

SAKE NO HANA LIMITED
REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED
31 DECEMBER 2020



SAKE NO HANA LIMITED
COMPANY INFORMATION

Director	D S Silberstein
Company number	05751533
Registered office	3 rd Floor Elsley House 24 – 30 Great Titchfield Street London W1W 8BF
Auditor	BDO LLP 55 Baker Street London W1U 7EU

SAKE NO HANA LIMITED
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SAKE NO HANA LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Director presents his report and the financial statements for Sake No Hana Limited (the Company) for the year ended 31 December 2020.

Principal activities

The Company owns and manages restaurant establishments across Europe, the Middle East and Asia.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

D S Silberstein (Appointed 31 December 2020)

M Ryan-Southern (Resigned 31 December 2020)

Post balance sheet events

Following the year end there has been a change in the Company's ownership. Also, in November 2021 the Company surrendered the lease of its London restaurant. Further details are set out in note 18 to the financial statements.

Going concern

These financial statements have been prepared on the going concern basis.

The Director and management have plans and forecasts that show the Company, having received a letter of support from a parent company, TAO Group Operating LLC, will be able to continue as a going concern for at least a period of twelve months from the date of balance sheet approval. The Directors have considered the ability of TAO Group Operating LLC to provide the support outlined above, and are satisfied that if required TAO Group Operating LLC is in a position to provide the required support for the Company to continue to operate as a going concern.

Dividends

No dividends were paid by the Company during the period (year ending 31 December 2019 – £nil).

Auditor

BDO UK LLP have indicated their willingness to continue in office and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Director has taken all the necessary steps that they ought to have taken as a Director in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Small companies note

In preparing this report, the Director has taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

On behalf of the board:



D S Silberstein
Director

Date: 21 December 2021

SAKE NO HANA LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

The Director is responsible for preparing the Director's Report and the financial statements accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the Director 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 Director is required to:

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

The Director is 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SAKE NO HANA LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAKE NO HANA LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sake No Hana Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director with respect to going concern are described in the relevant sections of this report.

Other information

The Director is responsible for the other information. The other information comprises the information included in the Director's Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SAKE NO HANA LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2020

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

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

- adequate accounting records have not been kept, 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Director was not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Director's report.

Responsibilities of Director

As explained more fully in the Director's Responsibilities Statement, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company being contrary to applicable laws and regulations, including fraud. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, tax legislation, and the laws in relation to the Government's Job Retention Scheme.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SAKE NO HANA LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding where there was a susceptibility of fraud.
- We obtained an understanding of the procedures and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of management, and reviewing relevant correspondence with regulators and authorities
- We tested manual journal entries, including those to revenue, focusing on journal entries containing characteristics of audit interest.
- We tested and challenged the key estimates and judgements made by management in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the Company.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

DocuSigned by:

David Campbell

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David Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

22 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

SAKE NO HANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Revenue	4	1,646	4,105
Cost of sales		(352)	(954)
Gross profit		1,294	3,151
Administrative expenses		(2,020)	(2,912)
Other operating income	5	43	-
Operating (loss)/profit	5	(683)	239
Finance costs	15	(41)	(60)
(Loss)/profit before tax		(724)	179
Taxation	7	-	-
(Loss)/profit for the financial year		(724)	179

The notes form part of the financial statements.


SAKE NO HANA LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

Company Registration No. 05751533

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment			
Owned assets	8	177	180
Right-of-use assets	15	533	950
Investments	10	-	-
Refundable deposits		163	263
Total non-current assets		873	1,393
Current assets			
Cash and cash equivalents		204	1,077
Contract assets	9	-	34
Trade and other receivables	11	451	229
Inventories	12	96	110
Total current assets		751	1,450
TOTAL ASSETS		1,624	2,843
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,981	2,169
Lease liabilities	15	325	307
Total current liabilities		2,306	2,476
Non-current liabilities			
Lease liabilities	15	256	581
Total liabilities		2,562	3,057
NET LIABILITIES		(938)	(214)
CAPITAL AND RESERVES			
Called-up share capital	14	2,075	2,075
Capital contribution reserve		12,111	12,111
Retained losses		(15,124)	(14,400)
Total attributable to equity holders of the parent		(938)	(214)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2021 and are signed on its behalf by:


Director
D S Silberstein

The notes form part of the financial statements.

SAKE NO HANA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called-up share capital £'000	Capital contribution reserve £'000	Retained losses £'000	Total attributable to equity holders of parent £'000
Balance at 1 January 2019	2,075	12,111	(14,579)	(393)
Year ended 31 December 2019				
Profit and total comprehensive income for the year	-	-	179	179
Balance at 31 December 2019	<u>2,075</u>	<u>12,111</u>	<u>(14,400)</u>	<u>(214)</u>
Balance at 1 January 2020	2,075	12,111	(14,400)	(214)
Year ended 31 December 2020				
Loss and total comprehensive income for the year	-	-	(724)	(724)
Balance at 31 December 2020	<u>2,075</u>	<u>12,111</u>	<u>(15,124)</u>	<u>(938)</u>

The notes form part of the financial statements.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 General information

Sake No Hana Limited is a private company limited by shares and is registered and incorporated in England and Wales. The principal activity of the Company is that of restaurant operation. The registered office is 3rd Floor Elsey House, 24-30 Great Titchfield Street, London, W1W 8BF.

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts on the basis that the Company is a wholly-owned subsidiary of another company (Hakkasan Limited) incorporated in the United Kingdom and included in their consolidated accounts. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2 Significant accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition and measurement requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS"), amended where necessary in order to comply with Companies Act 2006

The functional currency of Sake No Hana Limited is Pounds Sterling (£), which is also the currency of the primary economic environment in which the Company operates (functional currency). Monetary amounts in these financial statements are rounded to the nearest thousand £.

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

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the parent, in accordance with FRS 101:

- Presentation of a Statement of Cash Flows and related notes;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- Revenue disclosures, including:
 - Description of when performance obligations are satisfied, significant payment terms, and the nature of goods and services to be transferred;
 - Methods used to recognise revenue over time, determine transaction price and amounts allocated to performance obligations and determine amortisation of capitalised cost to obtain or fulfil a contract
- Financial instrument disclosures, including:
 - Carrying amounts and fair values of financial instruments by category and information about the nature and extent of risks arising on financial instruments;
 - Income, expenses, gains and losses on financial instruments;
 - Details of credit losses, collateral, loan defaults or breaches;
 - Information about financial instruments that have been reclassified, derecognised, transferred or offset;
- Comparative narrative information that continues to be relevant to the current period;
- Comparative period reconciliations for the number of shares outstanding
- Disclosure of key management personnel compensation;
- Related party disclosures for transactions with the parent or wholly owned members of the group; and
- Disclosure of the objectives, policies and processes for managing capital.

2 Significant accounting policies (continued)

Going concern

These financial statements have been prepared on the going concern basis.

The Director and management have plans and forecasts that show the Company, having received a letter of support from its parent company, TAO Group Operating LLC, will be able to continue as a going concern for at least a period of twelve months from the date of balance sheet approval. The Directors have considered the ability of TAO Group Operating LLC to provide the support outlined above, and are satisfied that if required TAO Group Operating LLC is in a position to provide the required support for the Company to continue to operate as a going concern.

Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each arrangement with a customer, the Company: identifies whether the arrangement meets the definition of a contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each performance obligation to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts or any other contingent events such as sales or usage-based royalties related to license of IP. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Whenever applicable, the Company applies the variable consideration allocation exception to recognise revenue for variable amount related to a distinct service that forms part of a single performance obligation.

The Company generates revenue from its owned venue in London (now closed as per note 18) and a managed venue in Asia.

Owned venues

Revenue from owned venue operations is the invoiced amount of goods and services, exclusive of service charges and Value Added Tax and other sales taxes, provided to customers during the period. Revenue is recognised at the point of service delivery to customers.

Managed venues

Revenue from managed venues is the consideration the Company receives for providing an integrated management service. Transaction consideration consists of a fixed fee and variable consideration. Fixed fee revenue is recognised on a straight-line basis over the contract term, while the variable consideration is allocated entirely to a distinct annual service that forms the single performance obligation - the management service. The contract term starts when pre-opening development service begins and ends when a specified operating period, typically 10 years, has been reached.

Upfront fees associated with the pre-opening services will be deferred and recognised over the initial contract term, starting upon the opening date of the venue. Related costs will be capitalised and amortised over the same period.

The Company's trade receivables are all related to the value of revenue receivable from contracts with customers.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 Significant accounting policies (continued)

Revenue recognition (continued)

The Company's contract liabilities balances are primarily related to advance payment for pre-opening development service made by customers upon signing a contract. The contract liabilities balance will typically be recognised in revenue within twelve to eighteen months.

The Company has taken the following practical expedients from IFRS 15:

- The Company need not adjust the promised amount of consideration for the effects of a significant financing component if the expectation is that, at contract inception, the period between when the Company transfers a promised service to a customer and when the customer pays for that service will be one year or less; and
- Recognising incremental costs of obtaining a contract as an expense when incurred if the amortisation period for the asset that would have otherwise been recognised would be one year or less.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 Significant accounting policies (continued)

Current and non-current classification (continued)

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Assets in the course of construction represent the direct costs associated with the construction of assets which have yet to open to the public. No depreciation is charged until the asset is ready for use and is subsequently transferred to the appropriate class of property and equipment or intangible asset.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property and equipment over their expected useful lives as follows:

Leasehold improvements	10 years or period of the space lease, if shorter
Equipment and machinery	3 to 5 years
Fixtures and fittings	5 years
Computer equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other receivables

Trade receivables are initially measured at their transaction price.

Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable.

2 Significant accounting policies (continued)

Trade and other receivables (continued)

The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Inventories

Raw materials are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Inventories are expensed in the same period revenue is recognised.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. No provisions or write-downs of inventory were deemed necessary at either 31 December 2020 or 2019.

Leases

The Group adheres to IFRS 16 which follows a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term. At 31 December 2020 and 2019, the Company has no items of property and equipment leased under finance leases.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the company is reasonably certain to exercise and termination periods that the company is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate (such as those linked to LIBOR) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss. Variable lease payments not included in the measurement of the lease as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

When the lease liability is re-measured due to changes arising from the original terms and conditions of the lease, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

A lease modification that was not part of the original terms and conditions of the lease is accounted for as a separate lease or an adjustment to the lease liability depending on the nature of the change.

Cash

Cash includes cash on hand and deposits held at the bank.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2 Significant accounting policies (continued)

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted.

Value Added Tax (VAT) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received in the year were towards staff wage costs under the job retention scheme during COVID-19. The grant is recognised as other operating income over the period necessary to match with the related wage expense.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Revenue from management contracts and license of franchise rights

Revenue from managed and licensed venues is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control of the promised goods or services to the customer. When the transaction price includes a variable consideration, the Company has applied the variable consideration allocation exception to contracts of managed venues. The Company has also applied the royalty recognition constraint to sales-based royalty on licenses of intellectual property in contracts of licensed venues.

In situations where management contracts contains more than one performance obligation such as development of multiple entertainment venues, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices.

The Company's determination of the stand-alone selling price varies based on the type of venue, luxury level of brand name and geographic location of the venue. Generally, the stand-alone selling price for management services reflect the market prices.

Customers' payments for managed and licensed venue are quarterly or annually in arrears except for the advance payment related to pre-opening development. The Company recognises deferred revenue (contract liability) if consideration has been received (or has become receivable) before the Company transfers the promised goods or services to the customer. Deferred revenue mainly results from the advance payments in contracts of managed and licensed venues.

Deferred tax assets

The Company has substantial tax losses available for carry forward against future trading profits. In view of the quantum of these losses compared to the assessment of the quantum of future profitability in the near future and restrictions which may be placed on the availability of those losses (see note 7), no deferred tax asset has been recognised at this time.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation charges for its property and equipment (see note 8). The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3 Critical accounting judgements, estimates and assumptions (continued)

Leases

The Company has applied judgement in applying the following transition provisions in IFRS 16:

- Determining whether leases have similar characteristics to apply a single discount rate.

A single discount rate has been applied to all leases on the basis that all relate to real estate and although the term varies from lease to lease, adjustments to the lease term does not materially affect the value of the lease liability. The Group's incremental borrowing rate is 5.75 percent per annum, which reflects the fixed rate at which the company could borrow an amount similar to the value of the right-of-use asset, in the same currency.

4 Revenue

An analysis of the Company's revenue from contracts with customers is as follows:

	2020 £'000	2019 £'000
<i>Disaggregation of major sources of revenue:</i>		
Sale of goods	1,383	3,877
Rendering of services	263	228
	<u>1,646</u>	<u>4,105</u>
<i>Disaggregation of major sources of revenue:</i>		
Sale of food	1,134	2,769
Sale of beverage	244	1,097
Management fees	263	228
Other	5	11
	<u>1,646</u>	<u>4,105</u>
<i>Disaggregation of revenue by geographical region:</i>		
United Kingdom	1,383	3,877
Rest of the World	263	228
	<u>1,646</u>	<u>4,105</u>
<i>Timing of revenue recognition – performance obligations satisfied:</i>		
At a point in time	1,383	3,877
Over time	263	228
	<u>1,646</u>	<u>4,105</u>

At 31 December 2020, the Company had no contract liabilities representing the transaction price allocated to performance obligations satisfied but not yet billed to customers (31 December 2019 - £1k). At 31 December 2020 and 31 December 2019, the Company had no contract liabilities representing the transaction price allocated to performance obligations that are unsatisfied.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5 Expenses by nature

Other administrative expenses include the following expenses by nature:

	Note	2020 £'000	2019 £'000
Salary and payroll related expenses	6	746	1,482
General and administrative		466	235
Sales and marketing		185	131
Other leasing charges		241	701
		<u>1,638</u>	<u>2,549</u>

Operating (loss) / profit for the period is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of owned tangible fixed assets	59	47
Cost of stocks recognised as an expense	352	954
Impairment of contract asset	35	-

Audit fees are borne by the parent company, Hakkasan Limited.

Other operating income

The Company received £43,000 (2019 - £Nil) of government furlough support in the year that was recognised as other income in the income statement.

6 Employees

The average monthly number of persons (including Directors) employed during the period was:

	2020 No.	2019 No.
Operations	<u>58</u>	<u>62</u>

Their aggregate remuneration comprised of the following:

	2020 £'000	2019 £'000
Wages and salaries	660	1,360
Social security costs	64	94
Pension costs	22	28
	<u>746</u>	<u>1,482</u>

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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7 Taxation

	2020 £'000	2019 £'000
<i>Analysis of tax charge/(credit) for the period</i>		
<i>Current tax:</i>		
UK corporation tax	-	-
	<u> </u>	<u> </u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	2
Adjustments in respect of prior periods	-	(2)
	<u> </u>	<u> </u>
Total deferred tax charge/(credit)	-	-
	<u> </u>	<u> </u>
Tax on profit from ordinary activities	-	-
	<u> </u>	<u> </u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% applied to profit before tax. The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before tax	(724)	179
	<u> </u>	<u> </u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19%	(138)	34
<i>Effects of:</i>		
Other differences	7	1
Expenses not deductible for tax purposes	2	-
Transfer pricing adjustments	-	-
Adjustments to tax charge in respect of previous periods - deferred tax	-	(2)
Adjust deferred tax to average rate of 19%	-	(4)
Remeasurement of deferred tax for changes in tax rates	(172)	-
Deferred tax not recognised	301	(29)
	<u> </u>	<u> </u>
Total tax charge for the period	-	-
	<u> </u>	<u> </u>

At 31 December 2020, the Company has unrecognised deferred tax assets for losses of £1,765k (December 2019: £1,500k). The deferred tax assets remain unrecognised due to uncertainty that the Company will have sufficient taxable profits of the right type in the right entities to utilise these deferred tax assets in the near future.

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. In March 2020 the Chancellor announced that the tax rate would remain at 19%. In March 2021 the Chancellor announced that the main rate of corporation tax would increase from 19% to 25% from 1 April 2023, however, as this was not substantively enacted at the reporting date, this rate has not been used to measure deferred tax.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8	Property, plant and equipment	Leasehold improvements	Equipment and machinery	Fixtures and fittings	Computer equipment	Assets in the course of construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000
	<i>Cost</i>						
	At 1 January 2019	1,148	211	138	55	6	1,558
	Additions	29	6	35	30	6	106
	Transfers	-	-	-	12	(12)	-
	Disposals	-	-	(1)	-	-	(1)
	At 31 December 2019	1,177	217	172	97	-	1,663
	<i>Depreciation</i>						
	At 1 January 2019	1,126	156	105	50	-	1,437
	Provision for the year	4	20	16	7	-	47
	Disposals	-	-	(1)	-	-	(1)
	At 31 December 2019	1,130	176	120	57	-	1,483
	<i>Carrying amount</i>						
	At 31 December 2019	47	41	52	40	-	180
	At 31 December 2018	22	55	33	5	6	121

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8 Property, plant and equipment (continued)

	Leasehold improvements £'000	Equipment and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>					
At 1 January 2020	1,177	217	172	97	1,663
Additions	4	5	42	5	56
Disposals	(1,113)	(123)	(66)	(19)	(1,321)
At 31 December 2020	68	99	148	83	398
<i>Depreciation</i>					
At 1 January 2020	1,130	176	120	57	1,483
Provision for the period	6	19	19	15	59
Disposals	(1,113)	(123)	(66)	(19)	(1,321)
At 31 December 2020	23	72	73	53	221
<i>Carrying amount</i>					
At 31 December 2020	45	27	75	30	177
At 31 December 2019	47	41	52	40	180

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9 Contract balances: liabilities and assets

	2020 £'000	2019 £'000
<i>Contract assets reconciliation</i>		
Opening balance	34	33
Additions	-	1
Write-off	(34)	-
Closing balance	<u>-</u>	<u>34</u>

10 Investments

The Company directly owns 100% of the ordinary share capital of Chrysan Limited, incorporated in England. Chrysan Limited is a non-trading company. The registered address of Chrysan Limited is 3rd Floor, Elsley House, 24-30 Great Titchfield Street, London, W1W 8BF.

The investment is fully impaired with a carrying value of £nil.

11 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	35	87
Amounts due from group undertakings	26	-
Other receivables	209	49
Prepayments	181	93
	<u>451</u>	<u>229</u>

The Company's trade receivables are non-interest-bearing. The majority of trade receivables relate to customers making payments on credit cards, these debts are typically settled within 10 days.

12 Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	<u>96</u>	<u>110</u>

There were no inventory write-downs in the current or previous periods shown. There is no significant difference between the replacement cost of raw materials and consumables and their carrying amounts.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	437	167
Amounts owed to group undertakings	1,347	1,546
Other taxation and social security	34	216
Other payables	23	-
Accruals	140	240
	<u>1,981</u>	<u>2,169</u>

The amounts due to group undertakings are repayable on demand and do not bear interest.

14 Capital and reserves

	2020 £'000	2019 £'000
a) Ordinary shares		
<i>Authorised, issued and fully paid</i>		
2,075,000 ordinary shares of £1 each (2019: 2,075,000 ordinary shares of £1 each)	2,075	2,075

Ordinary shares have full voting rights and rank equally for dividends and return of capital on a winding up.

b) Reserves

Capital contribution reserve

Capital contribution reserve represents amounts forgiven by the shareholder of the Company.

Retained losses

Retained losses represent cumulative profits or losses, net of dividends paid and other adjustments.

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15 Leases

The financial impact of leases is as follows:

	Leased buildings £'000
Right-of-use assets	
At 1 January 2019	1,266
Depreciation	(316)
At 31 December 2019	<u>950</u>
At 1 January 2020	950
Depreciation	(417)
At 31 December 2020	<u><u>533</u></u>

All right-of-use assets (ROU) capitalised relate to property rentals.

	Leased buildings £'000
Lease liabilities	
At 1 January 2019	1,718
Lease payments	(350)
Interest expense	60
At 31 December 2019	<u>888</u>
At 1 January 2020	888
Lease payments	(348)
Interest expense	41
At 31 December 2020	<u><u>581</u></u>

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 December 2020 and the contractual maturity date:

	2020 £'000
Due in 1 year or less:	325
Due after 1 year but not more than 5 years	256
Total lease liabilities at 31 December 2020	<u><u>581</u></u>

SAKE NO HANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15 Leases (continued)

Lease terms (continued)

The Company has a property rental used for its operations in the United Kingdom at the balance sheet date.

The Company has elected to account for lease and non-lease components together, for all asset classes. All property leases of the Company include non-lease components for common area maintenance activities provided by the lessor. As such, non-variable consideration in the lease contracts for both lease and non-lease components have been included in the Company's lease payments.

No variable lease payments dependent on an index or rate, purchase options, residual value guarantees, or material lease incentives were noted in any of the Company's existing lease contracts.

16 Commitments

Capital commitments

At 31 December 2020, there was no significant capital expenditures contracted for at the end of the reporting period but not recognised within liabilities (31 December 2019: £nil).

17 Ultimate parent company and controlling party

The Director regards the immediate parent company as Hakkasan Limited, which is registered and incorporated in England. Hakkasan Limited heads the smallest group into which the results and financial position of the Company are consolidated. Copies of the consolidated financial statements can be obtained from UK Companies House. The registered address is 3rd Floor Elsley House, 24 – 30 Great Titchfield Street, London, England, W1W 8BF.

At the balance sheet date, the Director regards Aabar Investments PJS, a private joint stock Company registered and incorporated in Abu Dhabi, UAE, as the ultimate parent company.

The ownership of the group changed in the post balance sheet period as noted below.

18 Post balance sheet events

On 27 April 2021, Hakkasan Limited was acquired by TAO Group Operating LLC, a private Company registered and incorporated in the United States of America. The Director regards Madison Square Garden Entertainment Corp, a publicly traded entity incorporated in the United States of America, as the Ultimate parent company from the 27 April 2021. Financial statements for the group are available from 2 Pennsylvania Plaza, New York, 10121, United States of America.

On 19 November 2021, Sake No Hana Limited surrendered its London restaurant lease. As a result, the post year-end property, plant and equipment balance was fully impaired, the refundable deposit was written-off and all right-of-use assets and lease liabilities were written-off or released.