

Registration number: 00425057

Cafe Rouge Restaurants Limited

Annual Report and Financial Statements

for the Period from 28 May 2018 to 26 May 2019

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Cafe Rouge Restaurants Limited

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Cafe Rouge Restaurants Limited

Company Information

Directors

G. David

J. Spragg

Registered office

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Solicitors

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Bankers

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Independent Auditors

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Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

Cafe Rouge Restaurants Limited
Strategic Report
for the Period from 28 May 2018 to 26 May 2019

The Directors present their strategic report for the period from 28 May 2018 to 26 May 2019.

Business Review

Summary

The principal activity of Cafe Rouge Restaurants Limited (the 'Company') is that of operating restaurants. There has been no change in this activity during the period. The Company is a subsidiary of Casual Dining Bidco Limited which forms one of the largest mid-market restaurant operators in the UK with 266 restaurants as at 26 May 2019. Refer to the consolidated financial statements of Casual Dining Bidco Limited for the review of the wider Group's performance in the current financial period.

On 15 August 2018 the Casual Dining Bidco Limited group was sold to funds under the control of KKR & Co. Inc.

Key results and position

Revenue for the 52 weeks ended 26 May 2019 was £74,030,000 (2018: £75,723,000).

The Company incurred a loss after tax of £25,164,000 for the 52 week period ended 26 May 2019 (2018: loss of £15,305,000).

The net assets of the Company at 26 May 2019 were £5,308,000 (2018: £30,472,000).

Exceptional costs

The Company incurred exceptional costs in the period of £16,999,000 (2018: £6,570,000) which are detailed in note 9 to the financial statements.

Principal risks and uncertainties

From the perspective of the Company, its principal risks and uncertainties are integrated with the principal risks of Casual Dining Bidco Limited and its subsidiaries ("the Group") of which the Company is a member and are not managed separately. The principal risks and uncertainties of the Group are disclosed in Casual Dining Bidco Limited's consolidated financial statements which does not form part of this report.

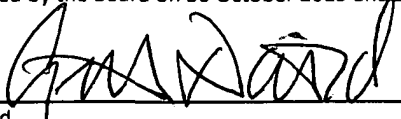
Future operational growth

From the perspective of the Company, its future operational growth is integrated with the future operational growth of the Group and is not managed separately. The future operational growth of the Group is disclosed in Casual Dining Bidco Limited's consolidated financial statements which does not form part of this report.

Key performance indicators

The Directors of Casual Dining Bidco Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Cafe Rouge Restaurants Limited. The development, performance and position of the business of the Group is discussed within the Strategic and Directors' Reports of Casual Dining Bidco Limited's consolidated financial statements which do not form part of this report.

Approved by the Board on 30 October 2019 and signed on its behalf by:


G. David
Director

Cafe Rouge Restaurants Limited
Directors' Report
for the Period from 28 May 2018 to 26 May 2019

The Directors present their annual report and the audited financial statements of Cafe Rouge Restaurants Limited ("the Company") for the period from 28 May 2018 to 26 May 2019.

Directors of the Company

The directors of the company who were in office during the period and up to the date of signing (unless otherwise stated) the financial statements were:

G. David

J. Spragg (appointed 30 April 2019)

S. Richards (resigned 30 April 2019)

Results and dividends

The results for the Company for the 52 week period ended 26 May 2019 are presented in the statement of comprehensive income on page 7.

The Directors do not propose the payment of a dividend (2018: £nil).

Review of developments and future prospects

The Company will continue to operate restaurants for the foreseeable future.

Financial risk management

From the perspective of the Company, the financial risks of the Company are integrated with the financial risks of the Group and are not managed separately. Accordingly, the management of the financial risks of the Group, which include those of the Company, are disclosed in Casual Dining Bidco Limited's consolidated financial statements which does not form part of this report.

Employee involvement

The Board recognises the importance of employees being fully informed of events which directly affect them and their working conditions. The Company has in place a number of channels of communication including regular team and area meetings, weekly and monthly publications and a company intranet. In addition, the management board carries out two business updates a period with all restaurant managers. Senior employees receive a bonus based upon business performance.

Employment of disabled persons

The Company's policy is that, wherever it is practicable and reasonable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion. Every effort is made to retain and assist any individuals disabled during their employment. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Going concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Casual Dining Bidco Limited. The Directors have received written confirmation that Casual Dining Bidco Limited intend to support the Company for at least one year after these financial statements are signed.

Cafe Rouge Restaurants Limited

Directors' Report for the Period from 28 May 2018 to 26 May 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

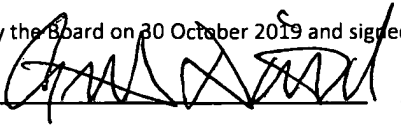
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant

Approved by the Board on 30 October 2019 and signed on its behalf by:



Giles David
Director

Independent auditors' report to the members of Cafe Rouge Restaurants Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cafe Rouge Restaurants Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 26 May 2019 and of its loss for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 26 May 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 26 May 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Gemma Clark

Gemma Clark (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 October 2019

Cafe Rouge Restaurants Limited

**Statement of Comprehensive Income
for the period from 28 May 2018 to 26 May 2019**

| | | 52 weeks ended 26 May 2019 | | | 52 weeks ended 27 May 2018 | | |
|---|------|--------------------------------|----------------------------------|----------|--------------------------------|----------------------------------|----------|
| | | Before exceptional items | Exceptional items (note 9) | Total | Before exceptional items | Exceptional items (note 9) | Total |
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | 3 | 74,030 | - | 74,030 | 75,723 | - | 75,723 |
| Cost of sales | | (74,724) | (9,383) | (84,107) | (75,946) | (6,174) | (82,120) |
| Gross loss | | (694) | (9,383) | (10,077) | (223) | (6,174) | (6,397) |
| Administrative expenses | | (7,569) | (7,616) | (15,185) | (8,531) | (396) | (8,927) |
| Operating loss before other losses | | (8,263) | (16,999) | (25,262) | (8,754) | (6,570) | (15,324) |
| Other gains/(losses) | 4 | 98 | - | 98 | (234) | - | (234) |
| Operating loss and loss before taxation | 5 | (8,165) | (16,999) | (25,164) | (8,988) | (6,570) | (15,558) |
| Tax on loss | 10 | - | - | - | 253 | - | 253 |
| Loss for the financial period and total comprehensive expense | | (8,165) | (16,999) | (25,164) | (8,735) | (6,570) | (15,305) |

The above results were derived from continuing operations unless otherwise stated.

The notes on pages 10 to 22 form an integral part of these financial statements.

Cafe Rouge Restaurants Limited

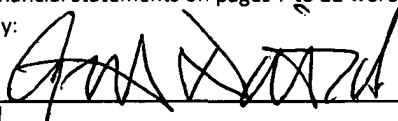
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Statement of Financial Position as at 26 May 2019

| | | 26 May 2019 | 27 May 2018 |
|-------------------------------|------|----------------|----------------|
| | Note | £'000 | £'000 |
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 28 | 29 |
| Property, plant and equipment | 12 | 8,824 | 17,132 |
| Investments | 13 | - | 7,287 |
| Deferred tax assets | 10 | 3,283 | 3,283 |
| | | <u>12,135</u> | <u>27,731</u> |
| Current assets | | | |
| Inventories | 14 | 825 | 747 |
| Trade and other receivables | 15 | 435 | 9,041 |
| Prepayments | | 930 | 850 |
| Cash and cash equivalents | | 4 | 5 |
| | | <u>2,194</u> | <u>10,643</u> |
| Total assets | | <u>14,329</u> | <u>38,374</u> |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 16 | (5,113) | (5,295) |
| Provisions for liabilities | 17 | (3,908) | (2,607) |
| | | <u>(9,021)</u> | <u>(7,902)</u> |
| Net assets | | <u>5,308</u> | <u>30,472</u> |
| Equity | | | |
| Called up share capital | 18 | 2,709 | 2,709 |
| Profit and loss account | | 2,599 | 27,763 |
| Total equity | | <u>5,308</u> | <u>30,472</u> |

These financial statements on pages 7 to 22 were approved by the Board of Directors on 30 October 2019 and signed on its behalf by:

G. David
Director



The notes on pages 10 to 22 form an integral part of these financial statements.

Cafe Rouge Restaurants Limited

**Statement of Changes in Equity
for the period from 28 May 2018 to 26 May 2019**

| | Share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|--------------------------|------------------------------------|----------------------|
| At 29 May 2017 | 2,709 | 43,068 | 45,777 |
| Loss for the financial period and total comprehensive expense | - | (15,305) | (15,305) |
| At 27 May 2018 | 2,709 | 27,763 | 30,472 |
| At 28 May 2018 | 2,709 | 27,763 | 30,472 |
| Loss for the financial period and total comprehensive expense | - | (25,164) | (25,164) |
| At 26 May 2019 | 2,709 | 2,599 | 5,308 |

The notes on pages 10 to 22 form an integral part of these financial statements.

Cafe Rouge Restaurants Limited
Notes to the Financial Statements
for the Period from 28 May 2018 to 26 May 2019

1. General Information

Cafe Rouge Restaurants Limited ("the Company") is incorporated in the United Kingdom. The registered office is 1st Floor, 163 Eversholt Street, London NW1 1BU. The Company is a subsidiary of Casual Dining Bidco Limited which forms one of the largest mid-market restaurant operators in the UK with 266 restaurants as at 26 May 2019, operating primarily under the Café Rouge, Bella Italia and Las Iguanas brands.

Information on the ultimate parent of the Company is provided in Note 21.

2. Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The financial statements of the Company have been prepared for the accounting period ended 26 May 2019.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The functional and presentational currency of the Company is pounds sterling, rounded to the nearest thousand.

Going Concern

The Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Casual Dining Bidco Limited. The Directors have received written confirmation that Casual Dining Bidco Limited intend to support the Company for at least one year after these financial statements are signed.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IAS 7 "Statement of cash flows"
- Paragraph 30 of IAS 8 "Accounting policies, changes in accounting estimates and errors" (disclosure of standard issued but not yet adopted)
- IFRS 7 "Financial Instruments: Disclosures"
- Paragraph 17 of IAS 24, "Related party disclosures" (key management compensation)
- The requirements in IAS 24, "Related party disclosures" to disclose related party transactions entered into between two or more members of a group.
- With respect to IFRS 15 disclosure exemptions from the second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129.

Exemption from preparing Group financial statements

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 and has not prepared Group financial statements. Casual Dining Bidco Limited is registered in England and Wales and has drawn up consolidated financial statements for the period ended 26 May 2019, which includes the Company.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

2. Accounting policies (continued)

Changes in accounting policy and disclosures

IFRS 9, 'Financial Instruments' and IFRS 15 'Revenues from Contracts with Customers' are new accounting standards that are effective for periods beginning on or after 1 January 2018. The Company has therefore adopted these standards for the first time in the period ended 26 May 2019 using the modified retrospective approach.

IFRS 15 requires revenue recognition that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to, in exchange for those goods or services. IFRS 15 has been adopted using the modified retrospective approach and no practical expedients have been applied. Adoption of IFRS 15 has not had a material impact on the recognition or measurement of revenue.

Adoption of IFRS 9 financial assets that were previously classified as loans and receivables under IAS 39 are now categorised as financial assets at amortised cost. The change in classification has not affected the measurement of these assets. Impairment of financial assets is assessed based on the expected credit loss model under IFRS 9, rather than the incurred loss model that was previously used. The Company has applied the simplified approach permitted under IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables based on current, historic and forward-looking information. Application of the new impairment model has not had a material impact on the carrying value of expected credit losses and no adjustments have been made to the opening impairment provision balance.

There were no other changes to the accounting standards in the current year that had an impact on the Company.

Revenue recognition

Revenue from the sale of goods or services is recognised when the Company has satisfied its performance obligations by providing goods or service to the customer. Provision of goods and services are considered to be transferred at the point of sale and as such revenue is recognised at a point in time. Revenue is shown net of discounts and VAT or other sales related taxes. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from gift cards and gift vouchers sold by the Company or a third-party is recognised on the redemption of the gift card or gift voucher, with the customer obtaining the benefit of the gift card on redemption. A contract liability is recognised for any vouchers or gift cards outstanding at the year-end; contract liabilities are included within trade payables.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

2. Accounting policies (continued)

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Company the ability to control the reversal of the temporary difference is the deferred tax liability not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Property, plant and equipment are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Impairment losses in relation to site held property, plant and equipment is included in cost of sales.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Depreciation method and rate

Land, buildings and leasehold

Over their remaining lease periods, except where the anticipated renewal or extension of the lease is sufficiently certain that a longer estimated useful life is appropriate. Current legislation and the terms of the lease contracts are such that in most instances, leases are readily extendible by an additional 15 years. The maximum depreciation period for leasehold improvements is 30 years.

Furniture, fittings, and equipment

Over 4 to 25 years

Depreciation of site held assets is included in cost of sales.

Software

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised software is amortised on a straight-line basis over its estimated useful life of eight years and is included in cost of sales.

Impairment of non-financial assets

Impairment reviews of non-financial assets are performed by management when there are indicators of impairment.

The carrying value of property, plant and equipment are reviewed for impairment if event or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of property, plant and equipment below depreciated historical cost is charged to the consolidated statement of comprehensive income. Profits and losses on disposal of property, plant and equipment reflect the difference between the net selling price and the net book value at the date of disposal.

Impairment reviews of property, plant and equipment are performed by management when there is an indication of impairment, with any resulting impairment charged through exceptional cost of sales.

Investments

Investments are stated at cost less provision for any impairment in value. Impairment reviews are performed by the Directors when there is an indication of impairment.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

2. Accounting policies (continued)

Capitalisation of staff costs

Directly attributable costs in relation to site preparations (new installations and major refurbishments) and software development include employee costs that are capitalised as tangible and intangible assets respectively, only when it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably and are directly attributable to the creation of the asset. Capitalisation of costs ceases when the asset is capable of operating in the manner intended by management.

Cash and cash equivalents

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in statement of comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below.

Financial assets

Financial assets comprise cash and cash equivalents and trade and other receivables. The Company classifies all of its financial assets as assets at amortised costs as they are held with the objective to collect the contractual cash flows and these contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). They are initially recognised at fair value plus directly attributable transaction costs, and subsequently at amortised cost using the effective interest method less provisions for impairment. The Company applies the IFRS 9-simplified approach to measuring the expected credit loss by measured by reviewing trade receivables on a customer basis which are past due.

Financial liabilities

Financial liabilities comprise borrowings and trade and other payables. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

2. Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Exceptional items

Costs incurred in the period which are classified as exceptional are those which are material in nature and derive from events or transactions that do not fall within the ordinary activities of the Company and which are individually, or in aggregate, of such size or incidence to require specific disclosure.

Pre-opening costs

Property rentals and other pre-opening costs incurred up to the date of opening a new restaurant, or major refurbishment, are recognised in the statement of comprehensive income in the period in which they arise.

Significant accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies as described above. The following are the most significant:

a) Impairment of property, plant and equipment

The Company determines whether an item of property, plant and equipment is impaired by considering indicators of impairment. If indicators of impairment are present, the Company must calculate the value in use which requires the Company to estimate future cash flows and choose a discount rate to calculate the present value of those cash flows.

b) Onerous contract provisions

Onerous contract provisions are made for the future net costs of leasehold properties which are vacant, loss making, or sublet below passing rent. Provisions are based on discounted future net cash outflows, as estimated by management.

c) Investments

The Company's management assesses the carrying value of investments annually for impairment. Any impairment is charged to the statement of comprehensive income.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

3. Revenue

The analysis of the Company's revenue for the period from operations is as follows:

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|---------------|---|---|
| Sale of goods | 74,030 | 75,723 |
| | <u>74,030</u> | <u>75,723</u> |

All the Company's revenues are derived from the UK.

4. Other (gains)/losses

The analysis of the Company's other (gains)/losses for the period is as follows:

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|--|---|---|
| (Profit)/loss on disposal of property, plant and equipment | (98) | 234 |

5. Operating loss

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|------------------------------------|---|---|
| Depreciation (note 12) | 4,109 | 4,872 |
| Amortisation (note 11) | 5 | 4 |
| Exceptional items (note 9) | 16,999 | 6,570 |
| Operating lease expense - property | <u>9,493</u> | <u>9,671</u> |

6. Staff costs

All staff are employed by a fellow subsidiary, Casual Dining Services Limited. Staff costs recharged to the company in the period amounted to £29,214,000 (2018: £29,314,000).

7. Directors' remuneration

The directors did not receive any emoluments from the Company in respect of services provided to the Company (2018: £nil). Casual Dining Bidco Limited recharges the company for directors' services under a cost plus arrangement and these costs are reported within Administrative Expenses.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

8. Auditors' remuneration

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|-----------------------------------|---|---|
| Audit of the financial statements | - | - |
| Other fees to auditors | | |
| All other tax advisory services | - | - |
| All other non-audit services | - | - |
| | - | - |

The current period auditors' remuneration of £19,500 (2018: £27,150) was borne by a fellow Group company. Fees paid in the current period to the Company's auditor, PricewaterhouseCoopers LLP, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated financial statements of the Company's parent company Casual Dining Bidco Limited.

9. Exceptional items

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|---|---|---|
| Charged to cost of sales: | | |
| Net increase in onerous contract provision categorised as exceptional | 3,134 | 1,813 |
| Impairment of property, plant and equipment (note 12) | 6,249 | 4,361 |
| | 9,383 | 6,174 |
| Charged to administrative expenses: | | |
| Impairment of investments (note 13) | 7,287 | - |
| Reorganisation and people related costs | 329 | 396 |
| | 7,616 | 396 |
| Total exceptional items | 16,999 | 6,570 |

The tax effect in the statement of comprehensive income relating to the exceptional items recognised below operating loss is a charge of £Nil (2018 - £Nil).

An impairment review was conducted across the Company and highlighted sites which management consider to have onerous fixed cost obligations, for which a charge of £3,134,000 was recorded, net of prior period provisions released and provisions utilised (2018 - £1,813,000). Fixed assets of £6,249,000 have also been impaired (2018 - £4,361,000), largely due to sites that are not considered part of the core business, and for which a provision for onerous leases has been recognised.

During the period the Company impaired in full the carrying value of its investments resulting in a charge of £7,287,000 (2018 - £Nil).

During the period the Company continued its reorganisation of the business that began in the prior period incurring reorganisation and people costs of £329,000 of redundancy costs (2018 - £396,000).

Cafe Rouge Restaurants Limited

**Notes to the Financial Statements
for the Period from 28 May 2018 to 26 May 2019 (continued)**

10. Tax on loss

Tax charged/(credited) in the statement of comprehensive income:

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|--|---|---|
| Current taxation | | |
| UK corporation tax | - | - |
| UK corporation tax adjustment to prior periods | - | (267) |
| | <u>-</u> | <u>(267)</u> |
| Deferred taxation | | |
| Origination and reversal of temporary differences | - | 14 |
| Effects of changes in tax rates | - | - |
| Adjustment in respect of previous periods | - | - |
| Total deferred taxation | <u>-</u> | <u>14</u> |
| Tax charge/(recovery) in the statement of comprehensive income | <u>-</u> | <u>(253)</u> |

The tax on loss before taxation for the period is higher than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018: 19%). The tax rate for the prior period is based on a weighted average rate of enacted corporation tax rates during the period.

The differences are reconciled below:

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|--|---|---|
| Loss before tax | <u>(25,164)</u> | <u>(15,558)</u> |
| Corporation tax at standard rate | (4,781) | (2,956) |
| Effects of: | | |
| Adjustment in respect of prior periods | - | (267) |
| Depreciation in excess of capital allowances | 607 | 709 |
| Income not subject to tax | (61) | - |
| Expenses not deductible for tax purposes | 2,788 | 1,070 |
| Losses carried forward | 1,176 | - |
| Origination and reversal of temporary differences | (146) | (137) |
| Group relief surrendered for nil consideration | 417 | 1,328 |
| Tax charge/(recovery) in the statement of comprehensive income | <u>-</u> | <u>(253)</u> |

The Company has an unrecognised deferred tax asset in respect of fixed assets temporary differences of £7,019,256 (2018 - £5,658,764) and losses carried forward of £1,263,641 (2018 - £211,594) due to it not being sufficiently probable that these will be utilised in the near future.

The Finance Act 2015 introduced a reduction in the main rate of corporation tax from 20% to 19% from April 2017 and from 19% to 18% from April 2020. These reductions were substantively enacted on 26 October 2015. A rate of 19% (2018: blended rate of 19%) has been used to calculate the tax provision for the 52 weeks to 26 May 2019. The Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from April 2020. This was substantively enacted on 6 September 2016. The net deferred tax liability at the balance sheet date has been calculated at this rate.

Cafe Rouge Restaurants Limited

**Notes to the Financial Statements
for the Period from 28 May 2018 to 26 May 2019 (continued)**

10. Tax on loss (continued)

| | 28 May 2018 to 26 May 2019 £'000 | 29 May 2017 to 27 May 2018 £'000 |
|---|---|---|
| Deferred tax asset | | |
| At the beginning or the period | 3,283 | 3,297 |
| Statement of comprehensive income charge | - | (14) |
| At the end of the period | <u>3,283</u> | <u>3,283</u> |
| Deferred tax consists of: | | |
| Depreciation in advance of capital allowances | 3,246 | 3,246 |
| Other temporary differences | 37 | 37 |
| | <u>3,283</u> | <u>3,283</u> |
| Amount expected to be recovered or settled: | | |
| Within one year | 200 | 2,500 |
| After one year | 3,083 | 783 |
| | <u>3,283</u> | <u>3,283</u> |

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable. The Directors consider there will be sufficient taxable income generated to realise the benefit of the deferred tax assets and that no reasonably possible change in any of the key assumptions forming part of their forecasts and assessments would result in a material reduction in forecast headroom of tax profits so that the recognised deferred tax asset would not be realised.

11. Intangible assets

| | Software £'000 |
|---------------------------------|-------------------|
| Cost or valuation | |
| At 28 May 2018 | 38 |
| Additions | 3 |
| At 26 May 2019 | <u>42</u> |
| Accumulated amortisation | |
| At 28 May 2018 | 9 |
| Amortisation charge | 5 |
| At 26 May 2019 | <u>14</u> |
| Carrying amount | |
| At 26 May 2019 | <u>28</u> |
| At 27 May 2018 | <u>29</u> |

Cafe Rouge Restaurants Limited

**Notes to the Financial Statements
for the Period from 28 May 2018 to 26 May 2019 (continued)**

12. Property, plant and equipment

| | Land, buildings and leaseholds £'000 | Furniture, fittings and equipment £'000 | Total £'000 |
|---------------------------------|---|--|----------------|
| Cost or valuation | | | |
| At 28 May 2018 | 22,585 | 67,409 | 89,994 |
| Additions | 242 | 2,103 | 2,345 |
| Disposals | (1,718) | (4,323) | (6,041) |
| At 26 May 2019 | <u>21,109</u> | <u>65,189</u> | <u>86,298</u> |
| Accumulated depreciation | | | |
| At 28 May 2018 | 16,253 | 56,609 | 72,862 |
| Charge for period | 818 | 3,291 | 4,109 |
| Eliminated on disposal | (1,612) | (4,134) | (5,746) |
| Impairment | 2,762 | 3,487 | 6,249 |
| At 26 May 2019 | <u>18,221</u> | <u>59,253</u> | <u>77,474</u> |
| Carrying amount | | | |
| At 26 May 2019 | <u>2,888</u> | <u>5,936</u> | <u>8,824</u> |
| At 27 May 2018 | <u>6,332</u> | <u>10,800</u> | <u>17,132</u> |

In the period to 26 May 2019 an impairment of £6,249,000 (2018: £4,361,000) was identified in assets held at loss making restaurants. For the purposes of tangible asset impairment reviews the Group considers each trading outlet to be a CGU. In assessing whether a CGU has been impaired, the carrying amount of assets within the CGU is compared to their recoverable amount based on their value in use.

Cafe Rouge Restaurants Limited

Notes to the Financial Statements for the Period from 28 May 2018 to 26 May 2019 (continued)

13. Investments in subsidiaries

| | £'000 |
|--------------------------|---------------------|
| Cost or valuation | |
| At 28 May 2018 | 7,287 |
| At 26 May 2019 | <u>7,287</u> |
| Provision | |
| At 28 May 2018 | - |
| Impairment | <u>7,287</u> |
| At 26 May 2019 | <u>7,287</u> |
| Carrying amount | |
| At 26 May 2019 | - |
| At 27 May 2018 | <u><u>7,287</u></u> |

During the period the Company impaired in full the carrying value of its investments.

Details of the subsidiaries as at 26 May 2019 are as follows:

| Name of subsidiary | Principal activity | Country or incorporation and principal place of business | Proportion of ownership interest and voting rights and shares held by the group | |
|-----------------------------------|--------------------|---|--|------|
| | | | 2019 | 2018 |
| Oriel Restaurants Limited* | Restaurateur | England and Wales | 100% | 100% |
| Ortega Restaurants Limited* | Restaurateur | England and Wales | 100% | 100% |
| Abbaye Restaurants Limited* | Restaurateur | England and Wales | 100% | 100% |
| Ortega Bars Limited* | Restaurateur | England and Wales | 100% | 100% |
| Mamma Amalfi Restaurants Limited* | Restaurateur | England and Wales | 100% | 100% |
| Espresso UK Limited* | Restaurateur | England and Wales | 100% | 100% |
| Espresso Limited* | Restaurateur | England and Wales | 100% | 100% |
| Café Pelican Limited* | Dormant | England and Wales | 100% | 100% |
| Huxleys Bar & Kitchen Limited* | Restaurateur | England and Wales | 100% | 100% |
| Café Rouge International Limited* | Franchising | England and Wales | 100% | 100% |
| Red Restaurants Limited* | Dormant | England and Wales | 100% | 100% |
| Café Rouge Limited | Dormant | England and Wales | 100% | 100% |

*indicates direct investment of the Company.

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries, the country of incorporation and effective percentage ownership has been disclosed above with this note.

The registered office of all the subsidiaries is 163 Eversholt Street, London NW1 1BU.

14. Inventories

| | 26 May 2019 £'000 | 27 May 2018 £'000 |
|-------------------|-------------------------|-------------------------|
| Food and beverage | <u>825</u> | <u>747</u> |

The cost of inventory expensed and charged to cost of sales in the period is £18,831,000 (2018 - £17,784,964). The replacement cost at 26 May 2019 is not considered by the Directors to be materially different from the balance sheet value. At 26 May 2019 there was £nil provision held against inventory (2018 - £nil).

Cafe Rouge Restaurants Limited

**Notes to the Financial Statements
for the Period from 28 May 2018 to 26 May 2019 (continued)**

15. Trade and other receivables

| | 26 May 2019 £'000 | 27 May 2018 £'000 |
|--|-------------------------|-------------------------|
| Trade receivables | 154 | 242 |
| Amounts owed by other members of the Group | - | 7,576 |
| Other receivables | 281 | 1,223 |
| Total current trade and other receivables | <u>435</u> | <u>9,041</u> |

Amounts owed by other members of the Group have no fixed repayment date, are interest free and unsecured.

16. Trade and other payables

| | 26 May 2019 £'000 | 27 May 2018 £'000 |
|--|-------------------------|-------------------------|
| Trade payables | 253 | 365 |
| Accrued expenses | 3,594 | 4,713 |
| Amounts owed to other members of the Group | 998 | - |
| Other payables | 268 | 217 |
| | <u>5,113</u> | <u>5,295</u> |

Amounts owed to other members of the Group have no fixed repayment date, are interest free and unsecured.

17. Provisions for other liabilities and charges

| | Onerous Contracts £'000 |
|-------------------------------|-------------------------------|
| At 28 May 2018 | 2,607 |
| Additional provisions | 3,047 |
| Provisions utilised | (1,833) |
| Net (unused)/under provisions | 87 |
| At 26 May 2019 | <u>3,908</u> |

Onerous contracts provision

The provision for onerous contracts is in respect to operating lease arrangements, and represents estimated cash flows over the period that the contracts are considered onerous.

Provisions are recognised on arrangements where forecast results return an expected loss over the period the contracts are considered onerous. Forecasts are based on assumption for growth and margin outcomes which management assess to be reasonably possible. The provisions are expected to be utilised over the lease terms.

18. Called up share capital

Allocated, called up and fully paid shares

| | 26 May 2019 No. 000 | 26 May 2019 £'000 | 27 May 2018 No. 000 | 27 May 2018 £'000 |
|-------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| Ordinary shares of £0.20 each | <u>13,547</u> | <u>2,709</u> | <u>13,547</u> | <u>2,709</u> |

19. Lease commitments

Operating leases - land and buildings

The total future value of minimum lease payments is as follows:

| | 26 May 2019 £'000 | 27 May 2018 £'000 |
|----------------------|-------------------------|-------------------------|
| Within one year | 8,130 | 9,023 |
| In one to five years | 27,671 | 31,982 |
| In over five years | 25,971 | 36,011 |
| | <u>61,772</u> | <u>77,016</u> |

Cafe Rouge Restaurants Limited

**Notes to the Financial Statements
for the Period from 28 May 2018 to 26 May 2019 (continued)**

20. Related party transactions

The Company has taken advantage of the exemption in FRS101 "Related Party Disclosures" from disclosing transactions with other members of the Group.

21. Parent and ultimate parent undertaking

The immediate parent undertaking is Casual Dining Limited, registered in England and Wales which together with its subsidiaries form the smallest Group of which the Company is a member and for which Group financial statements are prepared.

At the date of signing these financial statements the Company considers Dining (UK) Holdco LLP, a limited liability partnership incorporated in England and Wales, as the ultimate parent undertaking and form the largest group of which the Company is a member and for which group financial statements are prepared. The Company considers KKR & Co. Inc, through its managed funds, to be the ultimate controlling party.