2017. Those financial statements were approved by the Board of Directors of the Company on 25 May 2018. In such a circumstance, the Directors are required, pursuant to section 656 of the Companies Act 2006, to convene a general meeting of the Company for the purpose of allowing shareholders to consider whether any, and if so what, steps should be taken to deal with the situation.

The Board currently does not consider it necessary to propose any resolutions in relation to this matter at the General Meeting. The Board would, however, like to ensure that this matter is addressed accordingly at the General Meeting and, therefore, welcomes dialogue with shareholders on this point at the General Meeting, which will provide a forum for such discussions to take place.

# Form of Proxy for the 2018 Annual General Meeting

I/We

---------------------------------------------------------------------------

(*name in full in block capitals*)
of

---------------------------------------------------------------------------

---------------------------------------------------------------------------

being a member/members of Richoux Group plc (the "Company") hereby appoint the chairman of the meeting (see note 1 below)

---------------------------------------------------------------------------

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 am on 25 June 2018 at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ, and at any adjournment thereof, on the following resolutions as indicated by an 'X' in the appropriate box:

| | **Ordinary Resolutions** | **For** | **Against** | **Withheld** | **Discretion** |
|---|---|---|---|---|---|
| 1 | To adopt the report and accounts for the year ended 31 December 2017. | | | | |
| 2 | To reappoint Jonathan Kaye as a director. | | | | |
| 3 | To reappoint Salvatore Diliberto as a director. | | | | |
| 4 | To appoint the auditors and to authorise the directors to settle their remuneration. | | | | |
| 5 | To authorise the directors to allot shares under section 551 of the Companies Act 2006. | | | | |

| | **Special Resolutions** | | | | |
|---|---|---|---|---|---|
| 6 | To authorise the directors to disapply statutory pre-emption rights. | | | | |
| 6 | To authorise the Company to make market purchases of its own shares. | | | | |

Signature ----------------------------------------Dated--------------------------2018

***Notes:***

1. You may if you wish strike out the words "chairman of the meeting" and insert the name of some other person to act as your proxy in the space provided. All amendments to this form must be initialled. If you sign and return this form with no name inserted in the space the Chairman of the Meeting will be deemed to be your proxy. Where someone other than the Chairman is appointed as a proxy the member appointing him/her is responsible for ensuring that they attend the Meeting and are aware of his/her voting intentions. If a member wishes his/her proxy to speak on his/her behalf at the Meeting, he/she will need to appoint someone other than the Chairman and give his/her instructions directly to them.

2. A member entitled to attend, speak and vote at the Meeting is entitled to appoint a proxy or proxies to exercise all or any of his/her rights to attend, speak and to vote at the Meeting instead of him/her. A proxy can only be appointed by following the procedure set out in these notes and the notes to the Notice of Annual General Meeting.

3. A proxy need not be a member of the Company but must attend the Meeting. Completion and return of a form of proxy will not preclude a member from attending, speaking and voting at the Meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the Meeting in person the proxy appointment will automatically be terminated.

4. To be valid this form of proxy must be completed and lodged with the Registrars of the Company, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF not less than 48 hours before the time fixed for the Meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

5. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.

6. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".

7. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

8. Please indicate with an "X" in the appropriate boxes how you wish your votes on the resolutions to be cast. Unless otherwise instructed, your proxy may vote or abstain from voting as he/she thinks fit. The vote "Withheld" option is to enable you to abstain on any particular resolution. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion.

9. CREST members should use the CREST electronic proxy appointment service and refer to note 7 of the Notice of Annual General Meeting in relation to the submission of a proxy via CREST.

10. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

Business Reply Plus
Licence Number
RLUB-TBUX-EGUC

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PXS 1
34 Beckenham Road
BECKENHAM
BR3 4ZF

# Form of Proxy for the General Meeting

I/We

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(*name in full in block capitals*)
of

----------------------------------------------------------------------------------------------------

----------------------------------------------------------------------------------------------------

being a member/members of Richoux Group plc (the "Company") hereby appoint the chairman of the meeting (see note 1 below)

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as my/our proxy at the General Meeting of the Company to be held at 10:10 am (or such later time as the Annual General Meeting for 2018 for the Company convened to be held at 10.00am on that date as concluded or adjourned) on 25th June 2018 at the offices of Dechert LLP, 160 Queen Victoria Street, London, EC4V 4QQ, and at any adjournment thereof.

Signature ---------------------------------------------------------------------------Dated---------------------------------------2018

*Notes:*

1. You may if you wish strike out the words "chairman of the meeting" and insert the name of some other person to act as your proxy in the space provided. All amendments to this form must be initialled. If you sign and return this form with no name inserted in the space the Chairman of the Meeting will be deemed to be your proxy. Where someone other than the Chairman is appointed as a proxy the member appointing him/her is responsible for ensuring that they attend the Meeting and are aware of his/her voting intentions. If a member wishes his/her proxy to speak on his/her behalf at the Meeting, he/she will need to appoint someone other than the Chairman and give his/her instructions directly to them.

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8. Please indicate with an "X" in the appropriate boxes how you wish your votes on the resolutions to be cast. Unless otherwise instructed, your proxy may vote or abstain from voting as he/she thinks fit. The vote "Withheld" option is to enable you to abstain on any particular resolution. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion.

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