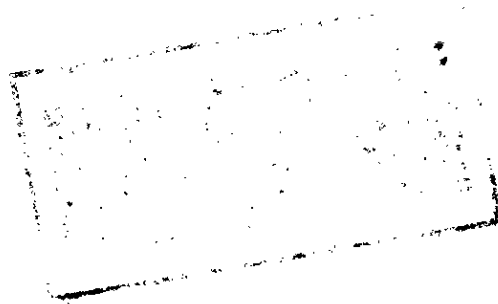


Registration number: 00425057

# Cafe Rouge Restaurants Limited

Annual Report and Financial Statements

for the Period from 29 May 2017 to 27 May 2018



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## **Cafe Rouge Restaurants Limited**

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## **Cafe Rouge Restaurants Limited**

### **Company Information**

#### **Directors**

G. David  
S. Richards

#### **Registered office**

1st Floor  
163 Eversholt Street  
London  
NW1 1BU

#### **Solicitors**

Taylor Wessing  
5 New Street Square  
London  
EC4A 3TW

#### **Bankers**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

**Cafe Rouge Restaurants Limited**  
**Strategic Report**  
**for the Period from 29 May 2017 to 27 May 2018**

The Directors present their strategic report for the period from 29 May 2017 to 27 May 2018.

**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 276 restaurants as at 27 May 2018. Refer to the financial statements of Casual Dining Bidco Limited for the review of the wider Group's performance in the current financial period.

*Key results and position*

Revenue for the 52 weeks ended 27 May 2018 was £75,723,000 (2017: £79,451,000).

The Company incurred a loss on ordinary activities after tax of £15,305,000 for the 52 week period ended 27 May 2018 (2017: loss of £15,595,000).

The net assets of the Company at 27 May 2018 were £30,472,000 (2017: £45,777,000).

*Exceptional costs*

The Company incurred exceptional costs in the period of £6,570,000 (2017: £5,000,000) which are detailed in note 10 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 29 November 2018 and signed on its behalf by:

  
\_\_\_\_\_  
G. David  
Director

**Cafe Rouge Restaurants Limited**  
**Directors' Report**  
**for the Period from 29 May 2017 to 27 May 2018**

The Directors present their annual report and the audited financial statements of Café Rouge Restaurants Limited ("the Company") for the period from 29 May 2017 to 27 May 2018.

**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 (appointed 21 June 2017)

T. Doubleday (resigned 31 August 2017)

S. Richards

**Results and dividends**

The results for the Company for the 52 week period ended 27 May 2018 are presented in the statement of comprehensive income on page 7.

The Directors do not propose the payment of a dividend (2017: £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**

At the date of these financial statements, the directors have carried out a detailed and comprehensive review of the business and its future prospects in the context of the wider Casual Dining Bidco Limited Group. In particular they have compared the forecast future performance of the Group and anticipated cash flows with the available financing facilities and covenants contained in the Group's current financing arrangements. As a result of this review, the directors are reasonably confident that the Company has sufficient resources to continue as a going concern for the foreseeable future.

**Subsequent events**

As more fully disclosed in the financial statements of Casual Dining Bidco Limited, a refinancing of the Group was concluded on 15 August 2018, which resulted in the Group being sold to funds under the control of KKR. Apollo, the previous controlling shareholder, remain a material shareholder of the Group.

## **Cafe Rouge Restaurants Limited**

### **Directors' Report for the Period from 29 May 2017 to 27 May 2018 (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 Group and 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.

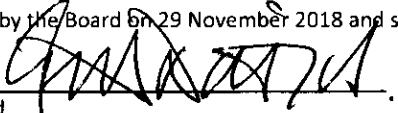
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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 29 November 2018 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**

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### **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 27 May 2018 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 27 May 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the period from 29 May 2017 to 27 May 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **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.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

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.

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### **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 27 May 2018 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](http://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.

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## **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** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 November 2018



**Cafe Rouge Restaurants Limited**

**Statement of Comprehensive Income  
for the period from 29 May 2017 to 27 May 2018**

		52 weeks ended 27 May 2018			52 weeks ended 28 May 2017		
		Before exceptional items	Exceptional items (note 10)	Total	Before exceptional items	Exceptional items (note 10)	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	3	75,723	-	75,723	79,451	-	79,451
Cost of sales		(75,946)	(6,174)	(82,120)	(74,901)	(4,161)	(79,062)
Gross (loss) /profit		(223)	(6,174)	(6,397)	4,550	(4,161)	389
Administrative expenses		(8,531)	(396)	(8,927)	(13,426)	(839)	(14,265)
Operating loss before other losses		(8,754)	(6,570)	(15,324)	(8,876)	(5,000)	(13,876)
Other losses	4	(234)	-	(234)	(977)	-	(977)
Operating loss	5	(8,988)	(6,570)	(15,558)	(9,853)	(5,000)	(14,853)
Finance costs	6	-	-	-	(237)	-	(237)
Loss before tax		(8,988)	(6,570)	(15,558)	(10,090)	(5,000)	(15,090)
Tax on loss	11	253	-	253	(505)	-	(505)
Loss for the financial period and total comprehensive expense		(8,735)	(6,570)	(15,305)	(10,595)	(5,000)	(15,595)

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**

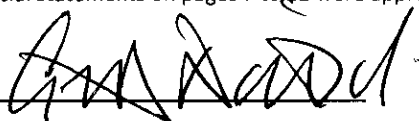
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**Statement of Financial Position as at 27 May 2018**

	Note	27 May 2018 £'000	28 May 2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	29	3,523
Property, plant and equipment	13	17,132	31,476
Investments	14	7,287	7,287
Deferred tax assets	11	3,283	3,297
		<u>27,731</u>	<u>45,583</u>
<b>Current assets</b>			
Inventories	15	747	924
Trade and other receivables	16	9,041	14,935
Prepayments		850	1,604
Cash and cash equivalents		5	6
		<u>10,643</u>	<u>17,469</u>
<b>Total assets</b>		<u>38,374</u>	<u>63,052</u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(5,295)	(15,947)
Provisions for liabilities	18	(2,607)	(1,328)
		<u>(7,902)</u>	<u>(17,275)</u>
<b>Net assets</b>		<u>30,472</u>	<u>45,777</u>
<b>Equity</b>			
Share capital	19	2,709	2,709
Profit and loss account		27,763	43,068
<b>Total equity and liabilities</b>		<u>30,472</u>	<u>45,777</u>

These financial statements on pages 7 to 22 were approved by the Board of Directors on 29 November 2018 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 29 May 2017 to 27 May 2018**

	Share capital £000	Profit and loss account £000	Total equity £000
At 30 May 2016	2,709	58,663	61,372
Comprehensive loss for the period	-	(15,595)	(15,595)
At 28 May 2017	<u>2,709</u>	<u>43,068</u>	<u>45,777</u>
At 29 May 2017	2,709	43,068	45,777
Comprehensive loss for the period	-	(15,305)	(15,305)
At 27 May 2018	<u>2,709</u>	<u>27,763</u>	<u>30,472</u>

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 29 May 2017 to 27 May 2018**

#### **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 276 restaurants as at 27 May 2018, operating primarily under the Café Rouge, Bella Italia, Las Iguanas and La Tasca brands.

Information on the ultimate parent of the Company is provided in Note 22.

#### **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 27 May 2018.

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**

At the date of these financial statements, the directors have carried out a detailed and comprehensive review of the business and its future prospects in the context of the wider Casual Dining Bidco Limited Group. In particular they have compared the forecast future performance of the Group and anticipated cash flows with the available financing facilities and covenants contained in the Group's current financing arrangements. As a result of this review, the directors are reasonably confident that the Company has sufficient resources to continue as a going concern for the foreseeable future.

##### **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.

##### **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 27 May 2018, which includes the Company.

## **Cafe Rouge Restaurants Limited**

### **Notes to the Financial Statements for the Period from 29 May 2017 to 27 May 2018 (continued)**

#### **2. Accounting policies (continued)**

##### **Changes in accounting policy and disclosures**

None of the standards, interpretations and amendments effective for the first time for the period ended 27 May 2018 has had a material effect on the financial statements.

##### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, refunds and discounts.

The Company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the Company's activities.

The Company's revenue is comprised of food and beverage sales at restaurants.

##### **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.

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.

**Cafe Rouge Restaurants Limited**

**Notes to the Financial Statements**  
**for the Period from 29 May 2017 to 27 May 2018 (continued)**

**2. Accounting policies (continued)**

**Property, plant and equipment**

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:

<i>Asset class</i>	<i>Depreciation method and rate</i>
	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.
Land, buildings and leaseholds	
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 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.

**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.

## **Cafe Rouge Restaurants Limited**

### **Notes to the Financial Statements for the Period from 29 May 2017 to 27 May 2018 (continued)**

#### **2. Accounting policies (continued)**

##### **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 profit or loss.

##### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in 12 months or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

##### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **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.

## Cafe Rouge Restaurants Limited

### Notes to the Financial Statements for the Period from 29 May 2017 to 27 May 2018 (continued)

#### 2. Accounting policies (continued)

##### 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) Dilapidations provisions

The Company's management provides for dilapidation and related costs as and when it can reliably estimate the cost incurred during the occupancy of a leased property. The cost is then charged to the statement of comprehensive income.

#### 3. Revenue

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

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
Sale of goods	75,723	79,382
Other revenue	-	69
	<u>75,723</u>	<u>79,451</u>

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

#### 4. Other losses

The analysis of the Company's other losses for the period is as follows:

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
Loss on disposal of property, plant and equipment	234	977

#### 5. Operating loss

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
Depreciation (note 13)	4,872	7,469
Amortisation (note 12)	4	626
Exceptional items (note 10)	6,570	5,000
Operating lease expense - property	<u>9,671</u>	<u>9,071</u>



# Cafe Rouge Restaurants Limited

## Notes to the Financial Statements for the Period from 29 May 2017 to 27 May 2018 (continued)

### 6. Finance costs

29 May 2017 to 27 May 2018	30 May 2016 to 28 May 2017
£'000	£'000

Other finance costs

-	237
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Other finance costs include amounts paid on behalf of another member of the Group on a derivative finance instrument, as well as a surcharge on a late payment.

### 7. 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 £29,314,000 (2017: £29,041,000).

### 8. Directors' remuneration

The directors did not receive any emoluments from the Company in respect of services provided to the Company (2017: £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 29 May 2017 to 27 May 2018 (continued)

#### 9. Auditors' remuneration

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
Audit of the financial statements	-	-
<b>Other fees to auditors</b>		
All other tax advisory services	-	-
All other non-audit services	-	-
	-	-

The current period auditors' remuneration of £27,150 (2017: £40,000) 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.

#### 10. Exceptional items

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
Charged to cost of sales:		
Net increase in onerous contract provision categorised as exceptional	1,813	789
Impairment of property, plant and equipment (note 13)	4,361	3,372
	6,174	4,161
Charged to administrative expenses:		
Reorganisation and people related costs	396	369
Brand development costs	-	470
	396	839
Total exceptional items	6,570	5,000

The tax effect in the statement of comprehensive income relating to the exceptional items recognised below operating loss is a charge of £Nil (2017 - £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 £1,813,000 was recorded, net of prior period provisions released and provisions utilised (2017 - £789,000). Fixed assets of £4,361,000 have also been impaired (2017 - £3,372,000), 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 continued its reorganisation of the business that began in the prior period incurring reorganisation and people costs of £396,000 of redundancy costs (2017 - £369,000).

In the prior period £470,000 of brand developments costs were incurred.

# Cafe Rouge Restaurants Limited

## Notes to the Financial Statements for the Period from 29 May 2017 to 27 May 2018 (continued)

### 11. Tax on loss

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

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
<b>Current taxation</b>		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	(267)	-
	<u>(267)</u>	<u>-</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	14	5
Effects of changes in tax rates	-	211
Adjustment in respect of previous periods	-	289
Total deferred taxation	<u>14</u>	<u>505</u>
Tax (recovery) / charge in the statement of comprehensive income	<u>(253)</u>	<u>505</u>

The tax on loss before tax for the period is lower than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017: 19.8%). 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:

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
Loss before tax	(15,558)	(15,090)
Corporation tax at standard rate	(2,956)	(2,992)
Effects of:		
Adjustment in respect of prior periods	(267)	289
Depreciation in excess of capital allowances	709	1,242
Income not subject to tax	-	(35)
Expenses not deductible for tax purposes	1,070	1,094
Effect of changes in tax rates	-	211
Lease premium relief	-	(1)
Origination and reversal of temporary differences	(137)	248
Rolled over gains	-	1
Group relief surrendered for nil consideration	1,328	448
Tax (recovery) / charge in the statement of comprehensive income	<u>(253)</u>	<u>505</u>

The Company has an unrecognised deferred tax asset in respect of fixed assets temporary differences of £5,799,305 (2017 - £3,106,314) and losses carried forward of £158,552 (2017 - £158,552) 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% (2017: blended rate of 19.8%) has been used to calculate the tax provision for the 52 weeks to 27 May 2018. 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 29 May 2017 to 27 May 2018 (continued)**

**11. Tax on loss (continued)**

	29 May 2017 to 27 May 2018 £'000	30 May 2016 to 28 May 2017 £'000
<b>Deferred tax asset</b>		
At the beginning or the period	3,297	3,802
Statement of comprehensive income credit / (charge)	(14)	(505)
At the end of the period	<u>3,283</u>	<u>3,297</u>
Deferred tax consists of:		
Depreciation in advance of capital allowances	3,246	3,247
Other temporary differences	37	50
	<u>3,283</u>	<u>3,297</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. Recovery is expected in more than twelve months after the reporting period.

**12. Intangible assets**

	Software £'000
<b>Cost or valuation</b>	
At 29 May 2017	5,975
Additions	-
Transfer to other Group Companies	(5,937)
At 27 May 2018	<u>38</u>
<b>Accumulated amortisation</b>	
At 29 May 2017	2,452
Amortisation charge	4
Transfer to other Group Companies	(2,447)
At 27 May 2018	<u>9</u>
<b>Carrying amount</b>	
At 27 May 2018	<u>29</u>
At 28 May 2017	<u>3,523</u>

**Cafe Rouge Restaurants Limited**

**Notes to the Financial Statements  
for the Period from 29 May 2017 to 27 May 2018 (continued)**

**13. Property, plant and equipment**

	Land, buildings and leaseholds £'000	Furniture, fittings and equipment £'000	Total £'000
<b>Cost or valuation</b>			
At 29 May 2017	23,971	78,446	102,417
Additions	60	2,565	2,625
Disposals	(323)	(531)	(854)
Transfer to other Group companies	(1,123)	(13,071)	(14,194)
At 27 May 2018	<u>22,585</u>	<u>67,409</u>	<u>89,994</u>
<b>Accumulated depreciation</b>			
At 29 May 2017	14,309	56,632	70,941
Charge for period	973	3,899	4,872
Eliminated on disposal	(321)	(515)	(836)
Impairment	1,414	2,947	4,361
Transfer to other Group companies	(122)	(6,354)	(6,476)
At 27 May 2018	<u>16,253</u>	<u>56,609</u>	<u>72,862</u>
<b>Carrying amount</b>			
At 27 May 2018	<u>6,332</u>	<u>10,800</u>	<u>17,132</u>
At 28 May 2017	<u>9,662</u>	<u>21,814</u>	<u>31,476</u>

In the period to 27 May 2018 an impairment of £4,361,000 (2017: £3,372,000) 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. Recoverable amount has been determined to be value in use which has been estimated using a discounted cash flow model which requires the group to estimate the future cash flows for the remaining life of the lease at a restaurant location and a discount rate based on the market in which it operates.

**Cafe Rouge Restaurants Limited**  
**Notes to the Financial Statements**  
**for the Period from 29 May 2017 to 27 May 2018 (continued)**

**14. Investments in subsidiaries**

	<b>£'000</b>
<b>Cost or valuation</b>	
At 29 May 2017	7,287
At 27 May 2018	<u>7,287</u>
<b>Provision</b>	
At 29 May 2017	-
At 27 May 2018	<u>-</u>
<b>Carrying amount</b>	
At 27 May 2018	<u>7,287</u>
At 28 May 2017	<u>7,287</u>

Details of the subsidiaries as at 27 May 2018 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country or incorporation and principal place of business</b>	<b>Proportion of ownership interest and voting rights and shares held by the group</b>	
			<b>2018</b>	<b>2017</b>
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.

**15. Inventories**

	<b>27 May 2018</b>	<b>28 May 2017</b>
	<b>£'000</b>	<b>£'000</b>
Food and beverage	<u>747</u>	<u>924</u>

The cost of inventory expensed and charged to cost of sales in the period is £17,784,964 (2017 - £19,157,298). The replacement cost at 27 May 2018 is not considered by the Directors to be materially different from the balance sheet value. At 27 May 2018 there was £nil provision held against inventory (2017 - £nil).

**Cafe Rouge Restaurants Limited**

**Notes to the Financial Statements**  
**for the Period from 29 May 2017 to 27 May 2018 (continued)**

**16. Trade and other receivables**

	27 May 2018 £'000	28 May 2017 £'000
<u>Group</u>		
Trade receivables	242	339
Amounts owed by other members of the Group	7,576	13,783
Social security and other taxes	-	283
Other receivables	1,223	530
Total current trade and other receivables	<u>9,041</u>	<u>14,935</u>

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

**17. Trade and other payables**

	27 May 2018 £'000	28 May 2017 £'000
Trade payables	365	6,587
Accrued expenses	4,713	8,743
Other payables	217	617
	<u>5,295</u>	<u>15,947</u>

**18. Provisions for other liabilities and charges**

	Onerous Contracts £'000
At 29 May 2017	1,328
Additional provisions	1,813
Provisions utilised	(534)
At 27 May 2018	<u>2,607</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.

**19. Share capital**

**Allocated, called up and fully paid shares**

	27 May 2018 No. 000	27 May 2018 £'000	28 May 2017 No. 000	28 May 2017 £'000
Ordinary shares of £0.20 each	<u>13,547</u>	<u>2,709</u>	<u>13,547</u>	<u>2,709</u>

**20. Lease commitments**

**Operating leases - land and buildings**

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

	27 May 2018 £'000	28 May 2017 £'000
Within one year	9,651	9,231
In one to five years	30,886	32,541
In over five years	28,744	36,683
	<u>69,281</u>	<u>78,455</u>

## **Cafe Rouge Restaurants Limited**

### **Notes to the Financial Statements for the Period from 29 May 2017 to 27 May 2018 (continued)**

#### **21. 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.

#### **22. Parent and ultimate parent undertaking**

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

As at 27 May 2018 the Company considered Casual Dining Group S.C.A., a partnership company incorporated in Luxemburg and managed by Casual Dining Group GP S.A. a company incorporated in Luxemburg, as the ultimate parent undertaking. Apollo Global Management LLC, through its managed funds, was the the ultimate controlling party.

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 the Company considers KKR & Co. Inc, through its managed funds, to be the ultimate controlling party.

#### **23. Subsequent events**

As detailed in the Directors' report on 15 August 2018 the Group ownership structure changed. No other events were noted.