

Kavalake Limited

Report and Financial Statements

Year Ended

31 August 2016

Company Number 07360142



Kavalake Limited

Company Information

Directors	G J Ramsay S Gillies G Eades
Registered number	07360142
Registered office	539 - 547 Wandsworth Road London SW8 3JD
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Kavalake Limited

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Kavalake Limited

Group strategic report For the year ended 31 August 2016

The Directors present their strategic report together with the audited financial statements for the year ended 31 August 2016.

Principal activities

Kavalake Limited and its subsidiary companies (the "Group") hold an interest in fourteen London based restaurants, in addition there are 16 licence agreements for restaurants in various locations around the world.

The restaurants operated by the Group include some of London's most famous restaurants, including the three Michelin star Restaurant Gordon Ramsay, Petrus, Maze, The Savoy Grill and Plane Food at Heathrow T5. The Group also operates a wider range of restaurants that include high end bar and kitchen offerings including Bread Street Kitchen, Heddon Street Kitchen, London House and Union Street Cafe. While the food and restaurant design offer varies at each location, the focus on quality combined with exceptional staff and in house training creates unique experiences for guests.

Business review

The consolidated turnover for the Group is £51.9m (2015 - £50.3m), an increase of 3.2%.

Adjusted EBITDA*, at £4.4m (2015 - £5.5m) has decreased by 19.0%. This decrease reflects an increase in overheads to support future growth.

The group generated an operating profit of £0.7m versus an operating loss of £1.3m in 2015. This is the first year since 2012 that the group has delivered an operating profit and demonstrates the successful implementation of the on-going strategy.

There were no new openings in the UK during 2016, however the sites opened in the prior year performed in line with expectations.

Revenue from international operations continued to perform well, contributing £3.6m to revenue in the year, an increase of 23.6% on prior year. The performance reflects the strong trading within the existing sites as well as a new openings in Bordeaux, Hong Kong and Dubai.

* Adjusted EBITDA is earnings before interest, tax, share-based payments, depreciation, amortisation and other exceptional items.

Financing

Bank debt at the end of the year consisted of bank loans of £8.2m (2015 - £6.5m) and an overdraft facility of £0.7m (2015 - £0.8m). At the year end the Director's loan account decreased to £13.0m (2015 - £14.2m) due to repayments made during the year.

Kavalake Limited

Group strategic report (continued) For the year ended 31 August 2016

Future developments

The Group is actively looking for new restaurant locations both in the UK and Internationally.

International

A number of new international contracts are being actively negotiated. One new license agreement has been signed that will see the Bread Street Kitchen concept taken to Sanya in China. The concept is planned to open in the final quarter of the 2017 calendar year. The others are expected to be opened in the financial year 2017/18.

A new licence agreement was signed with Gordon Ramsay Grand Hotel de Bordeaux & Spa in Bordeaux in December 2014 for 5 years, until March 2020. The restaurant, Le Pressoir d'Argent, opened in September 2015 and is a fine dining restaurant at the five-star Grand Hotel de Bordeaux & Spa. The restaurant has already gained two Michelin Stars.

Key performance indicators

In line with our operating objectives, we use both financial and non-financial KPI's. These are monitored on a daily, weekly, monthly basis. KPI's are used to measure our primary objectives of the business and the performance of the restaurants.

KPI's used to measure performance include turnover, food, beverage and labour margins, gross profit and adjusted EBITDA.

Profit and loss summary

	2016 £m	2015 £m
Turnover	51.9	50.3
Gross profit	25.5	24.4
Adjusted EBITDA *	4.4	5.5

* Adjusted EBITDA is earnings before interest, tax, share-based payments, depreciation, amortisation and other exceptional items.

Principal risks and uncertainties

The variety of concepts and choice of location throughout London minimises any risk of dependency on one brand or economic area, while the growth in the family and casual dining market is reflected in both our Grill and Kitchen concepts.

Like any consumer facing business, the general economic climate and pressures on consumer spending could have an adverse impact on the business. However, the London market in particular, has continued to trade very strongly throughout the recession, and we are confident that as economic growth returns this will be reflected in an increase in the strength of consumer spending.

As a consequence of the referendum in the summer of 2016 there is a great deal of uncertainty about the future direction of the economy. This will have a number of potential implications including cost pressures due to the inflationary impact of Sterling against the Euro, recruitment and the general economic climate. In part to mitigate the inflationary impact a procurement team has been recruited to manage the supply chain. The expectation is that London will benefit from an increase in tourism during 2017 and the restaurants are well placed to benefit from this opportunity.

Kavalake Limited

Group strategic report (continued) For the year ended 31 August 2016

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), shareholder debt, bank debt, cash and cash equivalents. The Group monitors its capital structure on a regular basis through cash flow reporting and forecasting.

Foreign exchange 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. Given that the majority of the Group's transactions remain Sterling denominated, the Group does not consider it necessary to enter into foreign exchange contracts to manage its current foreign exchange risks.

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. To manage liquidity risk, the Group prepares regular working capital forecasts to assess cash requirements. The risk posed by liquidity has been considered and we are satisfied there is sufficient funding available in the Group to meet its requirements.

Interest rate risk

The Group does not have formal policies on interest rate risk but monitors interest rates and the risk to the business on a regular basis.

Credit risk

The Group has no significant concentrations of credit risk. The nature of the operations results in a large and diverse customer base who generally pay at the point of consumption, with a significant proportion of sales being cash. The Group has policies that limit the amount of credit exposure to any financial institution.

Supplier 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 payment terms are clear and its policy is to abide by the agreed terms where possible provided the supplier meets their obligations.

Kavalake Limited

Group strategic report (continued)
For the year ended 31 August 2016

Employees

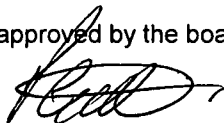
The successful delivery of the service to the Group's customers depends on recruiting, training, managing retaining people of the highest quality. The Group is committed to the welfare of its staff and all employees given opportunities and are encouraged to develop with the Group.

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 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.

Management facilitates the employment of disabled persons whenever a suitable vacancy arises. Continued employment and re-training of employees who become disabled whilst employed within the company is ensured. The group provides career development, training and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

This report was approved by the board and signed on its behalf.



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S Gillies
Director

Date: 07/03/2017

Kavalake Limited

Directors' report For the year ended 31 August 2016

The Directors present their report and the financial statements for the year ended 31 August 2016.

Results and dividends

The statement of comprehensive income is set out on page 9 and shows the profit for the year.

Directors

The Directors who served during the year were:

G J Ramsay
S Gillies
G Eades

Directors' responsibilities

The Directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 for the Group financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risks and uncertainties and likely future developments

Details of the Directors' considerations of risks and uncertainties along with likely future developments of the Group are contained within the strategic report on pages 1 - 4.

Kavalake Limited

Directors' report (continued) For the year ended 31 August 2016

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



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S Gillies
Director

Date: 07/03/2017

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 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Company's affairs as at 31 August 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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 to the members of Kavalake Limited

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.



Mark R A Edwards (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 10/03/2017

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

Kavalake Limited

Consolidated statement of comprehensive income For the year ended 31 August 2016

	Note	2016 £000	2015 £000
Turnover	5	51,922	50,286
Cost of sales		(26,462)	(25,917)
Gross profit		25,460	24,369
Administrative expenses		(24,788)	(25,632)
Adjusted EBITDA*		4,421	5,460
Depreciation and amortisation		(2,632)	(2,463)
Share based payments	24	(110)	(228)
Other exceptional items	4	(1,007)	(4,032)
Operating profit/(loss)	6	672	(1,263)
Share of profit of joint venture		381	405
Total operating profit/(loss)		1,053	(858)
Profit on disposal of subsidiaries		-	490
Interest payable and similar charges	9	(951)	(619)
Profit/(loss) before taxation		102	(987)
Tax on profit/(loss)	10	637	(1,094)
Profit/(loss) for the year		739	(2,081)
Foreign exchange movement		(32)	-
Other comprehensive income for the year		(32)	-
Total comprehensive income for the year		707	(2,081)
Profit/(loss) for the year			
Non-controlling interests		(21)	(13)
Owners of the parent Company		760	(2,068)
		739	(2,081)
Total comprehensive income for the year			
Non-controlling interest		(21)	(13)
Owners of the parent Company		728	(2,068)
		707	(2,081)

Kavalake Limited

Consolidated statement of comprehensive income (continued) **For the year ended 31 August 2016**

All amounts relate to continuing activities.

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

The notes on pages 19 to 44 form part of these financial statements.

Kavalake Limited
Registered number: 07360142

Consolidated statement of financial position
As at 31 August 2016

			2016	As restated
	Note	£000	£000	2015 £000
Fixed assets				
Intangible assets	12		565	661
Tangible assets	13		15,074	16,858
			<u>15,639</u>	<u>17,519</u>
Current assets				
Stocks	15	998		1,132
Debtors: amounts falling due after more than one year	16	1,069		1,019
Debtors: amounts falling due within one year	16	3,636		3,899
Cash at bank and in hand		901		1,022
		<u>6,604</u>		<u>7,072</u>
Creditors: amounts falling due within one year	17	(27,929)		(35,324)
Net current liabilities			<u>(21,325)</u>	<u>(28,252)</u>
Total assets less current liabilities			<u>(5,686)</u>	<u>(10,733)</u>
Creditors: amounts falling due after more than one year	18		(7,009)	(2,857)
Provisions for liabilities				
Investments in joint venture				
- share of gross assets		37		37
- share of gross liabilities		(224)		(224)
		<u>(187)</u>		<u>(187)</u>
Other provisions	14	(6,366)		(6,288)
Provisions	22	<u>(6,553)</u>		<u>(6,475)</u>
Net liabilities			<u><u>(19,248)</u></u>	<u><u>(20,065)</u></u>

Kavalake Limited
Registered number: 07360142

Consolidated statement of financial position (continued)
As at 31 August 2016

		2016 £000	As restated 2015 £000
	Note		
Capital and reserves			
Share capital	26	2	2
Foreign exchange reserve	27	(32)	-
Other reserves	27	1,099	1,099
Accumulated losses	27	(20,498)	(21,368)
Equity attributable to owners of the parent Company		<u>(19,429)</u>	<u>(20,267)</u>
Non-controlling interests		181	202
		<u><u>(19,248)</u></u>	<u><u>(20,065)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



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S Gillies
Director

Date: 07/03/2017


The notes on pages 19 to 44 form part of these financial statements.

Kavalake Limited
Registered number: 07360142

Company statement of financial position
As at 31 August 2016

			2016	As restated
	Note	£000	£000	2015 £000
Fixed assets				
Investments	14		3,012	2,902
Current assets				
Debtors: amounts falling due within one year	16	3,042		2,065
Creditors: amounts falling due within one year	17	(3,914)		(6,227)
Net current liabilities			(872)	(4,162)
Total assets less current liabilities			2,140	(1,260)
Creditors: amounts falling due after more than one year	18		(6,811)	(2,857)
Net liabilities			(4,671)	(4,117)
Capital and reserves				
Share capital	26		2	2
Other reserves	27		3,010	2,900
Accumulated losses	27		(7,683)	(7,019)
			(4,671)	(4,117)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



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S Gillies
Director

Date: 07/03/2017

Kavalake Limited

Consolidated statement of changes in equity For the year ended 31 August 2016

	Share capital	Foreign exchange reserve	Other reserves	Accumulated losses	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 September 2015	2	-	1,099	(21,368)	(20,267)	202	(20,065)
Comprehensive income for the year							
Profit for the year	-	-	-	760	760	(21)	739
Foreign exchange movement	-	(32)	-	-	(32)	-	(32)
Share-based payment	-	-	-	110	110	-	110
At 31 August 2016	2	(32)	1,099	(20,498)	(19,429)	181	(19,248)

Kavalake Limited

Consolidated statement of changes in equity For the year ended 31 August 2015

	Share capital £000	Other reserves £000	Accumulated losses £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 September 2014	2	1,099	(19,528)	(18,427)	388	(18,039)
Comprehensive income for the year						
Loss for the year	-	-	(2,068)	(2,068)	(13)	(2,081)
Share-based payment	-	-	228	228	-	228
Disposal of subsidiary	-	-	-	-	(173)	(173)
At 31 August 2015	2	1,099	(21,368)	(20,267)	202	(20,065)

The notes on pages 19 to 44 form part of these financial statements.

Kavalake Limited

Company statement of changes in equity For the year ended 31 August 2016

	Share capital £000	Other reserves £000	Accumulated losses £000	Total equity £000
At 1 September 2015	2	2,900	(7,019)	(4,117)
Comprehensive income for the year				
Loss for the year	-	-	(664)	(664)
Share-based payment on behalf of subsidiary	-	110	-	110
At 31 August 2016	2	3,010	(7,683)	(4,671)

Company statement of changes in equity For the year ended 31 August 2015

	Share capital £000	Other reserves £000	Accumulated losses £000	Total equity £000
At 1 September 2014	2	2,672	(1,801)	873
Comprehensive income for the year				
Loss for the year	-	-	(5,218)	(5,218)
Share-based payment on behalf of subsidiary	-	228	-	228
At 31 August 2015	2	2,900	(7,019)	(4,117)

The notes on pages 19 to 44 form part of these financial statements.

Kavalake Limited

Consolidated statement of cash flows For the year ended 31 August 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit/(loss) for the financial year	739	(2,081)
Adjustments for:		
Amortisation of intangible assets	96	111
Depreciation of tangible assets	2,536	2,352
Loss on disposal of tangible assets	177	-
Interest charged to the income statement	951	619
Taxation charged to the income statement	(637)	1,094
Decrease/(increase) in stocks	134	(46)
Decrease in debtors	199	203
(Decrease)/increase in creditors	(4,037)	2,903
Increase/(decrease) in provisions	(285)	(591)
Share of operating profit in joint ventures	(381)	(405)
Corporation tax paid	(176)	(76)
Share-based payment charges	110	228
Profit on disposal of subsidiary	-	(490)
Foreign exchange movement	(32)	-
Net cash generated from operating activities	(606)	3,821
Cash flows from investing activities		
Purchase of tangible fixed assets	(929)	(3,576)
Sale of fixed asset investments	-	243
HP interest paid	-	(15)
Dividends received from joint ventures	381	357
Net cash from investing activities	(548)	(2,991)
Cash flows from financing activities		
New secured loans	3,111	1,889
Repayment of loans	(1,428)	(1,843)
Repayment of other loans	-	(876)
Interest paid	(589)	(604)
Net cash used in financing activities	1,094	(1,434)
Cash and cash equivalents at beginning of year	265	869
Cash and cash equivalents at the end of year	205	265

Kavalake Limited

Consolidated Statement of cash flows (continued) For the year ended 31 August 2016

	2016 £000	2015 £000
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	901	1,022
Bank overdrafts	(696)	(757)
	<u>205</u>	<u>265</u>

The notes on pages 19 to 44 form part of these financial statements.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

1. General information

Kavalake Limited is a private limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 31.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 September 2014.

2.3 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.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

2. Accounting policies (continued)

2.4 Turnover

The group's revenues are derived from the sale of food and beverage, hotel rooms and related services provided to customers, and from consultancy services and licence fees for use of the Group's brands.

Food and beverage

Revenue is recognised when the amounts are earned and can reasonably be estimated. These revenues are recorded net of value added tax collected from customers and are recognised as the related services are delivered.

Hotel rooms

Hotel revenue is recognised when the rooms are occupied and the services are performed. Deferred revenue consisting of deposits paid in advance is recognised as revenue when the related services are delivered.

Consultancy services and licence fees

Consultancy services are recognised when the services are provided to customers and are net of value added tax.

Rental income

Rental income is recognised when the services are provided to the customers and are net of value added tax.

2.5 Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the income statement over the Directors' estimate of its useful economic life, which is 10 years. Impairment tests on the carrying value of goodwill are undertaken:

- in the period of acquisition and at the end of the first full financial year following acquisition.
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Leasehold land and buildings	- straight line over lease period
Plant and machinery, Fixtures and fittings	- 15% straight line

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.7 Impairment of fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

2.8 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

2.9 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.

2.10 Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight-line basis over the term of the lease.

FRS 102 effectively requires that the benefit of lease incentives received on entering into new leases be spread over the lease term. Under previous UK GAAP these incentives were spread over the period to the next market rent review. The group has taken the optional exemption available under FRS 102 to continue to spread such incentives over the periods previously used for those leases entered into before the date of transition to FRS 102, being 1 September 2014.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

2. Accounting policies (continued)

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.12 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations. The contributions are recognised as an expense in the income statement when they fall due. The assets of the plan are held separately from the Group in independently administered funds.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

2. Accounting policies (continued)

2.14 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.17 Foreign currency translation

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 reporting date. Any differences are taken to the income statement.

The results of overseas operations are translated at the average rates of exchange during the year and the statement of financial position translated into Sterling at the rates of exchange ruling on the reporting 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 income statement 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.

2.18 Lease incentives

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.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

2. Accounting policies (continued)

2.19 Joint ventures

An entity is treated as a joint venture where the Group holds a long term interest and shares control under a contractual agreement.

In the Group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings. In the consolidated statement of financial position, the interests in joint ventures is shown as the Group's share of the identifiable net assets.

2.20 Share-based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

2.21 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of financial position date.

2.22 Directors loan restatement of prior year

The amounts due to directors have been reviewed as part of the FRS 102 transition process, and consequently the balance has been reclassified as falling due within one year, as this better reflects the underlying terms of the arrangement.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have had to make the following judgements:

- Determine whether there are onerous leases which due to committed future periods of rental charges result in unavoidable costs not covered by trading or other uses of the lease.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 13)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Investments (see notes 14)

Determining whether the company's investments in its subsidiaries have any indicators of impairment. Where such indicators exist, the Directors estimate the recoverable amount of the investment. Assessments include the review of current trading performance and future expected cash flows expected to arise from the investments. The carrying amount of the investments in the subsidiaries at the reporting date was £3,012,000 (2015 - £2,902,000) with no impairment provisions recognised in 2016 or 2015.

4. Exceptional items

	2016 £000	2015 £000
Strategic review and reorganisation costs	44	693
Legal and compliance costs	728	2,640
Pre opening costs	48	743
Onerous lease provision (see note 22)	187	(44)
	1,007	4,032

The majority of legal and compliance costs relate to the ongoing dispute with a former partner in the US (see note 28 for further details).

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

5. Turnover

Analysis by geographical market:

	2016 £000	2015 £000
United Kingdom	48,346	47,393
Rest of the world	3,576	2,893
	<u>51,922</u>	<u>50,286</u>

Turnover is wholly attributable to the principal activity of the Group.

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2016 £000	2015 £000
Depreciation of tangible fixed assets	2,536	2,352
Amortisation of positive goodwill	96	111
Auditors' remuneration:		
- fees payable to the Group's current auditor for the audit of the Company's annual accounts	25	23
- fees payable to the Group's current auditor for the audit of the subsidiaries' annual accounts	71	63
- other taxation services	70	140
- all other services	40	311
Exchange differences	(42)	(8)
Operating lease rentals	5,248	5,084
Share based charge	110	228
Loss on sale of tangible assets	177	57

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	15,242	14,814
Social security costs	1,440	1,309
Cost of defined contribution scheme	158	171
	<u>16,840</u>	<u>16,294</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2016 No.	2015 No.
Head office	54	48
Restaurant staff	709	692
Directors	3	3
	<u>766</u>	<u>743</u>

8. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	426	514
Company contributions to defined contribution pension schemes	4	4
	<u>430</u>	<u>518</u>

During the year retirement benefits were accruing to 2 Directors (2015 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £385,665 (2015 - £462,839).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £3,842 (2015 - £3,860).

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

9. Interest payable and similar charges

	2016 £000	2015 £000
Bank interest payable	589	604
Finance leases and hire purchase contracts	-	15
Unwinding of the discounted future costs (note 22)	362	-
	<u>951</u>	<u>619</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

10. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits/(losses) for the year	-	165
Adjustments in respect of previous periods	(829)	653
Other adjustments	-	(26)
	<u>(829)</u>	<u>792</u>
Taxation relief		
Double taxation relief	-	(16)
	<u>(829)</u>	<u>776</u>
Foreign tax		
Foreign tax on income for the year	178	187
	<u>178</u>	<u>187</u>
Total current tax	<u>(651)</u>	<u>963</u>
Deferred tax		
Origination and reversal of timing differences	31	96
Adjustments in respect of previous periods	-	35
Effect of tax rate change on opening balance	(17)	-
Total deferred tax	<u>14</u>	<u>131</u>
Taxation on profit/(loss) on ordinary activities	<u>(637)</u>	<u>1,094</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.58%). The differences are explained below:

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before tax	102	(987)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.58%)	59	(203)
Effects of:		
Fixed asset differences	188	152
Expenses not deductible for tax purposes	122	338
Income not taxable for tax purposes	(192)	(156)
Adjustments to brought forward values	(43)	-
Other permanent differences	(18)	(18)
Transfer pricing adjustments	2	1
Group relief surrendered/(claimed)	1	(49)
Foreign tax - other	8	57
Adjustments in respect of prior periods	(761)	653
Deferred tax - other	8	35
Adjustments for deferred tax percentages	150	-
Current tax - other	-	65
Timing differences	-	(76)
Deferred tax not recognised	(139)	320
Other movements	(22)	(25)
Total tax charge for the year	(637)	1,094

In addition to the deferred tax asset of £294,784 (2015 - £308,827) that has been recognised (note 16), a deferred tax asset of £1,347,028 (2015 - £1,439,881) was not recognised in respect of losses carried forward in different group companies, as there was insufficient evidence that those losses would be recovered.

11. Parent company loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £664,513 (2015 - loss £5,216,899).

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

12. Intangible assets

Group

Goodwill £000

Cost

At 1 September 2015

961

At 31 August 2016

961

Amortisation

At 1 September 2015

300

Charge for the year

96

At 31 August 2016

396

Net book value

At 31 August 2016

565

At 31 August 2015

661

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

13. Tangible fixed assets

Group

	Leasehold land and buildings £000	Fixtures, fittings and equipment £000	Total £000
Cost			
At 1 September 2015	20,719	10,445	31,164
Additions	365	564	929
Disposals	(74)	(3,393)	(3,467)
At 31 August 2016	21,010	7,616	28,626
Depreciation			
At 1 September 2015	8,337	5,969	14,306
Charge for the year	1,528	1,008	2,536
Disposals	(74)	(3,216)	(3,290)
At 31 August 2016	9,791	3,761	13,552
Net book value			
At 31 August 2016	11,219	3,855	15,074
At 31 August 2015	12,382	4,476	16,858

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

14. Fixed asset investments

Group

Investment
in joint
ventures
£000

Cost

At 1 September 2015	(187)
Share of profit for the year	381
Dividends received	(381)
At 31 August 2016	<u>(187)</u>

Net book value

At 31 August 2016	<u><u>(187)</u></u>
At 31 August 2015	<u><u>(187)</u></u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

14. Fixed asset investments (continued)

Company

	Group undertakings £000
Cost	
At 1 September 2015	2,902
Additions	110
At 31 August 2016	<u>3,012</u>
Net book value	
At 31 August 2016	<u>3,012</u>
At 31 August 2015	<u>2,902</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 statement of financial position.

Subsidiary undertakings, associated undertakings and other investments

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

Name	Country of incorporation	Class of shares	Holding	Principal activity
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 %	Not trading
Gordon Ramsay at the Connaught Limited*	United Kingdom	Ordinary	99 %	Not trading
Gordon Ramsay at the Berkeley Limited*	United Kingdom	Ordinary	99 %	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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

14. Fixed asset investments (continued)

Gordon Ramsay (No. 1) Limited*	United Kingdom	Ordinary	99 % Operating a restaurant
La Noisette Restaurant Limited*	United Kingdom	Ordinary	99 % Not trading
Gordon Ramsay at the Savoy Grill Limited	United Kingdom	Ordinary	99 % Not trading
London House Operating Company Limited*	United Kingdom	Ordinary	99 % Not trading
Gordon Ramsay (Narrow Street) Limited*	United Kingdom	Ordinary	99 % Operating a restaurant
London House Restaurants Limited*	United Kingdom	Ordinary	100 % Not trading
G R Logistics Limited*	United Kingdom	Ordinary	100 % Rental income
Foxtrot Oscar Holdings Limited*	United Kingdom	Ordinary	100 % Holding company
Foxtrot Oscar Limited*	United Kingdom	Ordinary	100 % 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
Gordon Ramsay (No. 2) Limited*	United Kingdom	Ordinary	100 % Operating a restaurant
Gordon Ramsay (One New Change) Limited*	United Kingdom	Ordinary	100 % Operating a restaurant
Petrus (Kinnerton Street) Limited*	United Kingdom	Ordinary	99 % Operating a restaurant
Union Street Cafe Limited	United Kingdom	Ordinary	100 % Operating a restaurant
Sparkle Restaurants Limited*	United Kingdom	Ordinary	99 % Providing back of house staff for restaurants
Gordon Ramsay International Talent Limited	United Kingdom	Ordinary	99 % International recruitment company
G R BurGR LLC*	USA	Ordinary	50 % Restaurant franchise income
The Fat Cow LLC*	USA	Ordinary	50 % Not trading
Bread Street Kitchen Pte Limited	Singapore	Ordinary	100 % Restaurant franchise income
GR Macau Limited	Hong Kong	Ordinary	100 % Not trading

* indirectly held

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

15. Stocks

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Raw materials and consumables	998	1,132	-	-

Stock recognised in cost of sales during the year as an expense was £12,643,773 (2015 - £12,317,460).

16. Debtors

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due after more than one year				
Other debtors	1,069	1,019	-	-

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Due within one year				
Trade debtors	590	555	-	-
Amounts owed by group undertakings	-	-	2,592	2,061
Amounts owed by joint ventures	3	68	-	-
Other debtors	1,343	1,537	450	-
Directors' loan	20	-	-	-
Prepayments and accrued income	1,385	1,430	-	4
Deferred taxation	295	309	-	-
	3,636	3,899	3,042	2,065

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

17. Creditors: Amounts falling due within one year

	Group	Group As restated	Company	Company As restated
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank overdrafts	696	757	696	559
Bank loans	1,429	3,700	1,429	3,700
Trade creditors	5,402	6,050	-	-
Amounts owed to group undertakings	-	-	1,236	1,374
Amounts owed to associated undertakings	-	13	-	-
Corporation tax	186	1,013	-	-
Taxation and social security	1,467	1,906	-	9
Other creditors	2,896	3,831	-	-
Directors' loan (note 29)	13,032	14,218	536	536
Accruals and deferred income	2,821	3,836	17	49
	27,929	35,324	3,914	6,227

The bank loan and overdraft is secured on a group basis and personal guarantees of the Directors (see note 29).

18. Creditors: Amounts falling due after more than one year

	Group	Group As restated	Company	Company As restated
	2016	2015	2016	2015
	£000	£000	£000	£000
Bank loans	6,811	2,857	6,811	2,857
Other creditors	198	-	-	-
	7,009	2,857	6,811	2,857

The bank loans are secured on a group basis and personal guarantees of the Directors (see note 29).

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

19. Bank loans

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Amounts falling due within one year				
Bank loans	1,429	3,700	1,429	3,700
Amounts falling due 1-2 years				
Bank loans	1,429	2,857	1,429	2,857
Amounts falling due 2-5 years				
Bank loans	5,382	-	5,382	-
	<u>8,240</u>	<u>6,557</u>	<u>8,240</u>	<u>6,557</u>

The bank loans are secured on a group basis and personal guarantees of the Directors (see note 29).

20. Financial instruments

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Financial assets				
Financial assets that are measured at amortised cost	<u>3,069</u>	<u>3,533</u>	<u>3,042</u>	<u>2,061</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(33,273)</u>	<u>(35,262)</u>	<u>(10,188)</u>	<u>(8,539)</u>

Financial assets measured at amortised cost comprise cash, trade and other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors and other creditors and accrued expenses.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

21. Deferred taxation

Group

	2016 £000	2015 £000
At beginning of year	309	440
Charged to the income statement	(14)	(131)
At end of year	295	309

The deferred tax asset is made up as follows:

	Group 2016 £000	Group 2015 £000
Accelerated capital allowances	(205)	(200)
Short term timing differences	5	4
Tax losses carried forward	495	505
	295	309

22. Provisions

Group

	Onerous lease provision £000	Provision relating to joint venture £000	Total £000
At 1 September 2015	6,288	187	6,475
Charged to the income statement (note 4)	187	-	187
Unwinding of the finance discount (note 9)	362	-	362
Utilised in year	(471)	-	(471)
At 31 August 2016	6,366	187	6,553

The onerous lease provision relates to the lease of the York and Albany restaurant and hotel and also to the lease of excess office space at Catherine Place. In the opinion of the directors this lease is not on commercial terms and the directors have therefore provided for the expected future costs of this onerous lease.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

23. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £157,506 (2015 - £171,000). Contributions totalling £47,000 (2015 - £50,000) were payable to the fund at the reporting date.

24. Share-based payments

Kavalake Limited has issued equity-settled share based remuneration for a director. Half of the options vested at the date of grant (1 January 2013) and for the other half the only practical vesting condition is that the individual remains an employee of the Group over the five year vesting period.

	Weighted average exercise price 2016 Pence	2016 Number	Weighted average exercise price 2015 Pence	2015 Number
Outstanding at the beginning of the year	1	23,000	1	23,000
	<u>1</u>	<u>23,000</u>	<u>1</u>	<u>23,000</u>

The exercise price of options outstanding at the end of the year were all 1p and their weighted average contractual life was 0.5 years (2015 - 1.5 years).

Of the total number of options outstanding at the end of the year, 20,700 had vested and were exercisable at the end of the year (2015 - 18,400).

The Directors have estimated the fair value of the options granted at 1 January 2013 using an equity value derived from a multiple of 8.1 x EBITDA.

	2016 £000	2015 £000
Equity-settled schemes	<u>110</u>	<u>228</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

25. Commitments under operating leases

At 31 August 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000	Group 2015 £000
Not later than 1 year	5,241	5,021
Later than 1 year and not later than 5 years	18,053	15,826
Later than 5 years	37,978	32,943
	<u>61,272</u>	<u>53,790</u>

26. Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
214,300 Ordinary shares of £0.01 each	<u>2</u>	<u>2</u>

27. Reserves

Foreign exchange reserve

This is the gains arising on retranslating the net assets/liabilities of overseas operations into Pounds Sterling.

Other reserves

This is share based payments made by the Company on behalf of the subsidiary of the Company.

Accumulated losses

Accumulated losses represents cumulative profits or losses, net of dividends paid and other adjustments.

28. Contingent liabilities

GR US Licensing LP is a party to a litigation claim in the US from a former joint venture partner relating to the closure of the Fat Cow restaurant. This litigation also involves counter claims against the joint venture partner, and in the opinion of the Directors it is very unlikely that any claim against the Group will be successful.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

29. Related party transactions

As at 31 August 2016, G J Ramsay had given personal guarantees totalling £5,000,000 (2015 - £5,000,000) in respect of the Group's banking facility.

During the year, rent of £Nil (2015 - £25,591) was payable and paid in full by Tante Marie Limited to Woodham House Limited, a company in which G J Ramsay was a shareholder during the year. On 10 April 2015 Tante Marie Limited was sold and no longer part of the Group.

The Company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the Group.

Amounts due (to)/from other related parties were as follows:

	As at 1 September 2015 £000	Net movements £000	As at 31 August 2016 £000
Gordon Ramsay Holdings Limited	1,951	(126)	1,825
Gordon Ramsay (Maze) Limited	(218)	449	231
Gordon Ramsay (Royal Hospital Road) Limited	(248)	65	(183)
Petrus (Kinnerton Street) Limited	78	(28)	50
Gordon Ramsay (Narrow Street) Limited	(78)	(70)	(148)
Gordon Ramsay (No 1) Limited	-	40	40
Sparkle Restaurants Limited	-	(3)	(3)

The following directors had loans with owing (from)/to the company during the year. The movement on these loans (included within creditors and debtors) are as follows:

	As at 1 September 2015 £000	Net movements £000	As at 31 August 2016 £000
G J Ramsay	14,218	(1,186)	13,032
S Gillies	125	(145)	(20)

30. Ultimate parent company and controlling party

The Company is the ultimate parent Company incorporated in the United Kingdom.

G J Ramsay is the ultimate controlling party of the Company.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2016

31. First time adoption of FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 September 2014

	Group £000	Company £000
Equity at 1 September 2014 under previous UK GAAP	(18,039)	873
Equity shareholders funds at 1 September 2014 under FRS 102	(18,039)	873

Reconciliation of equity at 31 August 2015

	Group £000	Company £000
Equity at 31 August 2015 under previous UK GAAP	(19,808)	(4,117)
Holiday pay accrual	(257)	-
Equity shareholders funds at 31 August 2015 under FRS 102	(20,065)	(4,117)

Reconciliation of statement of comprehensive income for the year ended 31 August 2015

	Group £000	Company £000
Loss for the year under UK GAAP	(1,811)	(5,218)
Holiday pay accrual	(257)	-
Loss for the year ended 31 August 2015 under FRS 102	(2,068)	(5,218)

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 Being the recognition of the holiday pay accrual in line with accounting policy 2.21.