Rileys Sports Bars (2014) Limited

Annual report and financial statements
for the period

2nd January 2017 to 31st December 2017

Registered in England and Wales
Number 09330794

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 2 January 2017 to 31 December 2017.

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. This 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.

A total of 26 sites were trading at the start of the year, with one site which was loss-making closing during the year, leaving with 25 sites 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, we undertook the first and successful refurbishment of one of our core sites, with a resulting major increase in sales.

At the time of acquisition, the business was managed on behalf of the Administrators by LT Management Services Limited, which continued to supply management services to the Company after acquisition. It was decided that the interests of the business would be better served by bringing operational management under the control of internal managers and to move the accounting services to a new outsource company. This took place in the first half of 2016. A dispute with LTMS over certain charges levied after LTMS ceased providing services to the Company and over unpaid retrospective supplier rebates was settled satisfactorily in 2017. We transferred outsourced accounting services from LT Management Services Ltd to ETC Hospitality Ltd. In the final quarter of 2017, accounting was transferred to an in-house team.

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, falsely 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 of £2.5m reflects the continuing post-administration costs of £0.2m, depreciation and amortisation of retained business assets of £0.5m, group management charges of £0.7m and interest payable, mostly on group loans, of £1.2m.

Underlying trading EBITDAM (earnings before interest, taxation, depreciation, amortisation and maintenance expenditure) of £0.4m (2016 £0.6m) was generated by the 25 sites that continued to trade at 31 December 2017. The reduction in profitability resulted from reduced profitability in our largest site at Haymarket, with strong growth in contribution from our core sites being matched with the cost of further re-investing in our head office functions.

Non-statutory site analysis

	Total £'000	Retained Sites £'000	Closed Sites £'000
Turnover	11,540	11,403	137
Gross profit	8,988	8,885	103
Administrative expenses	(8,587)	(8,473)	(114)
Operating EBITDAM	401	412	(11)
Repairs and maintenance	(320)	(316)	(4)
Operating EBITDA	81	96	(15)
Non-recurring cost	(181)	(150)	(31)
Group charges	(742)	(727)	(15)
Depreciation and amortisation	(521)	(424)	(97)
Interest payable and similar charges	(1,169)	(1,145)	(24)
Loss on ordinary ativities before taxation	(2,532)	(2,350)	(182)

Key performance indicators

The primary KPI for the business is like-for-like sales growth. For the 25 sites open at 31 December 2017, this was 1.4% for the year. Core sites, those offering the best snooker, pool and darts facilities within their catchment, as well as large screen sports viewing, grew sales by a satisfactory 4.6%. 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, suffered a significant sales reduction: this resulted partly from not having the Euros this year, but mostly from new site management adopting a reduced focus on corporate events and home-away-from-home sports viewing. Management has since been changed.

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, especially, toilet facilities. In the second half of the year, following refurbishment, site sales increased by 48% on the prior year.

Gross margin was 77.9% (LY 76.3%), an improvement largely achieved through better supply terms with a new drinks supplier.

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.
- 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 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: 25th September 2018

10 Queen Street Place
London
United Kingdom
EC4R 1AG

Directors' report

The Directors present their annual report and the audited financial statements for the period ending 31 December 2017.

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

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

D M B Jolly	British	(resigned 9 November 2017)
J D Weight	British	
S R Thick	British	
M C Cutt	British	
I G Garden	British	(appointed 9 November 2017)

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.

Based on forecast cash flow projections, the Company is expected to remain dependent upon the financial support of the ultimate parent company, Weight Partners Corporate Limited ("WPCL") for the foreseeable future. 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 under the assumption that there is no significant change to the current banking arrangements in place (which the Company's directors do not expect there to be). WPCL also indicated that they will not recall the non-current intercompany balances outstanding as at the date of approval of these financial statements within twelve months from the date of approval of these financial statements. The directors have assessed and believe WPCL has sufficient resources to provide the required support.

As with any company relying on group support, there is no certainty that this will remain in place, however the directors have no reason to believe that this will not be the case.

Therefore, notwithstanding the Company's net current liabilities of £1,592k, the directors, having assessed the Company's financial position and projected performance over a period of at least twelve months, have no reason to believe that the company will not continue as a going concern.

On this basis, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

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 (2016:£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: 25 th September 2018

10 Queen Street Place
London
United Kingdom
EC4R 1AG

Statement of directors' responsibilities in respect of annual 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

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 from 2 January 2017 to 31 December 2017 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash flow 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 31 December 2017 and of its loss for the period 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.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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.

KPMG

Independent auditor's report to the members of Rileys Sports Bars (2014) Limited *(continued)*

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.

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: 25 September 2018

Profit and Loss Account and Other Comprehensive Income
For the period ended 31 December 2017

	Note	**31 December 2017**	**1 January 2017**
		£'000	**£'000**
Turnover	*2*	**11,540**	**12,257**
Cost of sales		(2,552)	(2,907)
Gross profit		**8,988**	**9,350**
Administrative expenses		(10,170)	(11,210)
Operating loss		**(1,182)**	**(1,860)**
Non-recurring expenses	*6*	(181)	(453)
Interest payable and similar expenses	*7*	(1,169)	(947)
Loss before taxation	*3, 4*	**(2,532)**	**(3,260)**
Tax on loss	*8*	-	-
Loss for the period		**(2,532)**	**(3,260)**
Total Comprehensive Loss		**(2,532)**	**(3,260)**

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 13 to 26 form part of these financial statements

Balance Sheet
As at 31 December 2017

	Note	31 December 2017		1 January 2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	9		52		75
Tangible fixed assets	10		1,862		1,823
			1,914		1,898
Current assets					
Stock	11	122		151	
Debtors	13	731		659	
Cash at bank and in hand		44		42	
		897		852	
Creditors: amounts falling due within one year	14	(2,489)		(4,017)	
Net current liabilities			(1,592)		(3,165)
Total assets less current liabilities			322		(1,267)
Creditors: amounts falling due after one year	15		(10,990)		(6,869)
Net liabilities			(10,668)		(8,136)
Capital and reserves					
Called up share capital	17		-		-
Profit and loss account			(10,668)		(8,136)
Shareholders' deficit			(10,668)		(8,136)

These financial statements were approved by the board of directors on 25th September 2018 and were signed on its behalf by:

J D Weight
Director

The notes on pages 13 to 26 form part of these financial statements

Statement of Changes in Equity
For the period ended 31 December 2017

	Called up share capital £'000	Profit and loss account £'000	Total Equity £'000
Balance at 28 December 2015	-	(4,876)	(4,876)
Total comprehensive loss for the period			
Loss for the period	-	(3,260)	(3,260)
Total comprehensive loss for the period	-	(3,260)	(3,260)
Transactions with owners, recorded directly in equity			
Share capital issued in the period	-	-	-
Balance as at 1 January 2017	-	(8,136)	(8,136)
Balance at 2 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			
Share capital issued in the period	-	-	-
Balance as at 31 December 2017	-	(10,668)	(10,668)

The notes on pages 13 to 26 form part of these financial statements

Cash Flow Statement

For period ended 31 December 2017

	Note	31 December 2017 £'000	31 December 2017 £'000	1 January 2017 £'000	1 January 2017 £'000
Cash flows from operating activities					
Loss for the period		(2,532)		(3,260)	
Adjustments for:					
Depreciation, amortisation and impairment	*3, 10*	521		1,690	
Interest payable and similar expenses	*7*	1,169		947	
(Increase)/Decrease in trade and other debtors		(72)		623	
Decrease in stocks		29		97	
(Decrease) in trade and other creditors		(1,147)		(164)	
Interest paid		(30)		(32)	
Net cash from operating activities			(2,062)		(99)
Cash flows from investing activities					
Acquisition of tangible fixed assets	*10*	(537)		(636)	
Net cash from investing activities			(537)		(636)
Cash flows from financing activities					
Proceeds from additional funding	*15*	3,097		701	
Repayment of borrowings	*15*	(36)		-	
Net cash from financing activities			3,061		701
Net increase/(decrease) in cash and cash equivalents			462		(34)
Cash and cash equivalents at 2 January 2017 / 28 December 2015			(710)		(676)
Cash and cash equivalents at 31 December 2017	*12*		(248)		(710)

The notes on pages 13 to 26 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.

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 loss of £2,532k for the year and has net current liabilities of £1,592k. Since the year end the company has continued to incur losses and operating cash outflows in addition to cash outflows in respect of the ongoing refurbishment of the Company's estate

Based on forecast cash flow projections, the Company is expected to remain 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 and to fund any planned refurbishment. The Company anticipates that any additional funding will help with the refurbishment across the estate to turnaround the business. 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.

Since 31 December 2017, WPCL has provided further loan financing to the Company of £310k to support the running of the business and converted £7.5m of the existing loan to equity. 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 under the assumption that there is no significant change to the current banking arrangements in place (which the Company's directors do not expect there to be). WPCL also indicated that they will not recall the non-current intercompany balances of £5,354k outstanding as at the date of approval of these financial statements within twelve months from the date of approval of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

***Going concern** (Continued)*

As with any company relying on group support, there is no certainty that this will remain in place, however the directors have no reason to believe that this will not be the case. Therefore, notwithstanding the Company's net current liabilities of £1,592k, the directors, having assessed the Company's financial position and projected performance over a period of at least twelve months, have no reason to believe that the company will not continue as a going concern. On this basis, 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.

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

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

3 Expenses and auditors' remuneration

	31 December 2017	1 January 2017
	£'000	£'000
Loss before taxation is stated after charging:		
Depreciation of tangible fixed assets	498	1,395
Amortisation of intangible fixed assets and goodwill	23	20
Impairment loss on tangible fixed assets	-	275
Loss on disposal of fixed assets	-	-
Rentals under operating leases	1,159	1,162
Auditors' remuneration for audit services	23	21

Notes *(continued)*

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:

	31 December 2017	1 January 2017
	No.	No.
Staff	259	261
Directors	1	1
	260	262

The aggregate payroll costs of these persons were as follows:

	31 December 2017	1 January 2017
	£'000	£'000
Wages and salaries	3,222	3,343
Social security costs	145	142
Other pension costs	6	-
	3,373	3,485

5 Directors' remuneration

	31 December 2017	1 January 2017
	£000	£000
Directors' remuneration	162	98

Notes *(continued)*

6 Non-recurring costs

	31 December 2017 £'000	1 January 2017 £'000
Site closure costs (including loss on disposal of fixed assets)	31	63
Lease assignment costs	23	35
Legal and professional costs relating to the acquisition	127	80
Fixed asset impairment	-	275
	181	453

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

	31 December 2017 £'000	1 January 2017 £'000
Interest payable on loan from immediate parent company	1,139	901
Bank interest payable	30	46
	1,169	947

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

	31 December 2017 £'000	1 January 2017 £'000
Current tax		
Current tax on loss for the period	-	-
Total current tax	-	-
Deferred tax (see note 16)		
Origination and reversal of timing differences	-	-
	-	-
Total tax	-	-

Notes *(continued)*

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

	31 December 2017			1 January 2017		
	£'000	£'000	£'000	£'000	£'000	£'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	-	-	-	-	-	-
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	-	-	-	-	-	-

Analysis of credit in the period

	31 December 2017	1 January 2017
	£'000	£'000
UK corporation tax	-	-
Foreign tax	-	-
Total current tax credit	-	-

Reconciliation of effective tax rate

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 31 December 2017 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)*

	31 December 2017 £'000	1 January 2017 £'000
Loss for the period	(2,532)	(3,260)
Total tax credit	-	-
Loss excluding taxation	(2,532)	(3,260)
Tax using the UK corporation tax rate of 19.24% (2017: 20.00%)	(488)	(652)
Expenses not deductible for tax purposes	67	580
Reduction in tax rate on deferred tax balances	-	-
Effects of group relief/other reliefs	168	-
Unrecognised deferred tax	253	72
Total tax expense included in profit or loss	-	-

Notes *(continued)*

9 Intangible fixed assets

	Brand	Customer relationships	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 2 January 2017	50	100	57	207
At 31 December 2017	50	100	57	207
Amortisation				
Balance at 2 January 2017	10	100	22	132
Charged in period	10	-	13	23
At 31 December 2017	20	100	35	155
Net book value				
At 31 December 2017	30	-	22	52
At 2 January 2017	40	-	35	75

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 2 January 2017	3,437	422	805	4,664
Additions	456	48	33	537
At 31 December 2017	**3,893**	**470**	**838**	**5,201**
Depreciation				
Balance at 2 January 2017	1,830	324	687	2,841
Depreciation charge for the period	458	71	-	529
Adjustment for over depreciation in the prior period	-	-	(31)	(31)
At 31 December 2017	**2,288**	**395**	**656**	**3,339**
Net book value				
At 31 December 2017	**1,605**	**75**	**182**	**1,862**
At 2 January 2017	1,607	98	118	1,823

11 Stock

	31 December 2017 £'000	1 January 2017 £'000
Bar stock	102	132
Food stock	20	19
	122	151

Notes *(continued)*

12 Cash and cash equivalents

	31 December 2017 £'000	1 January 2017 £'000
Cash at bank and in hand	44	42
Bank overdrafts	(292)	(752)
Cash and cash equivalents per cash flow statements	(248)	(710)

13 Debtors

	31 December 2017 £'000	1 January 2017 £'000
Trade debtors	124	74
Other debtors	261	97
Prepayments and accrued income	346	488
	731	659

All debtors are due within one year.

14 Creditors: amounts falling due within one year

	31 December 2017 £'000	1 January 2017 £'000
Bank overdraft	292	752
Trade creditors	741	786
Amounts owed to immediate parent company	355	1,837
Taxation and social security	282	191
Other creditors	9	79
Accruals and deferred income	730	372
Bank loan	80	-
	2,489	4,017

The bank provided the Company with a bank overdraft facility up to £600k 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. On 14 September 2018, the bank converted £400k of the overdraft facility into a 5 year fixed term loan.

Notes *(continued)*

15 Creditors: amounts falling due in more than one year

	31 December 2017 £'000	1 January 2017 £'000
Amounts owed to group undertakings	10,706	6,869
Bank Loan	284	-
	10,990	6,869

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 £1,131k were provided to the Company for the provision of development capital and working capital, with an additional £807k provided in 2016 and an additional £2,697k provided in 2017. The remainder of the balance above relates to accrued interest and related fees on these loans. All loans represent a long-term arrangement and at year end, these were contractually due for repayment on or before 31 December 2019. The loans incur interest at 13% per annum above LIBOR and accrued interest is included in the above balance. 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. On 14 September 2018, the bank has converted an additional £400k of the overdraft facility into a 5 year fixed term loan.

16 Deferred tax

	31 December 2017 £'000	1 January 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 2017		1 January 2017	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Depreciation in excess of capital allowances	-	5,457	-	6,277
Trading losses carried forward	-	510	-	583
	-	5,967	-	6,860

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 £33.5m. 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

	31 December 2017 £'000	1 January 2017 £'000
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1 each	-	-

18 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	31 December 2017 Land and buildings £'000	1 January 2017 Land and buildings £'000
Less than one year	1,034	1,032
Between one and five years	3,953	4,090
More than five years	4,982	6,998
	9,969	12,120

During the period £1,159k (*2017: £1,162k*) was recognised as an expense in the profit and loss account in respect of operating leases.

19 Post Balance sheet event

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 and is confident of a satisfactory outcome to the matter. The Company have agreed a satisfactory claim with its insurers for damages to the fixtures and for lost profits until the point of repossession.

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.

20 Related party disclosures

Related party transactions
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.

21 Ultimate parent company

The Company is a subsidiary undertaking of Valley TopCo Limited incorporated in the UK with its registered office at 10 Queen Street Place, London, United Kingdom, EC4R 1AG. The ultimate holding company is Weight Partners Corporate Limited incorporated in the UK with its registered office at 10 Queen Street Place, London, United Kingdom, EC4R 1AG.

The ultimate controlling party is Jim Weight.