

Kavalake Limited

Report and Financial Statements

Year Ended

31 August 2011

Company Number 07360142

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Kavalake Limited

Report and financial statements for the year ended 31 August 2011

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Directors

G J Ramsay
T James
S Gillies

Registered office

1 Catherine Place, London, SW1E 6DX

Company number

07360142

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Kavalake Limited

Report of the directors for the year ended 31 August 2011

The directors present their report together with the audited financial statements for the year ended 31 August 2011

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year

Principal activities

The principal activity of the Group is the operation of restaurants. The principal activity of the company was that of a holding company.

Business review

The Company acquired the controlling interest in Gordon Ramsay Holdings Limited (GRHL) and Gordon Ramsay Holdings International Limited (GRHIL) on 1 September 2010 through a share for share exchange creating one group for governance and reporting purposes. The financial statements have been prepared under the principal of merger accounting.

During the period the Group expanded its presence in the UK market with the opening of the Savoy Grill in November 2010 and through the purchase of Petrus in December 2010, which was subsequently awarded its first Michelin star in January 2011. Most recently the Group commenced work on its largest venture to date, Bread Street Kitchen, which started trading in September 2011.

Due to changes in senior management the Group has undertaken a strategic review of operations. As a result the Group sold its holding in Gordon Ramsay (Queen Street) Limited (the restaurant Murano) to Angela Hartnett as well as ending its trading activities in Melbourne, Australia.

Profit and loss summary

	2011 £m	2010 £m
Sales	45.9	41.5
Cost of sales	(28.0)	24.5
Gross Profit	17.8	17.0
Admin expenses*	(15.3)	(14.6)
EBITDA*	2.5	2.4

**Excludes preopening expenses and exceptional items*

Despite what has been a difficult economic climate for the hospitality industry, the group has seen an increase in turnover of 10.6% with Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) increasing to £2.5m (2010 - £2.4m). This profit includes a £0.8m loss generated by Australian operations, meaning core UK operations generated EBITDA of £3.3m. The directors are pleased with the level of profitability given the current financial downturn and expect EBITDA to increase in the coming year with full year operations of the Savoy Grill, Petrus and Bread Street Kitchen.

The Group has enjoyed strong trading since the year end, increasing the number of covers at each site and improving profits through on going operational efficiencies. The directors believe that there are still substantial challenges ahead given the economic backdrop, however are confident that the group will continue to improve profits and expand its presence in the market.

The Financial Statements contain a number of accounting adjustments which are considered exceptional by the directors. An impairment of £2.1m has been made against fixed assets where the carrying value of the assets was considered to be too high. In addition to this, a provision of £1.7m has been made against loans which had been advanced to the Warrington Hotel Limited in previous years.

Kavalake Limited

Report of the directors for the year ended 31 August 2011 (*continued*)

Due to the change in the Group's management in October 2010, reorganisation costs of £2.4m have been incurred, bringing total exceptional costs to £6.3m for the period and a loss before taxation of £4.4m

The performance of the Group is measured by the directors and the executive management team on an individual site basis and as a consolidated group. The principal measures used to assess performance are turnover and EBITDA. The directors consider the performance of the Group pleasing for the year.

Principal risks and uncertainties

All businesses face risks and uncertainties as they conduct their operations. The directors and executive management team regularly identify, monitor and manage potential risks and uncertainties within the Group. The list below sets out what the directors consider to be the current principal risks and uncertainties, this list is not presumed to be exhaustive and is, by its very nature, subject to change.

Consumer demand

Turnover is derived from the UK, so the general health of the UK economy and its influence on consumer spending is important to the Group's success. A continued downturn in consumer confidence and spending would be a risk to the financial performance of the Group. The Group regularly monitors performance by site to identify any changes in demand quickly and takes appropriate measures where any such changes arise.

Suppliers

The quality of ingredients, efficiency of delivery and the pricing of the food and beverage supply chain is key to the ongoing success of the Group's businesses. A breakdown in any one of these three areas would reduce the ability of the business to deliver to the quality expected by guests at current pricing levels. The Group fosters close relations and open communications with suppliers to mitigate any unexpected changes in these areas.

Food safety

Maintenance of the Group's high standards of food safety is integral to the business. The Group has in place policies, processes and training procedures to ensure compliance with its legal obligations in relation to food hygiene and safety.

Employees

The successful delivery of service to the Group's guest depends on recruiting, training, managing and retaining people of the highest quality. The Group is committed to the welfare of its staff and all employees are given opportunities and are encouraged to develop within the Group.

The Group is committed to the involvement of employees in the business. Staff are kept informed of the performance and objectives of the group through newsletters, staff meetings and regular structured feedback sessions.

The Group is an equal opportunities employer. Its policy is to ensure that all employees are treated with the same respect and consideration regardless of sex, age, colour, disability, sexual orientation, nationality or ethnic or national origins.

Creditor payment policy

The Group's policy is to agree all payment terms with suppliers as and when a trading relationship is established. The Group ensures that the terms of payment are clear and its policy is to abide by the agreed terms where possible provided the supplier meets its obligations. On average, trade creditors at the year end represented 79 (2010: 75) days purchases.

Kavalake Limited

Report of the directors for the year ended 31 August 2011 (*continued*)

Financial risk management

Liquidity risk

The Group manages its exposure to liquidity risk through a naturally low level of debtors, maintaining a diversity of funding sources and the spreading of debt repayments over a range of maturities. The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Group, to manage liquidity risk. The risk posed by liquidity has been considered and we are satisfied that there is sufficient growth and equity in the Group.

Interest rate risk

The Company does not have formal policies on interest rate risk as interest on loans bearing interest is fixed.

Credit risk

The Group has no significant concentrations of credit risk. The nature of the operations results in a large and diverse customer base and a significant proportion of cash sales. The Group has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

The Group does not have formal policies on foreign currency risk. The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than pound sterling (£). The Group maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs. The Group does not consider it necessary to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currency, given the nature of the business for the time being.

Capital risk management

The Group manages its capital to ensure that it will continue as a going concern whilst looking to maximise returns to shareholders. The capital structure of the Group consists of equity (this being issued share capital, share premium and retained earnings), bank debt, cash and cash equivalents. The Group monitors its capital structure on a regular basis through cash flow reporting and forecasting.

Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action brought against its directors and officers.

Directors

The directors of the company during the year were

G J Ramsay
T James (Appointed 26 November 2010)
C F Hutcheson (Resigned 31 January 2012)

S Gillies was appointed as a director on 5 September 2011.

Kavalake Limited

Report of the directors for the year ended 31 August 2011 (*continued*)

Directors' responsibilities

The directors are responsible for preparing 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 the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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 accounting 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors after the year end and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



S Gillies
Director

Date 28/5/12

Kavalake Limited

Independent auditor's report

To the members of Kavalake Limited

We have audited the financial statements of Kavalake Limited for the year ended 31 August 2011 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 August 2011 and of the group's 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Kavalake Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



David Campbell (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

28/5/12.

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

Kavalake Limited

Consolidated profit and loss account for the year ended 31 August 2011

	Note	2011 £'000	2010 £'000
Turnover	3	45,907	41,514
Cost of sales		<u>27,999</u>	<u>24,532</u>
Gross profit		17,908	16,982
Administrative expenses		<u>24,154</u>	<u>16,300</u>
EBITDA*		2,507	2,379
Pre-opening costs		(563)	-
Depreciation and amortisation		(1,884)	-
Impairment of tangible fixed assets		(2,141)	(1,704)
Other exceptional items	2	(4,165)	7
Group operating (loss)/profit	4	(6,246)	682
Profit on disposal of operation		<u>2,186</u>	<u>-</u>
(Loss)/profit on ordinary activities before interest and other income		(4,060)	682
Other interest receivable and similar income		-	79
Interest payable and similar charges	7	(333)	(559)
(Loss)/profit on ordinary activities before taxation		(4,393)	202
Taxation on (loss)/profit on ordinary activities	8	<u>127</u>	<u>(653)</u>
Loss on ordinary activities after taxation		(4,266)	(451)
Minority interest		<u>100</u>	<u>(3)</u>
Loss for the financial year	19	(4,166)	(454)

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

* EBITDA is earnings before interest, tax, depreciation and amortisation and exceptional items

The notes on pages 11 to 30 form part of these financial statements

Kavalake Limited

Consolidated balance sheet at 31 August 2011

Company number 07360142	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets					
Intangible assets	10		651		305
Tangible assets	11		9,924		10,530
			<u>10,575</u>		<u>10,835</u>
Current assets					
Stocks	13	984		1,056	
Debtors	14	3,795		5,644	
Cash at bank and in hand		1,117		3,124	
		<u>5,896</u>		<u>9,824</u>	
Creditors: amounts falling due within one year	15	<u>26,456</u>		<u>27,047</u>	
Net current liabilities			<u>(20,560)</u>		<u>(17,223)</u>
Total assets less current liabilities			<u>(9,985)</u>		<u>(6,388)</u>
Creditors: amounts falling due after more than one year	16		4,236		3,566
Capital and reserves					
Called up share capital	18	2		-	
Shares to be issued	19	-		2	
Merger reserve	19	1,099		1,099	
Profit and loss account	19	(15,490)		(11,324)	
		<u></u>		<u></u>	
Shareholders' deficit	21		<u>(14,389)</u>		<u>(10,223)</u>
Minority interests	20		<u>168</u>		<u>269</u>
			<u>(9,985)</u>		<u>(6,388)</u>

The financial statements were approved by the board of directors and authorised for issue on 28/5/12



S Gillies
Director

The notes on pages 11 to 30 form part of these financial statements

Kavalake Limited

Company balance sheet at 31 August 2011

<i>Company number 07360142</i>	Note	2011 £'000
Fixed assets		
Fixed asset investments	12	2
		=
Capital and reserves		
Called up share capital	18	
Shareholders' funds	21	2
		-
		2
		=

The financial statements were approved by the board of directors and authorised for issue on 28/5/12

S Gillies
Director



The notes on pages 11 to 30 form part of these financial statements

Kavalake Limited

Consolidated cashflow statement for the year ended 31 August 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Net cash inflow from operating activities	28		2,493		5,384
Returns on investments and servicing of finance					
Interest received		-		78	
Interest paid bank loans		(253)		(557)	
Interest paid hire purchase		(81)		-	
Net cash outflow from returns on investments and servicing of finance			(334)		(479)
Taxation					
Corporation tax paid			(70)		(407)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(3,979)		(1,949)	
Receipts from sale of tangible fixed assets		6		242	
Net cash outflow from capital expenditure and financial investment			(3,973)		(1,707)
Acquisitions and disposals					
Sale of business operations		1,533		-	
Purchase of subsidiary undertaking		(70)		-	
Net cash acquired with subsidiary undertaking		115		-	
Net cash disposed of with subsidiary		(212)		-	
Net cash inflow from acquisitions and disposals			1,366		-
Cash (outflow)/inflow before use of financing			(518)		2,791
Financing					
Share capital issued		-		3	
Share premium thereon		-		997	
New loans		3,163		447	
Repayment of long term loans		(4,535)		(2,753)	
Repayment of hire purchase loans		(237)		-	
Net cash outflow from financing			(1,609)		(1,306)
(Decrease)/increase in cash	29		(2,127)		1,485

The notes on pages 11 to 30 form part of these financial statements

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Going concern

The Group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current banking facility

The directors have received confirmation of continuing support from the controlling shareholder and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the annual report and financial statements

The financial statements do not include any adjustments that would result if the going concern basis was not appropriate

Significant estimates

In preparing the financial statements, it is often necessary to make estimates and assumptions that affect both the items reported in the balance sheet and the profit and loss account and the disclosures contained in the notes to the financial statements. The amounts actually realised may differ from the reported amounts

Changes are recognised in the profit and loss account on the date at which a better knowledge is gained. The estimates and assumptions made are outlined in the explanatory notes on the individual items. The areas in which amounts are most significantly affected are the following

- Goodwill, property, equipment and motor vehicles are measured on the basis of the estimated useful lives of the assets
- The need for other provisions is determined using the best estimate of the most probable settlement amount of the present obligation at the balance sheet date

Basis of consolidation

The consolidated financial statements incorporate the results of Kavalake Limited and all of its subsidiary undertakings as at 31 August 2011 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition. During the year the acquisition method was utilised to account for the acquisition of Petrus (Kinnerton Street) Limited, see note 22

On 1 September 2010 the company acquired 99% of the share capital of Gordon Ramsay Holdings Limited and 100% of the share capital of Gordon Ramsay Holdings International Limited. The merger method of accounting has been adopted. Under this method, the results of subsidiary undertakings are combined in that no acquisition has occurred and there has been a continuation of the risks and benefits of the controlling party that existed prior to the combination

Turnover

Turnover represents amounts receivable for food beverage, service, management fees and licence fees net of value added tax and trade discounts

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (*continued*)

1 Accounting policies (*continued*)

Goodwill

Goodwill is capitalised and classified as an intangible asset on the balance sheet, being amounts paid in connection with the acquisition of businesses and amortised evenly over its estimated useful life

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset's carrying value is written down to its estimated recoverable amount, being the higher of net selling price and value in use, if that is less than the asset's carrying amount

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates

Land and buildings leasehold	- straight line over lease period
Plant and machinery	- 15% straight line
Motor vehicles	- 25% straight line
Fixtures, fittings and equipment	- 15% straight line

The Group's policy is to depreciate fixed assets from the date when they are brought into use

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset's carrying value is written down to its estimated recoverable amount, being the higher of its net selling price and value in use, if that is less than the asset's carrying value

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (*continued*)

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

Reverse premium

The aggregate value of incentives received on the signing of a lease are treated as a reduction in the rent charge and allocated over the term of the lease.

2 Other exceptional items

	2011 £'000	2010 £'000
Reorganisation costs	(2,435)	7
Related party bad debt	(1,730)	-
	<u>(4,165)</u>	<u>7</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

3 Turnover

	2011 £'000	2010 £'000
Analysis by geographical market		
United Kingdom	38,056	37,941
Australia	7,851	3,573
	<u>45,907</u>	<u>41,514</u>

Turnover is wholly attributable to the principal activity of the group

4 Operating (loss)/profit

	2011 £'000	2010 £'000
This is arrived at after charging		
Depreciation of tangible fixed assets	1,803	1,624
Amortisation of positive goodwill	81	80
Hire of other assets - operating leases	5,439	4,585
Auditors' remuneration		
Auditors' remuneration - fees payable to the Group's current auditor for the audit of the Group's annual accounts	95	-
Auditors' remuneration - fees payable to the Group's previous auditor for the audit of the Group's annual accounts	118	210
Loss on foreign exchange transactions	-	17
	<u></u>	<u></u>

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (*continued*)

5 Employees

Staff costs (including directors) consist of

	Group 2011 £'000	Group 2010 £'000
Wages and salaries	16,482	14,309
Social security costs	1,076	1,154
Other pension costs	42	51
	<u>17,600</u>	<u>15,514</u>

The average number of employees (including directors) during the year was as follows

	Group 2011 Number	Group 2010 Number
Head office	78	75
Restaurant staff	614	623
Directors	2	2
	<u>694</u>	<u>700</u>

6 Directors' remuneration

	2011 £'000	2010 £'000
Directors' emoluments	134	-
Company contributions to money purchase pension schemes	4	-
	<u></u>	<u></u>

7 Interest payable and similar charges

	2011 £'000	2010 £'000
Bank loans and overdrafts	238	551
All other loans (excluding loans from group companies)	4	-
Finance leases and hire purchase contracts	86	1
Interest payable - other	5	7
	<u>333</u>	<u>559</u>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (*continued*)

8 Taxation on (loss)/profit on ordinary activities

	2011 £'000	2010 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	10	660
Adjustment in respect of previous periods	(137)	(7)
	<hr/>	<hr/>
Total current tax	(127)	653
	<hr/>	<hr/>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to (loss)/profit before tax. The differences are explained below.

	2011 £'000	2010 £'000
(Loss)/profit on ordinary activities before tax	(4,393)	202
	<hr/>	<hr/>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 27.17% (2010 - 28.00%)	(1,194)	57
Effect of		
Expenses not deductible for tax purposes	931	60
Depreciation for period in excess of capital allowances	240	66
Utilisation of tax losses brought forward	(7)	(5)
Adjustment to tax charge in respect of previous periods	(137)	(9)
Other tax adjustments	-	110
Profit on disposal of assets	(419)	-
Losses not utilised in period	459	374
	<hr/>	<hr/>
Current tax (credit)/charge for the year	(127)	653
	<hr/>	<hr/>

A deferred tax asset of £623,000 (2010: £503,963) has not been recognised in respect of losses carried forward as there is insufficient evidence that the asset will be recovered.

9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a result after tax of £Nil (2010: £Nil) which is dealt with in the financial statements of the parent company.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

10 Intangible fixed assets

Group

	Goodwill on consolidation £'000
<i>Cost or valuation</i>	
At 1 September 2010	899
Additions	427
Disposals	(26)
	<hr/>
At 31 August 2011	1,300
	<hr/>
<i>Amortisation</i>	
At 1 September 2010	594
Provided for the year	81
Disposals	(26)
	<hr/>
At 31 August 2011	649
	<hr/>
<i>Net book value</i>	
At 31 August 2011	651
	<hr/>
At 31 August 2010	305
	<hr/>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

11 Tangible fixed assets

Group

	Leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<i>Cost or valuation</i>					
At 1 September 2010	9,351	2,739	52	3,835	15,977
Additions	2,731	836	-	412	3,979
Acquisition of subsidiary	1,440	83	-	44	1,567
Disposals	(1,661)	(751)	(17)	(576)	(3,005)
	<u>11,861</u>	<u>2,907</u>	<u>35</u>	<u>3,715</u>	<u>18,518</u>
<i>Depreciation</i>					
At 1 September 2010	1,935	1,191	39	2,282	5,447
Provided for the year	1,107	561	-	135	1,803
Acquisition of subsidiary	58	14	-	-	72
Disposals	(441)	(233)	(8)	(186)	(868)
Impairment	1,604	536	-	-	2,140
	<u>4,263</u>	<u>2,069</u>	<u>31</u>	<u>2,231</u>	<u>8,594</u>
<i>Net book value</i>					
At 31 August 2011	<u>7,598</u>	<u>838</u>	<u>4</u>	<u>1,484</u>	<u>9,924</u>
At 31 August 2010	<u>7,416</u>	<u>1,548</u>	<u>13</u>	<u>1,553</u>	<u>10,530</u>

The net book value of tangible fixed assets includes an amount of £2,965,718 (2010 - £Nil) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £180,894 (2010 - £Nil).

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

12 Fixed asset investments

Company

Cost

Additions and at 31 August 2011

Group
undertakings
£'000

2

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (continued)

12 Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
Gordon Ramsay Holdings Limited	United Kingdom	Ordinary	99%	Holding company
Gordon Ramsay Holdings International Limited	United Kingdom	Ordinary	100%	Holding company
ArtichokeConsultancy Limited*	United Kingdom	Ordinary	99%	Holding company
Gordon Ramsay (Royal Hospital Road) Limited*	United Kingdom	Ordinary	99%	Operating a restaurant
Gordon Ramsay at Claridge's Limited*	United Kingdom	Ordinary	99%	Operating a restaurant
Gordon Ramsay at the Connaught Limited*	United Kingdom	Ordinary	99%	Not trading
Gordon Ramsay at the Berkeley Limited*	United Kingdom	Ordinary	94%	Not trading
Gordon Ramsay (Maze) Limited*	United Kingdom	Ordinary	89%	Operating a restaurant
Gordon Ramsay (St James's) Limited*	United Kingdom	Ordinary	89%	Not trading
Gordon Ramsay (No 1) Limited*	United Kingdom	Ordinary	99%	Not trading
La Noisette Restaurant Limited*	United Kingdom	Ordinary	99%	Not trading
Gordon Ramsay at the Savoy Grill Limited*	United Kingdom	Ordinary	99%	Not trading
Gordon Ramsay (No 3) Limited*	United Kingdom	Ordinary	99%	Not trading
Gordon Ramsay (Narrow Street) Limited*	United Kingdom	Ordinary	84%	Operating a restaurant
Gordon Ramsay (Devonshire) Limited*	United Kingdom	Ordinary	85%	Not trading
G R Logistics limited*	United Kingdom	Ordinary	100%	Not trading
Foxtrot Oscar Holdings Limited *	United Kingdom	Ordinary	90%	Holding company
Foxtrot Oscar Limited*	United Kingdom	Ordinary	90%	Not trading
Gordon Ramsay (York and Albany) Limited*	United Kingdom	Ordinary	100%	Operating a restaurant and hotel
Gordson Ramsay Plane Food Limited*	United Kingdom	Ordinary	100%	Operating a restaurant

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

12 Fixed asset investments (*continued*)

Subsidiary undertakings, associated undertakings and other investments (continued)

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
Gordon Ramsay (No 2) Limited*	United Kingdom	Ordinary	100%	Not trading
Tante Marie Limited*	United Kingdom	Ordinary	51%	Cookery School
Gordon Ramsay Interactive Limited*	United Kingdom	Ordinary	70%	Dormant
Gordon Ramsay (One New Change) Limited*	United Kingdom	Ordinary	100%	Not trading
Petrus (Kinnerton Street) Limited* (**)	United Kingdom	Ordinary	99%	Operating a restaurant

* Indirectly held

(**) part of group since 17 December 2010

13 Stocks

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000
Finished goods and goods for resale	984	1,056	-

There is no material difference between the replacement cost of stocks and the amounts stated above

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

14 Debtors

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000
Amounts receivable within one year			
Trade debtors	434	436	-
Other debtors	2,239	891	-
Prepayments and accrued income	1,122	1,071	-
	<u>3,795</u>	<u>2,398</u>	<u>-</u>
Amounts receivable after more than one year			
Other debtors	-	3,246	-
	<u>-</u>	<u>3,246</u>	<u>-</u>
Total debtors	<u>3,795</u>	<u>5,644</u>	<u>-</u>

15 Creditors amounts falling due within one year

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000
Bank loans and overdrafts (secured)	1,613	4,916	-
Trade creditors	6,629	6,718	-
Taxation and social security	2,396	3,708	-
Obligations under finance lease and hire purchase contracts	950	-	-
Directors' loans	9,237	7,198	-
Other creditors	2,908	1,703	-
Accruals and deferred income	2,723	2,804	-
	<u>26,456</u>	<u>27,047</u>	<u>-</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

16 Creditors amounts falling due after more than one year

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000
Bank loans (secured)	2,177	3,426	-
Other loans	40	140	-
Obligations under finance lease and hire purchase contracts	2,019	-	-
	<u>4,236</u>	<u>3,566</u>	<u>-</u>

Maturity of debt

	Loans and overdrafts 2011 £'000	Loans and overdrafts 2010 £'000	Finance leases 2011 £'000	Finance leases 2010 £'000
In one year or less, or on demand	<u>1,613</u>	<u>4,916</u>	<u>950</u>	<u>-</u>
In more than one year but not more than two years	2,177	3,426	725	-
In more than two years but not more than five years	40	140	1,294	-
	<u>2,217</u>	<u>3,566</u>	<u>2,019</u>	<u>-</u>

The bank loan and overdraft is secured on a Group basis and personal guarantees of the Directors (see note 23)

17 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £42,000 (2010 - £51,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

18 Share capital

	2011 £'000	2010 £'000
<i>Allotted, called up and fully paid</i>		
204,300 Ordinary shares of £0.01 each	2	-
	<u>2</u>	<u>-</u>

Kavalake Limited was incorporated on the 31 August 2010, on incorporation 10,000 shares of nominal value £0.01 were issued at par value. On the 1 September 2010 109,700 shares of nominal value £0.01 were issued at par value. A further 84,600 shares of nominal value £0.01 were also issued in the year.

19 Reserves

Group

	Shares to be issued £'000	Merger reserve £'000	Profit and loss account £'000
At 1 September 2010	(2)	1,099	(11,324)
Loss for the year	-	-	(4,166)
Transferred to share capital	2	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 August 2011	-	1,099	(15,490)
	<u>-</u>	<u>1,099</u>	<u>(15,490)</u>

20 Minority interests

	2011	2010
Minority interests' share of net assets and liabilities in subsidiary undertakings	168	269
	<u>168</u>	<u>269</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

21 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000
Loss for the year	(4,166)	(454)	-
Issue of shares	-	-	2
	<u> </u>	<u> </u>	<u> </u>
Net (deductions from)/additions to shareholders' (deficit)/funds	(4,166)	(454)	2
Opening shareholders' deficit	(10,223)	(9,769)	-
	<u> </u>	<u> </u>	<u> </u>
Closing shareholders' (deficit)/funds	(14,389)	(10,223)	2
	<u> </u>	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (*continued*)

22 Acquisitions

Acquisition of Petrus (Kinnerton Street) Limited

In calculating the goodwill arising on acquisition, the fair value of the net assets of Petrus (Kinnerton Street) Limited have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book and fair value £'000
Fixed assets	
Tangible	1,495
Current assets	
Stocks	175
Debtors	142
Cash at bank and in hand	115
	<hr/>
Total assets	1,927
Creditors	
Due within one year	2,254
	<hr/>
Net liabilities	(327)
	<hr/>
	£'000
Cash consideration	70
Non cash consideration	30
	<hr/>
	100
Net liabilities acquired	327
	<hr/>
Goodwill arising on acquisition	427
	<hr/>

The loss after tax and minority interest of Petrus (Kinnerton Street) Limited from the beginning of its financial and minority interest to the date of acquisition was £20,135.

The loss after tax and minority interest of Petrus (Kinnerton Street) Limited for the year ended 31 August 2010 was £288,155.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

22 Acquisitions (*continued*)

Cash flows

The net outflow of cash arising from the acquisition of Petrus (Kinnerton Street) Limited was as follows

	£'000
Cash consideration, as above	70
Cash acquired	(115)
	<hr/>
Net inflow of cash	(45)
	<hr/>

23 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2011 £'000	Land and buildings 2010 £'000
Operating leases which expire		
Within one year	86	200
In two to five years	3,387	381
After five years	1,306	4,071
	<hr/>	<hr/>
	4,779	4,652
	<hr/>	<hr/>

24 Financial commitment

A Group loan facility is secured by a debenture over the present and future assets of the company, and its fellow subsidiaries and personal guarantees from the directors. The loan is repayable over 52 months, commencing February 2010 and interest is chargeable at 3.25% per annum above LIBOR. As at 31 August 2011 the maximum liability was £3,718,000 (2010 £7,250,000)

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2011 (continued)

25 Related party disclosures

G J Ramsay is a director and therefore a related party. As at 31 August 2011, G J Ramsay had given personal guarantees totalling £3,500,000 (2010 £3,500,000) in respect of the Group banking facility (see note 23)

C F Hutcheson was a director for some of the year. As at 31 August 2011, C F Hutcheson had given personal guarantees totalling £1,500,000 (2010 £1,500,000) in respect of the Group banking facility (see note 23)

Warrington Hotel Limited is a subsidiary of Gordon Ramsay Pubs Limited in which G J Ramsay is a shareholder. During the year total loans due from the Warrington Hotel Limited amounting to £563,716 were not considered to be recoverable and therefore have been provided for in the profit and loss account.

A Hutcheson was a shareholder of Foxtrot Oscar Holdings Limited during the period. As at 31 August 2011 £10,000 (2010 £10,000) was due from A Hutcheson in respect of unpaid share capital.

A Maxwell is a shareholder and director of Tante Marie Limited. As at 31 August 2011 £49,150 (2010 £49,150) was due to A Maxwell.

L Redding is a shareholder and director of Tante Marie Limited. As at 31 August 2011 £49,150 (2010 £49,150) was due to L Redding.

H O'Donovan is a shareholder and director of Tante Marie Limited. As at 31 August 2011 £11,059 (2010 £11,059) was due to H O'Donovan.

M O'Donovan is a shareholder and director of Tante Marie Limited. As at 31 August 2011 £11,059 (2010 £11,059) was due to M O'Donovan.

As at 31 August 2011 the balance due from Tante Marie Limited to Gordon Ramsay Holdings International Limited was £125,333 (2010 £125,333).

Gordon Ramsay Holdings Limited is a company in which G J Ramsay and C F Hutcheson during the year were also shareholders. During the year, management charges of £25,000 (2010 £25,000) were payable by Tante Marie Limited to Gordon Ramsay Holdings Limited and as at 31 August 2011 the balance due from Tante Marie Limited to Gordon Ramsay Holdings Limited was £7,500 (2010 £4,896).

Woodham School Limited (formerly Tante Marie School of Cookery Limited) is a company limited by guarantee in which H O'Donovan and M O'Donovan, directors of Tante Marie Limited, are guarantors and Woodham House Limited is a company in which G J Ramsay and C F Hutcheson were shareholders during the period. During the year, rent of £80,000 (2010 £126,667) was payable by Tante Marie Limited to Woodham House Limited and Woodham House Limited had administrative expenses of £1,984 (2010 £1,055) payable to Tante Marie Limited. As at 31 August 2011 the balance due to Tante Marie Limited from Woodham House Limited was £1,057 (2010 £48,000).

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries.

26 Transactions with directors

	As at 1 September 2010	Repayments in year	Advances in year	As at 31 August 2011	Maximum debit balance in year
G J Ramsay	(7,198,282)	(3,814,202)	1,775,827	(9,236,660)	-
C F Hutcheson	125,578	(52,500)	273,960	347,038	347,038
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

27 Ultimate parent company and parent undertaking of larger group

The company is the ultimate parent company incorporated in United Kingdom

G J Ramsay is the ultimate controlling party of the company

28 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating (loss)/profit	(6,246)	682
Amortisation of intangible fixed assets	81	80
Depreciation of tangible fixed assets	1,803	1,624
Profit on sale of tangible fixed assets	(5)	(35)
Decrease in stocks	166	6
Decrease/(increase) in debtors	2,365	(591)
Increase in creditors	2,189	3,469
Impairment	2,140	149
	<hr/>	<hr/>
Net cash inflow from operating activities	2,493	5,384
	<hr/>	<hr/>

29 Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
(Decrease)/increase in cash	(2,127)	1,485
Cash inflow/(outflow) from changes in debt	1,625	2,307
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	(502)	3,792
Other movements	58	300
	<hr/>	<hr/>
Movement in net debt	(444)	4,092
Opening net (debt)/funds	(5,361)	(9,453)
	<hr/>	<hr/>
Closing net debt	(5,805)	(5,361)
	<hr/>	<hr/>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2011 (*continued*)

30 Analysis of net debt

	At 1 September 2010 £'000	Cash flow £'000	Other non- cash items £'000	At 31 August 2011 £'000
Cash at bank and in hand	3,121	(2,127)	-	994
Debt due within one year	(4,916)	4,594	(1,291)	(1,613)
Debt due after one year	(3,566)	-	1,349	(2,217)
Finance leases	-	(2,969)	-	(2,969)
	<u>(8,482)</u>	<u>1,625</u>	<u>58</u>	<u>(6,799)</u>
Total	<u>(5,361)</u>	<u>(502)</u>	<u>58</u>	<u>(5,805)</u>