Rileys Sports Bars (2014) Limited

Annual report and financial statements
for the period

1st January 2018 to 30th December 2018

Registered in England and Wales
Number 09330794

MONDAY
L8F4FZ76
L10 30/09/2019 #111
COMPANIES HOUSE

Contents

Strategic report

This is the period of account for Rileys Sports Bars (2014) Limited, the "Company", with the results contained within covering the period from 1 January 2018 to 30 December 2018.

Principal Activities

The principal activity of the business is the running of sports bars, with a strong focus on pool, snooker and darts, alongside showing the best sports TV in the best environment.

Business Review

Following the acquisition of the Rileys business name and operating assets on 1 December 2014 from the Administrators of Rileys Sports Bars Ltd, the focus of management over the first two years was to stabilise the business, both operationally and financially, whilst deciding which sites could continue to be traded profitably and assigning those leases from the company in administration. The third year of operation continued to be a period of consolidation, establishing a greater level of central support for operations and successfully trialling a site refurbishment. This fourth year of operation has seen us complete the head office functionality and implement operating processes that are of the quality of a much larger business, setting a platform from which the business can grow.

A total of 25 sites were trading at the start of the year, with one site permanently closed. Two further sites are temporarily closed due to unforeseen issues, leaving 22 sites trading at the year end.

This year, we have continued to invest significant sums in maintenance and capital expenditure - on air conditioning, heating, cellar cooling and toilet facilities. Snooker and pool tables are kept in very good condition by refurbishing to a planned schedule. We maintain health & safety compliance monitoring, which is reviewed at our monthly Board meetings. Furthermore, following the successful refurbishment at one of our core sites in the prior year, we undertook post year end two further refurbishments of our core sites.

In March 2018, our site at Twickenham was flooded by a leak from premises above our property. During the period of repairing the unit, our landlord, CGW Snooker LLP, took repossession of our unit, claiming that we were not in occupation. Our tenancy is protected under the Landlord and Tenant Act 1954 and we have made a vigorous claim against the landlord in the High Court to get the property back and we are confident of a satisfactory outcome to the matter. We have agreed a satisfactory claim with our insurers for damages to our fixtures and for lost profits until the point of repossession.

The statutory loss before taxation of £3.8m reflects non-recurring losses of £0.2m, depreciation and amortisation of retained business assets of £0.7m, group management charges of £0.9m and interest payable, mostly on group loans, of £1.4m. The underperformance was due to unusual weather (snow in P2, very hot P4-P7) and adverse World Cup effects in the core estate.

Underlying trading EBITDAM (earnings before interest, taxation, depreciation, amortisation and maintenance expenditure) loss of £0.1m (2017 £0.4m) was materially generated by the 22 sites that continued to trade at 31 December 2018. The reduction in profitability resulted from an increase in Head Office costs to result in a functionality upon which we can grow from as well as lost contribution from the closed sites.

Since year end, Rileys have completed two further refurbishments in February 2019 of our core sites. This has resulted in major increase in sales, tracking in line with the returns exhibited by the first refurbishment completed in 2017.

Strategic report (continued)

Non-statutory site analysis

Total for the year ended	30/12/2018	31/12/2017
	£'000	£'000
Turnover	10,377	11,540
Gross Profit	8,153	8,988
Adjusted administrative expenses	(8,287)	(8,587)
Operating EBITDAM	(134)	(401)
Repairs and maintenance	(384)	(320)
Operating EBITDA	(518)	81
Non-recurring costs	(200)	(181)
Group charges	(970)	(742)
Depreciation and amortisation	(668)	(521)
Interest payable and similar charges	(1,399)	(1,169)
Loss on ordinary activities before taxation	(3,755)	(2,532)

Key performance indicators

The primary KPI for the business is like-for-like sales growth. For the 22 sites open at 31 December 2018, this was (0.9%) for the year. Core sites, those offering the best snooker, pool and darts facilities within their catchment, as well as large screen sports viewing, contracted by (3.2%). The underperformance was due to unusual weather (snow in P2, very hot P4-P7) and adverse World Cup effects in the core estate. However, our largest site, Haymarket, which offers the best large screen sports viewing in London and has a much larger-than-average food offer, but limited pool and darts, recognised strong sales growth of 9.1%: this resulted partly from the World Cup and the impact of new Management.

A positive sales development during the year was the completion of the refurbishment of our core site at South Benfleet. This refurbishment improved the site's general decoration, flooring, audio-visual and toilet facilities. The club reopened in June 2017 following refurbishment and in the club's first 12 months it recognised year on year sales growth of 41%. The club continued this growth recognising 8% year on year sales growth in its second 12 months since reopening.

Since year end, Rileys have completed two further refurbishments in February 2019 of our core sites at Liverpool and Harlow. The refurbishment at Harlow was similar to South Benfleet and resulted in an improvement to the general decoration, audio visual and toilet facilities of the club. The refurbishment at Harlow has resulted in sales improvements since reopening of 43%. At Liverpool a significant refurbishment was completed whereby the flooring, kitchen and audio visual were all replaced as well as a significant reconfiguration of the club to result in larger bar and dining areas. The refurbishment at Liverpool has resulted in sales improvements since reopening of 45%.

Gross margin was 78.6% (LY 77.9%), an improvement largely achieved through better supply terms with our drinks supplier.

Strategic report (continued)

Strategy

The strategy for the business remains to drive significant profitability growth through the following initiatives:

- Improvement to the fabric of the Company's sites through continued catch-up maintenance and more thorough refurbishment of sites over a three-year period.
- Improvements in customer service through better staff training and gathering more customer feedback
- Development of better food options to deliver a better all-round customer offer and increase customer dwell times.
- Improvement in systems to drive efficiencies as well as better and more timely management information.
- The introduction of CRM and membership system to result in more effective marketing through targeted use of the Company's membership database.
- Improvements in the development, retention and recruitment of staff, particularly the vital club manager cadre.
- Acquisition of new sites in the major target markets where we do not currently have a presence, as the refurbishment programme approaches completion. Opportunistic acquisitions may also take place in the meantime, if they present themselves.

Principle Risks and Uncertainties

The principal risk the Company faces is that of failing to meet its sales targets. Risk factors that will affect that include the amount of choice within the competitive leisure industry, state of the general economy and consumer confidence, particularly if adversely affected by a Brexit-driven downturn. It is likely that all leisure outlets will have to work harder in the coming years even to maintain their share of customers' disposable income. There would be a small and manageable staff recruitment risk at our two London sites, should suitable arrangements for EU nationals' working rights not be in place following Brexit.

Furthermore, a failure to invest further in the fabric of the Company's clubs to provide a more agreeable environment, particularly for female customers, would likely impede the required sales growth. An associated risk is that of not achieving adequate financial returns from such refurbishment investments.

Whilst the Company generally extended the length of leases to 10 years on assignment, some sites are earmarked for redevelopment by landlords within the next 5 years. Though it is considered unlikely that any of the more profitable leases will be terminated within the next 3 years, the Company is exposed to a risk from the early termination of some leases.

The Company is exposed to UK regulatory changes, principally those relating to gaming and licensing.

By order of the board

J D Weight
Director
Date: 27 September 2019

Unit 8, First Floor, 211b Sovereign House
Witan Gate East
Milton Keynes
United Kingdom
MK9 2HP

Directors' report

The Directors present their annual report and the audited financial statements for the period ended 30 December 2018.

Results and dividend
The loss for the year, after taxation amounted to £3.4m (2017: £2.5m). The directors do not recommend the payment of a dividend (2017: £nil).

Directors
The directors who held office during the period and subsequent to year end were as follows:

J D Weight	British	
S R Thick	British	(resigned 31 July 2019)
M C Cutt	British	
I G Garden	British	(resigned 27 September 2018)

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on page 1.

Though the directors are working towards improving the Company's net cash flows, based on forecast cash flow projections, the Company is expected to remain heavily dependent upon the financial support of the ultimate parent company, Weight Partners Corporate Limited ("WPCL") *for the foreseeable future, both for* the continued availability of amounts that are otherwise due and for such additional funding as is needed to meet further operating cash flow needs. As a result, the Directors acknowledge the difficulties and uncertainties faced by the Company.

We draw attention to note 1 to the financial statements which indicates that whilst the Company is confident of obtaining further group support as necessary, as with any Company relying on group support, there is no certainty that this will remain in place. The directors have no reason to believe that this will be the case and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis, but acknowledge that there is a material uncertainty that may cast doubt on the Company's ability to continue as a going concern should this funding not be obtained. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Brexit impact
The key risk associated with Brexit for Rileys centers around the, state of the general economy and consumer confidence, particularly if Brexit results in a downturn. It is likely that all leisure outlets will have to work harder in the coming years even to maintain their share of customers' disposable income. Further given that Rileys entirely UK based including customers and suppliers, management expect the supply chain to have little disruption. There would be a small and manageable staff recruitment risk at our two London sites, should suitable arrangements for EU nationals' working rights not be in place following Brexit.

Directors' report (continued)

Matters covered in the strategic report

The strategic report includes the following disclosures that would have otherwise been included in the Directors' Report:

- Business review
- Key performance indicators
- Principal risks and uncertainties

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political and charitable donations
The Company made no political contributions or charitable donations during the period (2017:£nil).

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

J D Weight
Director
Date: 27 September 2019

Unit 8, First Floor, 211b Sovereign House
Witan Gate East
Milton Keynes
United Kingdom
MK9 2HP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
Botanic House
100 Hills Road
Cambridge, CB2 1AR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RILEYS SPORTS BARS (2014) LIMITED

Opinion

We have audited the financial statements of Rileys Sports Bars (2014) Limited ("the company") for the period ended 30 December 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity, cashflow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the company's ability to continue as a going concern is dependent on the financial support of its ultimate parent company. As with any company relying on group support, there is no certainty that this will remain in place. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RILEYS SPORTS BARS (2014) LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RILEYS SPORTS BARS (2014) LIMITED (continued)

The purpose of our audit work and to whom we owe our responsibilities

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

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 30 September 2019

Profit and Loss Account and Other Comprehensive Income
For the period ended 30 December 2018

	Note	30 December 2018	31 December 2017
		£'000	**£'000**
Turnover	2	**10,377**	**11,540**
Cost of sales		(2,224)	(2,552)
Gross profit		**8,153**	**8,988**
Administrative expenses		(10,309)	(10,170)
Non-recurring expenses	6	(200)	(181)
Operating loss		**(2,356)**	**(1,363)**
Interest payable and similar expenses	7	(1,399)	(1,169)
Loss before taxation	3, 4	**(3,755)**	**(2,532)**
Tax on loss	8	346	-
Loss for the period		**(3,409)**	**(2,532)**
Total Comprehensive Loss		**(3,409)**	**(2,532)**

All of the above transactions are from continuing activities. There were no recognised gains or losses for the period other than the results reported above.

The notes on pages 14 to 28 form part of these financial statements

Balance Sheet
As at 30 December 2018

	Note	30 December 2018		31 December 2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	9		31		52
Tangible fixed assets	10		1,369		1,862
			1,400		1,914
Current assets					
Stock	11	137		122	
Debtors	13	673		731	
Cash at bank and in hand	12	252		44	
		1,062		897	
Creditors: amounts falling due within one year	14	(1,885)		(2,489)	
Net current liabilities			(823)		(1,592)
Total assets less current liabilities			577		322
Creditors: amounts falling due after one year	15		(7,129)		(10,990)
Net liabilities			(6,552)		(10,668)
Capital and reserves					
Called up share capital	17		1,000		-
Share premium			6,525		
Profit and loss account			(14,077)		(10,668)
Shareholders' deficit			(6,552)		(10,668)

These financial statements were approved by the board of directors on 27 September 2019 and were signed on its behalf by:

J D Weight
Director

The notes on pages 14 to 28 form part of these financial statements

Statement of Changes in Equity
For the period ended 30 December 2018

	Called up share capital £'000	*Share premium* £'000	*Profit and loss account* £'000	*Total Equity* £'000
Balance at 2nd January 2017	-	-	(8,136)	(8,136)
Total comprehensive loss for the period				
Loss for the period	-	-	(2,532)	(2,532)
Total comprehensive loss for the period	-	-	(2,532)	(2,532)
Transactions with owners, recorded directly in equity				
Shares issued in the period	-	-	-	-
Balance as at 31 December 2017	-	-	(10,668)	(10,668)
Balance at 1 January 2018	-	-	(10,668)	(10,668)
Total comprehensive loss for the period				
Loss for the period	-	-	(3,409)	(3,409)
Total comprehensive loss for the period			(3,409)	(3,409)
Transactions with owners, recorded directly in equity				
Shares issued in the period	1,000	6,525	-	7,525
Balance as at 30 December 2018	1,000	6,525	(14,077)	(6,552)

The notes on pages 14 to 28 form part of these financial statements

Cash Flow Statement

For period ended 30 December 2018

	Note	30 December 2018		31 December 2017	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Loss for the period		(3,409)		(2,532)	
Adjustments for:					
Depreciation, amortisation and impairment	*3, 10*	745		521	
Interest payable and similar expenses	*7*	1,399		1,169	
Loss on disposal of fixed assets		58		-	
Taxation		(346)		-	
Decrease/(increase) in trade and other debtors		294		(72)	
(Increase)/decrease in stocks		(15)		29	
(Decrease) in trade and other creditors		(164)		(1,147)	
Interest paid		(37)		(30)	
Tax credit received		110		-	
Net cash from operating activities			(1,365)		(2,062)
Cash flows from investing activities					
Acquisition of tangible fixed assets	*10*	(289)		(537)	
Net cash from investing activities			(289)		(537)
Cash flows from financing activities					
Proceeds from additional funding	*15*	2,236		3,097	
Repayment of borrowings	*15*	(89)		(36)	
Net cash from financing activities			2,147		3,061
Net increase in cash and cash equivalents			493		462
Cash and cash equivalents at 1 January 2018			(248)		(710)
Cash and cash equivalents at 30 December 2018	*12*		245		(248)

The notes on pages 14 to 28 form part of these financial statements

Notes

Forming part of the financial statements

1 Accounting policies

Rileys Sports Bars (2014) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The directors consider that the accounting policies are suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The financial statements are prepared on the historical cost basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

Basis of preparation and Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on page 1.

The Company meets its day to day working capital needs from a bank loan and bank overdraft together with loans from the immediate parent (see note 15). The Company has incurred a statutory comprehensive loss of £3,409k for the year and has net current liabilities of £823k. Since the year end the company has continued to incur losses and operating cash outflows in addition to cash outflows in respect of the further refurbishment of the Company's estate.

As a result of the above the Directors acknowledge that there is uncertainty over future trading results and cash flows. Based on forecast cash flow projections, the Company is expected to remain heavily dependent upon the financial support of the ultimate parent company, Weight Partners Corporate Limited ("WPCL") for the foreseeable future, both for the continued availability of amounts that are otherwise due and for such additional funding as is needed to meet further operating cash flow needs. As further described in the Strategic report, the ability of the company to improve profitability and generate net operating cash inflows to enable the repayment of amounts borrowed is dependent on the success of the Company's strategy. As a result, the Directors acknowledge the difficulties and uncertainties faced by the Company.

Since 31 December 2018, WPCL has provided further loan financing to the Company of £1,595k of which £523k was for refurbishments, £272k for exceptional capital expenditure, £349k for non-recurring expenses and £200k for the settlement of group recharges. The remaining £251k was to support the running of the business. WPCL has provided a letter of intent to continue to provide financial support for a period of at least twelve months from the date of approval of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation and Going concern (Continued)

WPCL also indicated that they will not recall the non-current intercompany balances of £6,541k outstanding as at the date of approval of these financial statements within twelve months from the date of approval of these financial statements.

Whilst the Company is confident of obtaining further group support as necessary, as with any Company relying on group support, there is no certainty that this will remain in place. The directors have no reason to believe that this will be the case and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis, but acknowledge that there is a material uncertainty that may cast doubt on the Company's ability to continue as a going concern should this funding not be obtained. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Therefore, notwithstanding the Company's net current liabilities of £823k, the directors, having assessed the Company's financial position and projected performance over a period of at least twelve months, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. All leases are classified as operating leases. Rental charges for operating leases are charged to the profit and loss account on a straight line basis over the life of the lease. The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Furniture, fixtures & equipment	-	3 - 12 years
IT equipment	-	3 years
Leasehold improvements	-	10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Company. At the acquisition date, the Company recognises goodwill at the acquisition date as: the sum of the fair value of the consideration transferred, contingent consideration, fair value of equity instruments issued and directly attributable transaction costs less the net recognised amount of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill and intangible assets

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. After initial recognition, assets are measured at cost and amortised on a straight-line basis over their estimated useful economic lives.

The estimated useful lives are as follows:

Customer relationships	-	1 year
Goodwill	-	5 years
Brand	-	10 years

Amortisation

Goodwill is amortised on a straight-line basis over its useful life of five years and the goodwill has no residual value.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Turnover

Turnover represents the total amounts earned from members and guests for membership income, use of snooker and pool tables, use of gaming machines, bar and food sales, together with any other goods and services delivered in the normal course of business. Turnover is recognised net of VAT when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity. Hence, membership income is deferred and recognised evenly over the period of the membership. Gaming machine turnover is stated as net of winnings and net of VAT but before the deduction of gaming duty. Turnover is wholly derived from the Company's principal activity and is earned in the United Kingdom.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Notes *(continued)*

1 Accounting policies *(continued)*

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Stock

Stock is stated at the lower of cost and net realisable value. Stock held by the entity is made up of food and bar stock used in the general course of the trade.

Financial Instruments

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

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liabilities then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

2 Revenue

All revenues are generated from the Sports bars with a focus on pool, snooker and darts, of which all are located in the UK.

	30 December 2018 £'000	31 December 2017 £'000
Sales Bar	6,256	6,920
Sales Food	979	867
Sales machine income	298	440
Sales membership	113	123
Sales table play	2,644	3,110
Sales other revenue	87	80
	10,377	11,540

Notes *(continued)*

3 Expenses and auditors' remuneration

	30 December 2018	31 December 2017
	£'000	£'000
Loss before taxation is stated after charging:		
Depreciation of tangible fixed assets	647	498
Amortisation of intangible fixed assets and goodwill	21	23
Impairment loss on tangible fixed assets	77	-
Loss on disposal of fixed assets	46	-
Rentals under operating leases	1,074	1,159
Auditors' remuneration for audit services	27	23

4 Staff numbers and costs

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

	30 December 2018	31 December 2017
	No.	No.
Staff	242	259
Directors	1	1
	243	260

The aggregate payroll costs of these persons were as follows:

	30 December 2018	31 December 2017
	£'000	£'000
Wages and salaries	3,193	3,222
Social security costs	240	145
Other pension costs	22	6
	3,455	3,373

Notes *(continued)*

5 Directors' remuneration

	30 December 2018	31 December 2017
	£000	£000
Directors' remuneration	288	162
Highest paid director		
Directors' remuneration	111	85

Certain directors who served during the year are also directors of the parent company and are remunerated by those companies. Although they do receive remuneration from those companies in respect of their services to various group companies, including this company, it is not practicable to allocate their remuneration to individual companies in the group. Therefore their remuneration has been disclosed in the financial statements of the relevant company from which remuneration is received, and in any case, allocation would be £nil.

6 Non-recurring costs

	30 December 2018 £'000	31 December 2017 £'000
Site closure costs (including loss on disposal of fixed assets)	46	31
Lease assignment costs	-	23
Legal and professional costs	52	127
Fixed asset impairment	77	-
Redundancy costs	25	-
	200	181

Non-recurring costs in the period relates to one-off costs incurred as part of site closures and the impairment of fixed assets in the period.

7 Interest payable and similar expenses

	30 December 2018 £'000	31 December 2017 £'000
Interest payable on loan from immediate parent company	1,362	1,139
Bank interest payable	37	30
	1,399	1,169

Notes *(continued)*

8 Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	30 December 2018	31 December 2017
Current tax	£'000	£'000
Group relief surrendered	(236)	-
Adjustments for prior years	(110)	-
Total current tax	(346)	-
Deferred tax (see note 16)		
Origination and reversal of timing differences	-	-
	-	-
Total tax	(346)	-

Notes *(continued)*

8 Total tax expense recognised in the profit and loss account, other comprehensive income and equity *(continued)*

	30 December 2018			31 December 2017		
	£'000 Current tax	£'000 Deferred tax	£'000 Total tax	£'000 Current tax	£'000 Deferred tax	£'000 Total tax
Recognised in profit and loss account	(346)	-	(346)	-	-	-
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	(346)	-	(346)	-	-	-

Analysis of credit in the period

	30 December 2018 £'000	31 December 2017 £'000
UK corporation tax	-	-
Group relief surrendered	236	-
Adjustments for prior years	110	-
Total current tax credit	346	-

Deferred tax assets are not recognised in the financial statements on the grounds that there is sufficient uncertainty regarding their future recoverability; these are set out in note 16.

Unrecognised deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates in the relevant territory that have been enacted or substantially enacted at the balance sheet date.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015 were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 30 December 2018 has been calculated based on these rates.

Notes *(continued)*

8 Total tax expense recognised in the profit and loss account, other comprehensive income and equity *(continued)*

Reconciliation of effective tax rate	30 December 2018 £'000	31 December 2017 £'000
Loss for the period	(3,409)	(2,532)
Total tax credit	346	-
Loss excluding taxation	(3,755)	(2,532)
Tax using the UK corporation tax rate of 19% (2017: 19.24%)	(715)	(488)
Expenses not deductible for tax purposes	36	67
Reduction in tax rate on deferred tax balances	-	-
Adjustments for prior year	(110)	-
Movement on unrecognised deferred tax	443	421
Total tax expense/(credit) included in profit or loss	(346)	-

Notes *(continued)*

9 Intangible fixed assets

	Brand	Customer relationships	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2018	50	100	57	207
At 30 December 2018	50	100	57	207
Amortisation				
Balance at 1 January 2018	20	100	35	155
Charged in period	10	-	11	21
At 30 December 2018	30	100	46	176
Net book value				
At 30 December 2018	20	-	11	31
At 31 December 2017	30	-	22	52

Amortisation charges are recognised in administration costs in the profit and loss account.

Notes *(continued)*

10 Tangible fixed assets

	Furniture, fixtures and equipment £'000	IT Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost				
Balance at 1 January 2018	3,893	470	838	5,201
Additions	146	69	74	289
Disposals	(103)	(1)	-	(104)
At 30 December 2018	**3,936**	**538**	**912**	**5,386**
Depreciation				
Balance at 1 January 2018	2,288	395	656	3,339
Depreciation charge for the period	552	57	38	647
Impairment	77	-	-	77
Disposals	(45)	(1)	-	(46)
At 30 December 2018	**2,872**	**451**	**694**	**4,017**
Net book value				
At 30 December 2018	**1,064**	**87**	**218**	**1,369**
At 31 December 2017	1,605	75	182	1,862

11 Stock

	30 December 2018 £'000	31 December 2017 £'000
Bar stock	117	102
Food stock	20	20
	137	122

Notes *(continued)*

12 Cash and cash equivalents

	30 December 2018 £'000	31 December 2017 £'000
Cash at bank and in hand	252	44
Bank overdrafts	(6)	(292)
Cash and cash equivalents per cash flow statements	246	(248)

13 Debtors

	30 December 2018 £'000	31 December 2017 £'000
Trade debtors	9	124
Other debtors	140	261
Prepayments and accrued income	288	346
Amounts owed to group undertakings	236	-
	673	731

All debtors are due within one year.

14 Creditors: amounts falling due within one year

	30 December 2018 £'000	31 December 2017 £'000
Bank overdraft	6	292
Trade creditors	661	741
Amounts owed to immediate parent company	193	355
Taxation and social security	-	282
Other creditors	354	9
Accruals and deferred income	583	730
Bank loan	88	80
	1,885	2,489

The bank provided the Company with a bank overdraft facility up to £200k for the purpose of funding working capital and capital development. A fixed and floating charge over all assets is in place as security in favour of the bank. This is at a rate of Base + 3.25% and the overdraft is repayable on demand.

Notes *(continued)*

15 Creditors: amounts falling due in more than one year

	30 December 2018 £'000	31 December 2017 £'000
Amounts owed to group undertakings	6,541	10,706
Bank Loan	588	284
	7,129	10,990

A loan of £3,398k was provided to the Company so that it could repay its loan obligation to Rileys Sports Bars Limited (in administration). The Company's loan from Rileys Sports Bars Limited (in administration) had arisen at the time of the Company's prior purchase of the business and assets of Rileys Sports Bars Limited (in administration). Further loans of £3,5937k were provided to the Company for the provision of development capital and working capital, with an additional £2,951k for the settlement of Group recharges. The remainder of the balance above relates to accrued interest and related fees on these loans. The loans incur interest at 13% per annum above LIBOR and accrued interest is included in the above balance. In the financial year, a debt to equity conversion of £7,525k of debt was made for 1,000,000 ordinary shares. On 16 August 2018, the term of these loans were extended and are now due for repayment on or before 31 December 2024.

A 5 year fixed term bank loan was obtained in the year for an amount of £400k in GBP for the purpose of refinancing the original overdraft facility made available to the company. The nominal interest rate for this loan is 3.5% and is repaid in 60 monthly instalments of £7,230 comprising interest and principal. This loan is secured by a guarantee from James Dominic Weight. In the current financial year, the bank has converted an additional £400k of the overdraft facility into a 5 year fixed term loan.

16 Deferred tax

	30 December 2018 £'000	31 December 2017 £'000
At beginning and end of period	-	-

The amounts provided for deferred taxation, and the amounts not provided, are set out below:

	31 December 2018		31 December 2017	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Depreciation in excess of capital allowances	-	6,240	-	5,457
Trading losses carried forward	-	883	-	510
Timing differences	-	5	-	-
	-	7,128	-	5,967

A significant proportion of the unprovided deferred tax balances listed above arose as part of the pre-acquisition trading activities of Rileys Sports Bars Limited. The capital allowance pool amounted to £33.7m (2017: £33.5m). Deferred tax assets have not been recognised on these amounts due to the lack of certainty of future profits to utilise these amounts against.

Notes *(continued)*

17 Called up share capital

	30 December 2018 £'000	31 December 2017 £'000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each (2017: 1 Ordinary share of £1 each)	1,000	-

On 31 August 2018 Rileys completed a debt to equity swap of £7,525,299 of the Valley Topco Ltd related party loan for 1,000,000 ordinary shares of £1 each.

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 December 2018 Land and buildings £'000	31 December 2017 Land and buildings £'000
Less than one year	956	1,034
Between one and five years	3,416	3,953
More than five years	2,887	4,982
	7,259	9,969

During the period £1,074k (*2017: £1,159k*) was recognised as an expense in the profit and loss account in respect of operating leases.

19 Contingent liability

In March 2018, the Company's site at Twickenham was flooded by a leak from premises above our property. During the period of repairing the unit, the landlord, CGW Snooker LLP, took repossession of the unit, falsely claiming that the Company was not in occupation. The tenancy is protected under the Landlord and Tenant Act 1954 and the Company has made a vigorous claim against the landlord in the High Court to get the property back. Whilst the Directors of the Company believe in a satisfactory outcome, if it were to lose the court claim, the Company may have a liability for some or all of the legal expenses incurred by the landlord. As the claim is still in the High Court, the Company is unsure of the outcome of the claim and therefore it is impracticable to calculate the potential liability.

Notes *(continued)*

20 Related party disclosures

Related Parties Disclosure
The Company has taken advantage of the exemption in FRS 102.33.1 (a) from disclosing transactions with its parent company or other wholly owned subsidiaries of the group.

During the year, a non-wholly owned subsidiary of the group, BC Services UK Ltd, provided management services for an amount of £3,600 to Riley's Sports Bars (2014) Limited. This was fully paid by year end. There are no other related party transactions to be disclosed.

21 Ultimate parent company and ultimate controlling party

The Company is a subsidiary undertaking of Valley TopCo Limited incorporated in the UK with its registered office at C/O Weight Partners Capital LLP Francis House, 11 Francis Street, London, England, SW1P 1DE. The ultimate holding company is Weight Partners Corporate Limited incorporated in the UK with its registered office at C/O Weight Partners Capital LLP, Francis House, 11 Francis Street, London, England, SW1P 1DE.

The ultimate controlling party is J D Weight.