

Kavalake Limited

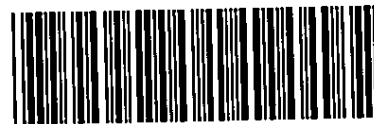
Report and Financial Statements

Year Ended

31 August 2012

Company Number 07360142

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Kavalake Limited

Report and financial statements for the year ended 31 August 2012

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Directors

G J Ramsay
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 2012

The directors present their report together with the audited financial statements for the year ended 31 August 2012

Results and dividends

The profit and loss account is set out on page 8 and shows the profit 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 and future developments

The directors are pleased to report that the performance of the Group has been strong during the 2012 financial year, with significant growth in profits and UK sales. The Group has benefitted from the strategic review and reorganisation undertaken in previous years which helped the Group achieve its highest level of earnings in its history.

<i>Profit and loss summary</i>	2012	2011
	£m	£m
Sales	43.1	45.9
Cost of sales	(23.7)	(28.0)
Gross profit	19.5	17.9
Admin expenses *	(14.4)	(15.4)
EBITDA *	4.9	2.5

* Excludes pre-opening expenses, depreciation and amortisation, impairment of tangible fixed assets and other exceptional items

The Group's UK turnover has increased by 13% to £43.1m in 2012 which has been primarily driven by the opening of new sites. Headline turnover has fallen as loss making overseas operations have been closed.

The economic backdrop has remained challenging throughout 2012 with continued pressure on household incomes and difficult trading conditions. The Group has continued to focus on its core principles of excellence in food and customer service which has seen demand remain strong, with like for like covers increasing by 3% in 2012.

The Group has also had to contend with increasing input costs but has benefited from improvements to its systems and processes which were implemented as part of the strategic review, allowing these increased costs to be managed successfully. This has contributed to an increase in gross profit margins and EBITDA margins of 6.2% and 5.5% respectively.

Portfolio developments

During the year the Group opened its largest UK site, *Bread Street Kitchen*. This exciting addition to the Group has served over 120,000 customers in its first year and has won a global award for its striking contemporary interior design.

The Group has acquired a London site for its next UK opening, *Union Street Café*, due to start trading in 2013. The directors believe there are still significant opportunities in the UK market and continue to explore future UK sites.

As part of its strategic review the Group has identified North America as a key area for growth. In September 2012 the Group opened the *Fat Cow*, a casual restaurant concept in Los Angeles, California, in partnership with a local proprietor.

Kavalake Limited

Report of the directors for the year ended 31 August 2012 (*continued*)

The Group has also recently opened three sites in Las Vegas, Nevada

- *Gordon Ramsay Steak* opened in May 2012, housed in the Paris hotel, the 274 cover restaurant has been a huge success,
- *Gordon Ramsay Pub and Grill* opened to fantastic reviews in December 2012, situated in the Caesars Palace hotel, this became the Group's largest US site to date,
- Opening in the Planet Hollywood resort in mid-December 2012, *Gordon Ramsay BurGR* brings a more casual offering to the portfolio

The directors continue to look for potential sites for new ventures in the US and the Group expects to have further US openings in 2013

In May 2012, the Group increased its Middle East presence with the opening of two new restaurants in the 5 star Hotel, St Regis Doha, *Gordon Ramsay Doha* and *Opal by Gordon Ramsay*. The Group continues to review all international options and will look to expand if opportunities arise which are in line with the Group's strategy

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

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 principally derived from the UK, and 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 on going 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

Kavalake Limited

Report of the directors for the year ended 31 August 2012 (*continued*)

Employees

The successful delivery of service to the Group's customers 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 96 (2011 - 79) days purchases.

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 regular 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 Group 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 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.

Kavalake Limited

Report of the directors for the year ended 31 August 2012 (*continued*)

Directors

The directors of the company during the year were

G J Ramsay
T James (Resigned 31 August 2012)
C F Hutcheson (Resigned 31 January 2012)
S Gillies (Appointed 5 September 2011)

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.

Kavalake Limited

Report of the directors for the year ended 31 August 2012 *(continued)*

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 have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

S Gillies



Director

25 / 2013

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 2012 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 2012 and of the group's profit 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

BDO LLP

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

25/1/13

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 2012

	Note	2012 £'000	2011 £'000
Turnover	3	43,125	45,907
Cost of sales		23,670	27,999
Gross profit		19,455	17,908
Administrative expenses		17,011	24,154
EBITDA*		4,884	2,507
Pre-opening costs		(262)	(563)
Depreciation and amortisation		(1,923)	(1,884)
Impairment of tangible fixed assets		-	(2,141)
Other exceptional items	2	(255)	(4,165)
Group operating profit/(loss)	4	2,444	(6,246)
Profit on disposal of operation		-	2,186
Profit/(loss) on ordinary activities before interest and other income		2,444	(4,060)
Interest payable and similar charges	7	(440)	(333)
Profit/(loss) on ordinary activities before taxation		2,004	(4,393)
Taxation on profit/(loss) on ordinary activities	8	(436)	127
Profit/(loss) on ordinary activities after taxation		1,568	(4,266)
Minority interest		(137)	100
Profit/(loss) for the financial year	19	1,431	(4,166)

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, amortisation and exceptional items

The notes on pages 12 to 28 form part of these financial statements

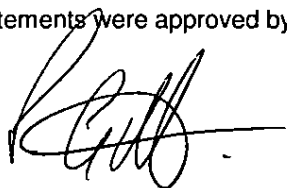
Kavalake Limited

Consolidated balance sheet at 31 August 2012

Company number 07360142	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Intangible assets	10		554		651
Tangible assets	11		10,399		9,924
			<u>10,953</u>		<u>10,575</u>
Current assets					
Stocks	13	1,017		984	
Debtors	14	2,172		3,795	
Cash at bank and in hand		1,410		1,117	
		<u>4,599</u>		<u>5,896</u>	
Creditors: amounts falling due within one year	15	<u>26,329</u>		<u>26,456</u>	
Net current liabilities			<u>(21,730)</u>		<u>(20,560)</u>
Total assets less current liabilities			<u>(10,777)</u>		<u>(9,985)</u>
Creditors: amounts falling due after more than one year	16		<u>1,875</u>		<u>4,236</u>
			<u>(12,652)</u>		<u>(14,221)</u>
Capital and reserves					
Called up share capital	18		2		2
Other reserves	19		1,099		1,099
Profit and loss account	19		(14,059)		(15,490)
Shareholders' deficit	21		<u>(12,958)</u>		<u>(14,389)</u>
Minority interests	20		<u>306</u>		<u>168</u>
			<u>(12,652)</u>		<u>(14,221)</u>

The financial statements were approved by the board of directors and authorised for issue on 25/01/2013

S Gillies
Director



The notes on pages 12 to 28 form part of these financial statements

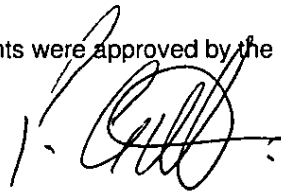
Kavalake Limited

Company balance sheet at 31 August 2012

Company number 07360142	Note	2012 £'000	2011 £'000
Fixed assets			
Fixed asset investments	12	2	2
		=	=
Capital and reserves			
Called up share capital	18	2	2
		-	-
Shareholders' funds	21	2	2
		=	=

The financial statements were approved by the board of directors and authorised for issue on 25/01/2013

S Gillies
Director



The notes on pages 12 to 28 form part of these financial statements

Kavalake Limited

Consolidated cashflow statement for the year ended 31 August 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Net cash inflow from operating activities	27		5,176		2,493
Returns on investments and servicing of finance					
Interest paid bank loans		(122)		(253)	
Interest paid hire purchase		(318)		(81)	
Net cash outflow from returns on investments and servicing of finance			(440)		(334)
Taxation					
Corporation tax paid			(683)		(70)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(2,305)		(3,979)	
Receipts from sale of tangible fixed assets		-		6	
Net cash outflow from capital expenditure and financial investment			(2,305)		(3,973)
Acquisitions and disposals					
Sale of business operations		-		1,533	
Purchase of a 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 inflow/(outflow) before use of financing			1,748		(518)
Financing					
New loans		-		3,163	
Repayment of long term loans		(1,531)		(4,535)	
Repayment of hire purchase loans		(949)		(237)	
Net cash outflow from financing			(2,480)		(1,609)
Decrease in cash	28		(732)		(2,127)

The notes on pages 12 to 28 form part of these financial statements

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2012

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

Basis of consolidation

The consolidated financial statements incorporate the results of Kavalake Limited and all of its subsidiary undertakings as at 31 August 2012 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

Turnover

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

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 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 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

Leasehold land and buildings	- straight line over lease period
Plant and machinery	- 15% straight line
Motor vehicles	- 25% straight line

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

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

1 Accounting policies (*continued*)

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.

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.

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.

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 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.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 *(continued)*

1 Accounting policies *(continued)*

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 Exceptional items

	2012 £'000	2011 £'000
Reorganisation costs	-	(2,435)
Related party bad debt	(255)	(1,730)
	<u>(255)</u>	<u>(4,165)</u>

3 Turnover

	2012 £'000	2011 £'000
Analysis by geographical market		
United Kingdom	43,125	38,056
Australia	-	7,851
	<u>43,125</u>	<u>45,907</u>

Turnover is wholly attributable to the principal activity of the Group

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

4 Operating profit/(loss)

	2012 £'000	2011 £'000
This is arrived at after charging		
Depreciation of tangible fixed assets	1,826	1,803
Amortisation of positive goodwill	97	81
Hire of other assets - operating leases	4,878	5,439
Auditors' remuneration		
- fees payable to the group's current auditor for the audit of the Group's annual accounts	75	67
- other taxation services	45	26
- all other services	54	28
Auditors' remuneration - fees payable to the group's previous auditor for the audit of the Group's annual accounts	-	118
	<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

5 Employees

Staff costs (including directors) consist of

	Group 2012 £'000	Group 2011 £'000
Wages and salaries	12,907	16,482
Social security costs	1,197	1,076
Other pension costs	(11)	42
	<u> </u>	<u> </u>
	14,093	17,600
	<u> </u>	<u> </u>

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

	Group 2012 Number	Group 2011 Number
Head office	60	78
Restaurant staff	706	614
Directors	2	2
	<u> </u>	<u> </u>
	768	694
	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

6 Directors' remuneration

	2012 £'000	2011 £'000
Directors' emoluments	477	134
Company contributions to money purchase pension schemes	4	4
	<u>481</u>	<u>138</u>

There was 1 director in the Group's defined contribution pension scheme during the year (2011 - 1)

The total amount payable to the highest paid director in respect of emoluments was £342,185 (2011 - £Nil) Company pension contributions of £Nil (2011 - £Nil) were made to a money purchase scheme on their behalf

7 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loans and overdrafts	119	238
All other loans (excluding loans from group companies)	-	4
Finance leases and hire purchase contracts	318	86
Interest payable - other	3	5
	<u>440</u>	<u>333</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

8 Taxation on profit/(loss) on ordinary activities

	2012 £'000	2011 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	365	10
Adjustment in respect of previous periods	71	(137)
	<u> </u>	<u> </u>
Total current tax	436	(127)
	<u> </u>	<u> </u>

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

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before tax	2,004	(4,393)
	<u> </u>	<u> </u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 25.17% (2011 - 27.17%)	504	(1,194)
Effect of:		
Expenses not deductible for tax purposes	180	931
Capital allowances for period in (excess)/deficit of depreciation	(57)	240
Utilisation of tax losses brought forward	(262)	(7)
Adjustment to tax charge in respect of previous periods	71	(137)
Profit on disposal of assets	-	(419)
Losses not utilised in period	-	459
	<u> </u>	<u> </u>
Current tax charge/(credit) for the year	436	(127)
	<u> </u>	<u> </u>

A deferred tax asset of £549,841 (2011 - £623,000) 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 profit for the year includes a result after tax of £Nil (2011 - £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 2012 (*continued*)

10 Intangible fixed assets

Group

	Goodwill on consolidation £'000
<i>Cost</i>	
At 1 September 2011	1,300
Disposals	(77)
	<hr/>
At 31 August 2012	1,223
	<hr/>
<i>Amortisation</i>	
At 1 September 2011	649
Provided for the year	97
Disposals	(77)
	<hr/>
At 31 August 2012	669
	<hr/>
<i>Net book value</i>	
At 31 August 2012	554
	<hr/>
At 31 August 2011	651
	<hr/>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

11 Tangible fixed assets

Group

	Leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 September 2011	11,861	6,622	35	18,518
Additions	1,693	612	-	2,305
Disposals	-	-	(19)	(19)
	<u>13,554</u>	<u>7,234</u>	<u>16</u>	<u>20,804</u>
<i>Depreciation</i>				
At 1 September 2011	4,263	4,300	31	8,594
Provided for the year	878	948	-	1,826
Disposals	-	-	(15)	(15)
	<u>5,141</u>	<u>5,248</u>	<u>16</u>	<u>10,405</u>
<i>Net book value</i>				
At 31 August 2012	<u>8,413</u>	<u>1,986</u>	<u>-</u>	<u>10,399</u>
At 31 August 2011	<u>7,598</u>	<u>2,322</u>	<u>4</u>	<u>9,924</u>

The net book value of tangible fixed assets includes an amount of £2,596,396 (2011 - £2,965,718) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £364,687 (2011 - £180,894).

12 Fixed asset investments

Company

	Group undertakings £'000
<i>Cost</i>	
At 1 September 2011 and 31 August 2012	<u>2</u>

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 2012 (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
Artichoke Consultancy 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%	Operating a restaurant
Gordon Ramsay (York and Albany) Limited *	United Kingdom	Ordinary	100%	Operating a restaurant and hotel
Gordon 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 2012 (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 (One New Change) Limited *	United Kingdom	Ordinary	100%	Operating a restaurant
Petrus (Kinnerton Street) Limited *	United Kingdom	Ordinary	99%	Operating a restaurant

* Indirectly held

13 Stocks

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Raw materials and consumables	1,017	984	-	-

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

14 Debtors

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	276	434	-	-
Corporation tax recoverable	2	-	-	-
Other debtors	839	2,239	-	-
Prepayments and accrued income	1,055	1,122	-	-
	2,172	3,795	-	-

All amounts shown under debtors fall due for payment within one year

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

15 Creditors amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans and overdrafts (secured)	2,391	1,613	-	-
Trade creditors	6,939	6,629	-	-
Taxation and social security	2,368	2,396	-	-
Obligations under finance lease and hire purchase contracts	1,078	950	-	-
Directors' loans (note 25)	10,220	9,237	-	-
Other creditors	1,506	2,908	-	-
Accruals and deferred income	1,827	2,723	-	-
	<u>26,329</u>	<u>26,456</u>	<u>-</u>	<u>-</u>

16 Creditors: amounts falling due after more than one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans (secured)	933	2,177	-	-
Other loans	-	40	-	-
Obligations under finance lease and hire purchase contracts	942	2,019	-	-
	<u>1,875</u>	<u>4,236</u>	<u>-</u>	<u>-</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 *(continued)*

16 Creditors' amounts falling due after more than one year *(continued)*

Maturity of debt

	Loans and overdrafts 2012 £'000	Loans and overdrafts 2011 £'000	Finance leases 2012 £'000	Finance leases 2011 £'000
In one year or less, or on demand	<u>2,391</u>	<u>1,613</u>	<u>1,078</u>	<u>950</u>
In more than one year but not more than two years	933	2,177	285	725
In more than two years but not more than five years	-	40	657	1,294
	<u>933</u>	<u>2,217</u>	<u>942</u>	<u>2,019</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 £4,044 (2011 - £42,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Share capital

	2012 £'000	2011 £'000
<i>Allotted, called up and fully paid</i>		
204,300 Ordinary shares of £0.01 each	<u>2</u>	<u>2</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (continued)

19 Reserves

Group

	Other reserves £'000	Profit and loss account £'000
At 1 September 2011	1,099	(15,490)
Profit for the year	-	1,431
	<u>1,099</u>	<u>(14,059)</u>
At 31 August 2012	<u>1,099</u>	<u>(14,059)</u>

20 Minority interests

	2012	2011
Minority interests' share of net assets and liabilities in subsidiary undertakings	306	168
	<u>306</u>	<u>168</u>

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

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Profit/(loss) for the year	1,431	(4,166)	-	-
Issue of shares	-	-	-	2
	<u>1,431</u>	<u>(4,166)</u>	<u>-</u>	<u>2</u>
Net additions to/(deductions from) shareholders' (deficit)/funds	1,431	(4,166)	-	2
Opening shareholders' (deficit)/funds	(14,389)	(10,223)	2	-
	<u>(12,958)</u>	<u>(14,389)</u>	<u>2</u>	<u>2</u>
Closing shareholders' (deficit)/funds	<u>(12,958)</u>	<u>(14,389)</u>	<u>2</u>	<u>2</u>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

22 Commitments under operating leases

The Group and company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £'000	Land and buildings 2011 £'000
Operating leases which expire		
Within one year	157	-
In two to five years	1,148	1,835
After five years	2,900	3,006
	<hr/>	<hr/>
	4,205	4,841
	<hr/>	<hr/>

23 Financial commitment

A Group loan facility is secured by a debenture over the present and future assets of the company, and its 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 2012 the maximum liability was £2,176,800 (2011 - £3,718,000).

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2012 (*continued*)

24 Related party disclosures

G J Ramsay is a director and therefore a related party. As at 31 August 2012, G J Ramsay had given personal guarantees totalling £2,176,800 (2011 - £3,500,000) in respect of the Group banking facility.

During the year C F Hutcheson was a director and had given personal guarantees totalling £Nil (2011 - £1,500,000) in respect of the Group banking facility.

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 £255,000 (2011 - £564,000) 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 year. As at 31 August 2012 £Nil (2011 - £10,000) was due from A Hutcheson in respect of unpaid share capital.

As at 31 August 2012 the balance due from Tante Marie Limited to Gordon Ramsay Holdings International Limited was £125,333 (2011 - £125,333).

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 year. During the year, rent of £80,000 (2011 - £80,000) was payable by Tante Marie Limited to Woodham House Limited and Woodham House Limited had administrative expenses of £594,000 (2011 - £1,984) payable to Tante Marie Limited. As at 31 August 2012 the balance due to Tante Marie Limited from Woodham House Limited was £Nil (2011 - £1,057).

The company has taken advantage of the exemptions conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries and not to disclose transactions or balances between group entities that have been eliminated on consolidation.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 *(continued)*

25 Transactions with directors

	As at 1 September 2011	Repayments in the year	Advances in the year	As at 31 August 2012
G J Ramsay	(9,236,660)	2,253,708	(3,236,933)	(10,219,885)
C F Hutcheson	347,038	(347,038)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 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

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

	2012 £'000	2011 £'000
Operating profit/(loss)	2,444	(6,246)
Amortisation of intangible fixed assets	97	81
Depreciation of tangible fixed assets	1,826	1,803
Profit on sale of tangible fixed assets	(1)	(5)
(Increase)/decrease in stocks	(33)	166
Decrease in debtors	1,623	2,365
(Decrease)/increase in creditors	(780)	2,189
Impairment	-	2,140
	<u> </u>	<u> </u>
Net cash inflow from operating activities	5,176	2,493
	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2012 (*continued*)

28 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Decrease in cash	(732)	(2,126)
Cash inflow from changes in debt	2,480	1,747
Movement in net debt resulting from cash flows	1,748	(379)
Other movements	-	58
Movement in net debt	1,748	(321)
Opening net debt	(5,682)	(5,361)
Closing net debt	(3,934)	(5,682)

29 Analysis of net debt

	At 1 September 2011 £'000	Cash flow £'000	At 31 August 2012 £'000
Cash at bank and in hand	1,117	293	1,410
Bank overdrafts	(122)	(1,025)	(1,147)
		(732)	
Debt due within one year	(1,491)	247	(1,244)
Debt due after one year	(2,217)	1,284	(933)
Finance leases	(2,969)	949	(2,020)
		2,480	
Total	(5,682)	1,748	(3,934)