

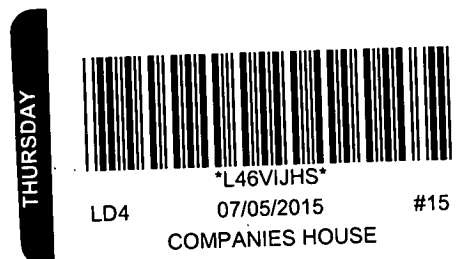
Kavalake Limited

Report and Financial Statements

Year Ended

31 August 2014

Company Number 07360142



Kavalake Limited

Report and financial statements for the year ended 31 August 2014

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Directors

G J Ramsay
S Gillies
G Eades

Registered office

539-547 Wandsworth Road, London, SW8 3JD

Company number

07360142

Auditors

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

Kavalake Limited

Strategic report for the year ended 31 August 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 August 2014.

Principal activities

Kavalake Limited and its subsidiary companies (the "Group") hold an interest in eleven London based restaurants, and licence agreements for overseas 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, Maze, The Savoy Grill, Petrus and Plane Food at Heathrow T5. The group also operates a wider range of operations that include high end bar and kitchen offerings Bread Street Kitchen, Heddon Street Kitchen, London House and Union Street Café. While the food and design offer varies at each restaurant, the focus on quality combined with exceptional staff and in house training creates our unique experiences for guests.

Review of the business

The consolidated turnover for the Group (excluding joint ventures) is £44.7m (PY: £44.8m), with like for like sales growth and new restaurant sales offsetting the reduction due to the closure of Claridges in June 2013.

Adjusted EBITDA (1), at £4.1m (PY: £5.0m) has decreased by 20%. This reduction reflects the investment in central support office (including relocation of the support office) and recruitment of senior staff in the Marketing and Finance teams strengthening these areas. Operating loss is £1.5m compared to a loss of £5.5m in 2013, where the prior year included the exceptional onerous lease provision for the York & Albany property.

Like for like sales have increased by 5.7% with covers increasing by 5.8% and average spend per head increasing by 4.7%. EBITDA on a like for like basis increased by 0.5%.

New openings in the year were Union Street Café in September 2013 and London House in February 2014. Union Street Café within the Bankside regeneration area offers quality food with Italian influences and a daily changing menu prepared in an open theatre style kitchen. London House located in Battersea in South West London, is a relaxed, cosy restaurant and bar that offers Modern European cooking.

Revenue from international operations continued to grow with an increase of 44% to £2.3m. The increase in performance reflects the very strong trading performance and potential of the Group's licenced restaurants in Las Vegas, and the first full year of GR Pub and Grill's operations there.

Financing

In July 2014, the Group increased the bank debt by drawing down £2m to finance the acquisition and development of Heddon Street Kitchen and Eleven Park Walk. Bank debt at the end of the year was £9.2m.

At the year end the Director's loan account increased to £15.1m (PY: £14.3m), with the cash injection being to help fund part of the development of Heddon Street Kitchen and Eleven Park Walk.

(1) Adjusted EBITDA is earning before interest, tax, share-based payments, depreciation, amortisation and other exceptional items.

Kavalake Limited

Strategic report for the year ended 31 August 2014 *(continued)*

Future developments

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

UK

The group has developed two branded operations ready for a national roll out:

- Street Kitchen – building on the success of Bread Street Kitchen, the modern European concept is expected to have a wide market appeal both in London and large regional cities and towns;
- Maze Grill – this premium steak and sushi concept will be located in both neighbourhood and central London locations.

The roll out of these brands has commenced with Heddon Street Kitchen opening successfully in November 2014 and Maze Grill at Eleven Park Walk due to open in April 2015.

Foxtrot Oscar closed in September 2014 for a refurbishment and is due to open in May 2015 as Maze Grill.

International

The licence agreement for Bread Street Kitchen in Hong Kong was signed in March 2014 and the restaurant opened in September 2014.

Licence agreements have also been signed for Pub and Grill in Atlantic City, Fish n Chip's in Las Vegas, Bread Street Kitchen in Singapore and London House in Macau with another 3 new sites currently under negotiation.

Post balance sheet events

Clare Smyth, the head patron at Restaurant Gordon Ramsay, has already been awarded an MBE and chef of the year in the Good Food Guide in 2013 and became the first female chef in 15 years to score a perfect 10 in the 2015 Good Food Guide.

Petrus was awarded number 6 in the 2015 top wine lists in London by Gayot.

London House won three AA rosettes in January 2015, which is an exceptional achievement less than 12 months from opening.

Key performance indicators

In line with our operating objectives, we use both financial and non-financial KPI's. Dependant on the scale and size of our operations means we use various performance measures in addition to KPI's.

KPI's are used to measure our primary objectives of the business and the performance of the restaurants which helps to add value for our shareholders.

KPI's used to measure performance include turnover, gross profit and Adjusted EBITDA.

Kavalake Limited

Strategic report for the year ended 31 August 2014 (continued)

Profit and Loss Summary

	2014 £m	2013 £m
Turnover	44.7	44.8
Gross Profit	21.3	21.6
Adjusted EBITDA	4.1	5.0

Principal Risks and uncertainties

The variety of concepts and choice of locations throughout London minimises any risk of dependency on one brand or economic area of the Capital, 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 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.

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 in managing its foreign exchange risk for the time being.

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 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 cash sales. The Group has policies that limit the amount of credit exposure to any financial institution.

Kavalake Limited

Strategic report for the year ended 31 August 2014 (continued)

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 the possible provided the supplier meet their obligations. On average trade creditors at the end of the year represented 70 (PY: 65) days purchased. Our creditor days have increased compared to the prior year due to the increase of capex towards the end of the financial year for our new sites Heddon Street Kitchen and Eleven Park Walk.

Employees

The successful delivery of the 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 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 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.

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.

On behalf of the board



S Gillies
Director

14/4/15

Kavalake Limited

Report of the directors for the year ended 31 August 2014

The directors present their report together with the audited financial statements for the year ended 31 August 2014.

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the year.

Directors

The directors of the company during the year were:

G J Ramsay
S Gillies
G Eades

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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.

Risks and uncertainties, post balance sheet events and likely future developments

Details of the directors' considerations of risks and uncertainties along with post balance sheet events and likely future developments of the group are contained within the strategic report on pages 1-4.

Kavalake Limited

Report of the directors for the year ended 31 August 2014 (*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

14/4/15

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 2014 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 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 the parent company's affairs as at 31 August 2014 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Kavalake Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

14/4/15.

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 2014

	Note	2014 £'000	2013 £'000
Turnover: Group and share of joint venture		45,633	46,399
Less: share of joint venture turnover		(981)	(1,598)
Turnover	3	44,652	44,801
Cost of sales		23,318	23,151
Gross profit		21,334	21,650
Administrative expenses		22,869	27,108
Adjusted EBITDA*		4,053	5,035
Share based payments	23	(2,672)	-
Depreciation and amortisation		(1,777)	(1,491)
Other exceptional items	2	(1,139)	(9,002)
Group operating loss	4	(1,535)	(5,458)
Share of operating profit/(loss) in joint venture		8	(386)
Loss on disposal of fixed assets - group		(17)	(137)
Loss on ordinary activities before interest and other income		(1,544)	(5,981)
Interest payable and similar charges - group	7	(490)	(374)
Loss on ordinary activities before taxation		(2,034)	(6,355)
Taxation on loss on ordinary activities	8	312	18
Loss on ordinary activities after taxation		(1,722)	(6,337)
Minority interest		2	80
Loss for the financial year	20	(1,724)	(6,417)

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.

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

The notes on pages 14 to 33 form part of these financial statements.

Kavalake Limited

Consolidated balance sheet at 31 August 2014

<i>Company number 07360142</i>	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Intangible assets	10		866		992
Tangible assets	11		17,399		11,816
			<hr/>		<hr/>
			18,265		12,808
Current assets					
Stocks	13	1,098		1,014	
Debtors - due within one year	14	3,966		3,750	
Debtors - due after more than one year	14	523		-	
		<hr/>		<hr/>	
Total debtors		4,489		3,750	
Cash at bank and in hand		2,891		4,380	
		<hr/>		<hr/>	
		8,478		9,144	
Creditors: amounts falling due within one year	15	(32,609)		(29,887)	
		<hr/>		<hr/>	
Net current liabilities			(24,131)		(20,743)
			<hr/>		<hr/>
Total assets less current liabilities carried forward			(5,866)		(7,935)

The notes on pages 14 to 33 form part of these financial statements.

Kavalake Limited

Consolidated balance sheet at 31 August 2014 (continued)

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Total assets less current liabilities brought forward			(5,866)		(7,935)
Creditors: amounts falling due after more than one year	16	(5,060)		(4,311)	
Provisions for liabilities					
Investment in joint ventures	12				
- share of gross assets		44		239	
- share of gross liabilities		(279)		(793)	
- loans to joint ventures		-		536	
Other provisions	17	(235) (6,878)		(18) (6,725)	
	17	(7,113)		(6,743)	
			(12,173)		(11,054)
			(18,039)		(18,989)
Capital and reserves					
Called up share capital	19		2		2
Other reserves	20		1,099		1,099
Profit and loss account	20		(19,528)		(20,476)
Shareholders' deficit	22		(18,427)		(19,375)
Minority interests			388		386
			(18,039)		(18,989)

The financial statements were approved by the board of directors and authorised for issue on 14/4/15

S Gillies
Director



The notes on pages 14 to 33 form part of these financial statements.

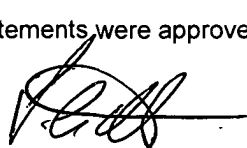
Kavalake Limited

Company balance sheet at 31 August 2014

Company number 07360142	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Fixed asset investments	12		2,674		2
Current assets					
Debtors	14	6,827		5,259	
Cash at bank and in hand		274		83	
		<u>7,101</u>		<u>5,342</u>	
Creditors: amounts falling due within one year	15	<u>3,977</u>		<u>2,323</u>	
Net current assets			<u>3,124</u>		<u>3,019</u>
Total assets less current liabilities			<u>5,798</u>		<u>3,021</u>
Creditors: amounts falling due after more than one year	16		<u>4,925</u>		<u>4,311</u>
			<u>873</u>		<u>(1,290)</u>
Capital and reserves					
Called up share capital	19		2		2
Other reserves	20		2,672		-
Profit and loss account	20		(1,801)		(1,292)
Shareholders' funds/(deficit)	22		<u>873</u>		<u>(1,290)</u>

The financial statements were approved by the board of directors and authorised for issue on 14/4/15.

S Gillies
Director



The notes on pages 14 to 33 form part of these financial statements.

Kavalake Limited

Consolidated cashflow statement for the year ended 31 August 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash inflow/(outflow) from operating activities	29		4,749		(1,296)
Dividends received from joint ventures			243		168
Returns on investments and servicing of finance					
Interest paid: bank loans		(428)		(297)	
Interest paid: hire purchase		(62)		(77)	
Net cash outflow from returns on investments and servicing of finance			(490)		(374)
Taxation					
Corporation tax paid			(17)		(341)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(6,961)		(2,949)
Acquisitions and disposals					
Cash on acquisition of subsidiary undertaking			-		4
Cash outflow before use of financing			(2,476)		(4,788)
Financing					
New bank loans		2,257		-	
Repayment of long term loans		-		(2,177)	
Drawdown of long term loans		-		5,754	
Repayment of hire purchase loans		(942)		(1,078)	
Increase in directors' loan account		837		4,037	
Net cash inflow from financing			2,152		6,536
(Decrease)/increase in cash	30		(324)		1,748

The notes on pages 14 to 33 form part of these financial statements.

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014

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 2014 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

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 royalties received 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

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

Royalties

Royalties received for use of the group's brands are recognised evenly over the period of the license agreements.

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

1 Accounting policies (continued)

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 profit and loss account 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

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
Fixtures and fittings	- 15% straight line

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.

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.

Onerous Leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it a provision is made for the present value of the obligation under the lease.

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

1 Accounting policies (continued)

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.

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.

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 profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings. In the consolidated balance sheet, the group's share of the identifiable gross assets and its share of the gross liabilities attributable to its joint ventures are shown separately.

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 balance sheet 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

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

1 Accounting policies (continued)

Share-based payment (continued)

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 Exceptional items

	2014 £'000	2013 £'000
Legal and compliance costs	747	2,277
Pre opening costs	239	-
Onerous lease provision (note 17)	153	6,725
	<u>1,139</u>	<u>9,002</u>

3 Turnover

	2014 £'000	2013 £'000
Analysis by geographical market:		
United Kingdom	42,357	43,212
Rest of the world	2,295	1,589
	<u>44,652</u>	<u>44,801</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 2014 (continued)

4 Operating loss

	2014 £'000	2013 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1,651	1,395
Amortisation of positive goodwill	126	96
Hire of other assets - operating leases	4,585	5,102
Auditors' remuneration		
- fees payable to the group's current auditor for the audit of the company's annual accounts	23	22
- fees payable to the group's current auditor for the audit of the subsidiaries' annual accounts	60	58
- other taxation services	107	95
- all other services	38	90
Exchange differences	(9)	-
Share-based charge (note 23)	2,672	-
	<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 2014 £'000	Group 2013 £'000
Wages and salaries	13,425	12,585
Social security costs	1,249	1,159
Other pension costs	48	36
	<u> </u>	<u> </u>
	14,722	13,780
	<u> </u>	<u> </u>

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

	Group 2014 Number	Group 2013 Number
Head office	47	45
Restaurant staff	693	711
Directors	3	3
	<u> </u>	<u> </u>
	743	759
	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

6 Directors' remuneration

	2014 £'000	2013 £'000
Directors' emoluments	320	353
Company contributions to money purchase pension schemes	-	2
	<u> </u>	<u> </u>

There were no directors in the Group's defined contribution pension scheme during the year (2013 - 1).

The total amount payable to the highest paid director in respect of emoluments was £319,549 (2013 - £336,603). Company pension contributions of £Nil (2013 - £Nil) were made to a money purchase scheme on their behalf.

7 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loans and overdrafts	428	297
Finance leases and hire purchase contracts	62	77
	<u> </u>	<u> </u>
	490	374
	<u> </u>	<u> </u>

8 Taxation on loss on ordinary activities

	2014 £'000	2013 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	135	49
Adjustment in respect of previous periods	(10)	(67)
	<u> </u>	<u> </u>
	125	(18)
	<u> </u>	<u> </u>
<i>Foreign tax</i>		
Current tax on foreign income for the year	3	-
	<u> </u>	<u> </u>
Total current tax	128	(18)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(440)	-
	<u> </u>	<u> </u>
Taxation on loss on ordinary activities	<u>(312)</u>	<u>(18)</u>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

8 Taxation on loss on ordinary activities (continued)

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

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(2,034)	(6,355)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 22.15% (2013 - 23.58%)	(451)	(1,499)
Effect of:		
Expenses not deductible for tax purposes	792	561
Capital allowances for period in (excess)/deficit of depreciation	(95)	377
Utilisation of tax losses brought forward	24	(29)
Adjustment to tax charge in respect of previous periods	(10)	(67)
Losses not utilised in period	-	639
Other differences	(132)	-
Current tax charge/(credit) for the year	128	(18)

In addition to the deferred tax asset of £440,000 that has been recognised (note 14), a deferred tax asset of £926,813 (2013 - £934,927) was not recognised in respect of losses carried forward in different group companies, as there was insufficient evidence that those losses would be recovered.

9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £509,000 (2013 - £1,291,788) which is dealt with in the consolidated financial statements.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

10 Intangible fixed assets

Group

	Goodwill on consolidation £'000
<i>Cost</i>	
At 1 September 2013 and 31 August 2014	1,265
	<hr/>
<i>Amortisation</i>	
At 1 September 2013	273
Provided for the year	126
	<hr/>
At 31 August 2014	399
	<hr/>
<i>Net book value</i>	
At 31 August 2014	866
	<hr/> <hr/>
At 31 August 2013	992
	<hr/> <hr/>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

11 Tangible fixed assets

Group

	Leasehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost</i>				
At 1 September 2013	15,540	16	6,911	22,467
Additions	3,710	-	3,541	7,251
Disposals	-	-	(101)	(101)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2014	19,250	16	10,351	29,617
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 September 2013	5,991	16	4,644	10,651
Provided for the year	948	-	703	1,651
Disposals	-	-	(84)	(84)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2014	6,939	16	5,263	12,218
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 August 2014	12,311	-	5,088	17,399
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2013	9,549	-	2,267	11,816
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £1,843,564 (2013 - £2,160,592) in respect of assets held under finance leases and hire purchase contracts.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

12 Fixed asset investments

Group

	Joint ventures £'000
<i>Cost or valuation</i>	
At 1 September 2013	(18)
Share of profit for the period	8
Dividends received	(243)
Other movements	18
	<hr/>
At 31 August 2014	(235)
	<hr/>

Joint Ventures

The group had the following aggregate interests in joint ventures:

	G R BurGR LLC 2014 £'000	The Fat Cow LLC 2014 £'000	Total 2014 £'000	G R BurGR LLC 2013 £'000	The Fat Cow LLC 2013 £'000	Total 2013 £'000
Share of total assets	44	-	44	117	122	239
Share of total liabilities	(44)	(235)	(279)	(117)	(676)	(793)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Share of current assets	-	(235)	(235)	-	(554)	(554)
Loan to join venture	-	-	-	-	536	536
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total investment in joint ventures	-	(235)	(235)	-	(18)	(18)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Company

	Group undertakings £'000
<i>Cost</i>	
At 1 September 2013	2
Additions	2,672
	<hr/>
At 31 August 2014	2,674
	<hr/>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

12 Fixed asset investments (continued)

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.

In accordance with UK GAAP, the investment in The Fat Cow LLC has been disclosed within provisions in these financial statements.

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	99%	Operating a restaurant
Gordon Ramsay (Devonshire) Limited *	United Kingdom	Ordinary	100%	Not trading
G R Logistics Limited *	United Kingdom	Ordinary	100%	Not trading
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

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (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
Union Street Cafe Limited *	United Kingdom	Ordinary	100%	Operating a restaurant
G R BurGR LLC	USA	Ordinary	50%	Restaurant franchise
The Fat Cow LLC	USA	Ordinary	50%	Operating a restaurant

*Indirectly held

13 Stocks

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Raw materials and consumables	1,098	1,014	-	-

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

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

14 Debtors

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Amounts receivable within one year				
Trade debtors	271	563	-	-
Amounts owed by group undertakings	-	-	6,624	5,256
Amounts owed by joint ventures	234	61	-	-
Directors' loan accounts	52	32	-	-
Corporation tax recoverable	34	10	-	-
Other debtors	1,688	1,605	186	3
Prepayments and accrued income	1,247	1,479	17	-
Deferred taxation	440	-	-	-
	<u>3,966</u>	<u>3,750</u>	<u>6,827</u>	<u>5,259</u>
Amounts receivable after more than one year				
Other debtors	523	-	-	-
	<u>523</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debtors	<u>4,489</u>	<u>3,750</u>	<u>6,827</u>	<u>5,259</u>

Deferred taxation

	Group 2014 £'000	Group 2013 £'000
The amount of deferred tax provided for is as follows:		
Accelerated capital allowances	(22)	-
Short term timing differences	7	-
Tax losses carried forward and other deductions	455	-
	<u>440</u>	<u>-</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (continued)

15 Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loans and overdrafts (secured)	4,190	3,812	2,986	1,730
Trade creditors	6,611	4,939	-	-
Amounts owed to group undertakings	-	-	400	-
Amounts owed to associated undertakings	24	22	-	-
Taxation and social security	2,127	1,664	-	-
Obligations under finance lease and hire purchase contracts	-	942	-	-
Directors' loans (note 27)	15,094	14,257	536	536
Other creditors	2,309	997	-	-
Accruals and deferred income	2,254	3,254	55	57
	<u>32,609</u>	<u>29,887</u>	<u>3,977</u>	<u>2,323</u>

The bank loan and overdraft is secured on a Group basis and personal guarantees of the directors (see note 25).

16 Creditors: amounts falling due after more than one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loans (secured)	5,025	4,311	4,925	4,311
Other creditors	35	-	-	-
	<u>5,060</u>	<u>4,311</u>	<u>4,925</u>	<u>4,311</u>

Maturity of debt:

	Loans and overdrafts 2014 £'000	Loans and overdrafts 2013 £'000	Finance leases 2014 £'000	Finance leases 2013 £'000
In one year or less, or on demand	<u>4,190</u>	<u>3,812</u>	<u>-</u>	<u>942</u>
In more than one year but not more than two years	<u>5,025</u>	<u>4,311</u>	<u>-</u>	<u>-</u>

The bank loan and overdraft is secured on a Group basis and personal guarantees of the directors (see note 25). Directors' loans are due within one year as disclosed in note 15.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

17 Provisions for liabilities

Group

	Onerous lease provision £'000	Provision relating to joint venture £'000	Total £'000
At 1 September 2013	6,725	18	6,743
Charged to profit and loss account	498	217	715
Utilised in year	(345)	-	(345)
	<u>6,878</u>	<u>235</u>	<u>7,113</u>
At 31 August 2014	<u>6,878</u>	<u>235</u>	<u>7,113</u>

Details of the provision relating to joint ventures are disclosed in note 12.

The onerous lease provision relates significantly to 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 the York and Albany lease is not on commercial terms and the directors have provided for the expected future costs of these onerous leases as required.

18 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 £48,000 (2013 - £35,852). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19 Share capital

	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i>		
214,300 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 2014 (continued)

20 Reserves

Group

	Other reserves £'000	Profit and loss account £'000
At 1 September 2013	1,099	(20,476)
Loss for the year	-	(1,724)
Share-based payment	-	2,672
	<u>1,099</u>	<u>(19,528)</u>
At 31 August 2014	<u>1,099</u>	<u>(19,528)</u>

Company

	Other reserves £'000	Profit and loss account £'000
At 1 September 2013	-	(1,292)
Loss for the year	-	(509)
Share-based payment on behalf of subsidiary	2,672	-
	<u>2,672</u>	<u>(1,801)</u>
At 31 August 2014	<u>2,672</u>	<u>(1,801)</u>

The other reserves were created under the merger method of accounting.

21 Minority interests

	2014	2013
Minority interests' share of net assets and liabilities in subsidiary undertakings	<u>388</u>	<u>386</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (continued)

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Loss for the year	(1,724)	(6,417)	(509)	(1,292)
Share-based payment	2,672	-	-	-
Other reserves	-	-	2,672	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net additions to/(deductions from) shareholders' (deficit)/funds	948	(6,417)	2,163	(1,292)
Opening shareholders' (deficit)/funds	(19,375)	(12,958)	(1,290)	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing shareholders' (deficit)/funds	(18,427)	(19,375)	873	(1,290)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

23 Share-based payments

Kavalake Limited has issued equity-settled share based remuneration for a director in the period. Half of the options vested at the date of grant (1 January 2014) 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.

	2014 Weighted average exercise price (pence)	2014 Number
Outstanding at the beginning of the year	-	-
Granted during the year	1	23,000
	<u> </u>	<u> </u>
Outstanding at the end of the year	-	23,000
	<u> </u>	<u> </u>

The exercise price of options outstanding at the end of the year were all 1p and their weighted average contractual life was 2.5 years.

Of the total number of options outstanding at the end of the year, 13,800 had vested and were exercisable at the end of the year.

The weighted average fair value of each option granted during the year was £131.97.

The directors have estimated the fair value of the options granted at 1 January 2014 using an equity value derived from a multiple of 8.1 x EBITDA.

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2014 (continued)

23 Share-based payments (continued)

The share-based remuneration expense (note 4) comprises:

	2014 £'000	2013 £'000
Equity-settled schemes	2,672	-

24 Commitments under operating leases

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

	Land and buildings 2014 £'000	Land and buildings 2013 £'000
Operating leases which expire:		
Within one year	-	151
In two to five years	2,509	1,332
After five years	2,396	2,744
	<u>4,905</u>	<u>4,227</u>

The company had no annual commitments under non-cancellable operating leases.

25 Related party disclosures

G J Ramsay is a director and therefore a related party. As at 31 August 2014, G J Ramsay had given personal guarantees totalling £5,000,000 (2013 - £5,000,000) in respect of the Group banking facility.

During the year, rent of £80,000 (2013 - £80,000) 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.

During the previous year, the group acquired the issued share capital of Union Street Cafe Limited from G J Ramsay. Details of directors' loan accounts are disclosed in note 27 to the financial statements.

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.

26 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 forming part of the financial statements
for the year ended 31 August 2014 (continued)

27 Directors' loan accounts

	As at 1 September 2013 £'000	Loans to/ (advances from) in the year £'000	As at 31 August 2014 £'000
G J Ramsay	(14,257)	(837)	(15,094)
S Gillies	32	20	52
	<u> </u>	<u> </u>	<u> </u>

28 Ultimate parent company and controlling party

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

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

29 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2014 £'000	2013 £'000
Operating loss	(1,535)	(5,458)
Amortisation of intangible fixed assets	126	96
Depreciation of tangible fixed assets	1,651	1,395
Increase/(decrease) in provisions	135	(168)
(Increase)/decrease in stocks	(84)	3
Increase in debtors	(335)	(1,570)
Increase in creditors	2,119	4,406
Share-based payment charges	2,672	-
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from operating activities	4,749	(1,296)
	<u> </u>	<u> </u>

30 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
(Decrease)/increase in cash	(324)	1,748
Cash inflow from changes in debt	(2,152)	(6,536)
	<u> </u>	<u> </u>
Movement in net debt	(2,476)	(4,788)
Opening net debt	(18,942)	(14,154)
	<u> </u>	<u> </u>
Closing net debt	(21,418)	(18,942)
	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2014 (*continued*)

31 Analysis of net debt

	At 1 September 2013 £'000	Cash flow £'000	At 31 August 2014 £'000
Cash at bank and in hand	4,380	(1,489)	2,891
Bank overdrafts	(2,369)	1,165	(1,204)
		<u>(324)</u>	
Debt due within one year	(15,700)	(2,380)	(18,080)
Debt due after one year	(4,311)	(714)	(5,025)
Finance leases	(942)	942	-
		<u>(2,152)</u>	
Total	<u>(18,942)</u>	<u>(2,476)</u>	<u>(21,418)</u>