

Registered Number: Registered number: 07627429 (England & Wales)

CABANA RESTAURANTS LIMITED
REPORTS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016



CABANA RESTAURANTS LIMITED

CONTENTS

	Page
Company Information	1
Strategic Report	2
Directors' Report	3 - 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 - 7
Statement of Comprehensive Income (including Profit and Loss Account)	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 23

CABANA RESTAURANTS LIMITED

COMPANY INFORMATION

Directors	Clare Barber James Barber David Ponte Jonathan Lander
Registered number	07627429
Registered office	8 Lancashire Court London W1S 1EY
Independent auditors	Lewis Golden LLP 40 Queen Anne Street London W1G 9EL

CABANA RESTAURANTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their Strategic Report for the year ended 31 December 2016.

Business review

Cabana continued to open further units in 2016. In April and in December we opened units at Newcastle and Southampton, respectively. Over the summer we were fortunate to operate a Cabana pop-up on the Southbank which was both a financial and PR success.

Sales for the year were £12.23m, up 18% on the prior year as a result of the new openings and the pop-up event on the Southbank.

Cabana traded satisfactorily in 2016 against the backdrop of a difficult trading environment experienced by many operators.

Key performance indicators

The directors consider the key indications of the performance of the Group to be turnover, gross profit percentage and adjusted EBITDA (earnings before interest, tax, depreciation, amortisation, new restaurant pre-opening costs and other exceptional costs).

Principal risks and uncertainties

Given the nature of the company's business, the principal business risks relate to the following:

- competition and current economic climate.
- employee retention.
- timely supplies of quality product.

The above risks are partly mitigated by the following key measures:

- a continued focus on delivering a great experience to our customers at excellent value for money.
- competitive reward structures and comprehensive training and development programmes.
- close monitoring against key supplier service level agreements with contingent arrangements in place where necessary.

Financial risk management objectives and policies

The company uses financial instruments, comprising borrowings, cash and other liquid resources and various other items such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risk arising from the company's financial instruments are interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Interest rate risk

The group's borrowing with HSBC, the interest on which is linked to the Bank of England base rate. The risk of interest rate rises is partly mitigated by the amortisation profile of the borrowing, the term of which is less than 3 years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital and utilisation of existing loan facilities. The Company has borrowing with HSBC which is subject to an annual covenant test.

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


James Barber
Director

Date: 28/9/17

CABANA RESTAURANTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors

The directors who served during the year were:

Clare Barber
James Barber
David Ponte
Jonathan Lander

Future developments and post balance sheet events

The Company received a short-term shareholder loan of £750,000 in the post year end period and all shareholders have indicated a desire to continue to support the business. There have been no other significant events affecting the Company since the year end.

Employee involvement

The Company actively strives to support and develop employees and involve employees in the development of the business. On a site level, regular team meetings are held to direct the operations of the business and to discuss new developments such as new menu launches. These meetings provide a forum for management to share information and for employees to raise issues relevant to them.

Equality Act (2010)

The Company complies with all aspects of the Equality Act (2010) in its employment practices. The directors are mindful of their duty of care to employees who become temporarily or permanently sick or disabled during employment and make every effort to support those employees. A dedicated Training and Development manager is employed to assess and implement the appropriate, necessary adjustments that may be required in such circumstances.

Financial instruments

Please refer to the Strategic Report for an assessment of the risks associated with the Company's basic financial instruments. Please also refer to Note 2 to the Financial Statements for the Company's Financial Instruments accounting policy.

Directors' liabilities

The Company held third party indemnity insurance on behalf of the directors during the current and prior year.

CABANA RESTAURANTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Disclosure of information to the auditors

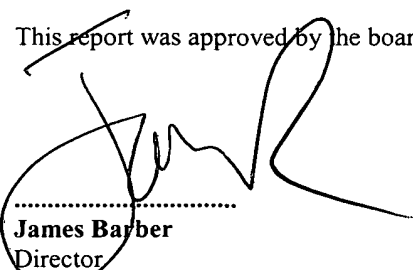
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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's auditors are aware of that information.

Auditors

The auditors, Lewis Golden 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 by:



.....
James Barber
Director

Date: 28/9/17.....

CABANA RESTAURANTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2016

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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

CABANA RESTAURANTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABANA RESTAURANTS LIMITED

We have audited the financial statements of Cabana Restaurants Limited for the year ended 31 December 2016, set out on pages 8 to 23. The relevant 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

CABANA RESTAURANTS LIMITED

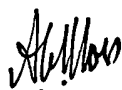
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CABANA RESTAURANTS LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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



**Andrew Moss (Senior Statutory Auditor)
For and on behalf of Lewis Golden LLP**

Chartered Accountants and Statutory Auditors

40 Queen Anne Street
London
W1G 9EL

Date:

28 September 2017

CABANA RESTAURANTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME (INCLUDING PROFIT AND LOSS ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover		12,234,391	10,358,857
Cost of sales		(7,696,750)	(6,426,516)
Gross profit		<u>4,537,641</u>	<u>3,932,341</u>
Administrative expenses		(5,261,573)	(4,395,195)
Other operating income		58,806	69,422
Adjusted EBITDA		<u>(665,126)</u>	<u>(393,432)</u>
Depreciation		(958,793)	(739,608)
Pre-opening expenses	5	(269,066)	(232,439)
Rent free non-cash movements		<u>(307,067)</u>	<u>(169,272)</u>
Operating loss		<u>(2,200,052)</u>	<u>(1,534,751)</u>
Other interest receivable and similar income		-	122
Interest payable and similar charges		<u>(76,557)</u>	<u>(60,560)</u>
Loss on ordinary activities before taxation		<u>(2,276,609)</u>	<u>(1,595,189)</u>
Tax on loss on ordinary activities	9	-	-
Loss for the year and total comprehensive income		<u><u>(2,276,609)</u></u>	<u><u>(1,595,189)</u></u>

CABANA RESTAURANTS LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
Fixed assets			
Tangible fixed assets	10	10,607,830	9,111,284
Current assets			
Stocks	11	330,830	266,071
Debtors	12	755,662	748,784
Cash at bank and in hand		429,036	3,369,230
		<u>1,515,528</u>	<u>4,384,085</u>
Creditors: amounts falling due within one year	13	(2,763,254)	(2,081,315)
Net current (liabilities)/assets		<u>(1,247,726)</u>	<u>2,302,770</u>
Total assets less current liabilities		9,360,104	11,414,054
Creditors: amounts falling due after more than one year	14	(2,008,407)	(1,785,748)
Net assets		<u><u>7,351,697</u></u>	<u><u>9,628,306</u></u>
Capital and reserves			
Called up share capital	17	883,097	883,097
Share premium account		12,817,319	12,817,319
Profit and loss account		(6,348,719)	(4,072,110)
Shareholders' funds		<u><u>7,351,697</u></u>	<u><u>9,628,306</u></u>

Under section 454 of the Companies Act 2006, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

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

.....
James Barber
 Director

Date: 28/9/17.....

The notes on pages 12 to 23 form part of these financial statements.

CABANA RESTAURANTS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	883,097	12,817,319	(4,072,110)	9,628,306
Loss for the year	-	-	(2,276,609)	(2,276,609)
At 31 December 2016	883,097	12,817,319	(6,348,719)	7,351,697

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	679,015	8,021,400	(2,476,921)	6,223,494
Loss for the year	-	-	(1,595,189)	(1,595,189)
Shares issued during the year	204,082	4,795,919	-	5,000,001
At 31 December 2015	883,097	12,817,319	(4,072,110)	9,628,306

CABANA RESTAURANTS LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	£	£
Cash flows from operating activities		
Loss for the financial year	(2,276,609)	(1,595,189)
Adjustments for:		
Depreciation of tangible assets	958,793	739,608
Increase in stocks	(64,759)	(60,255)
Interest paid	76,557	60,560
Interest received	-	(122)
Increase in debtors	(6,878)	(155,936)
Increase in creditors	1,183,193	690,196
Net cash outflow from operating activities	(129,703)	(321,138)
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,455,339)	(2,764,404)
Interest received	-	122
Net cash outflow from investing activities	(2,455,339)	(2,764,282)
Cash flows from financing activities		
Issue of ordinary shares	-	5,000,001
Value of new bank loans obtained during the year	-	1,490,000
Value of new finance leases and hire purchase contracts obtained during the year	218,679	-
Repayment of bank loans	(441,824)	(254,434)
Repayment of capital element of finance leases and hire purchase contracts	(55,450)	(87,165)
Interest paid on finance leases and hire purchase contracts	(24,176)	(28,988)
Interest paid on bank loans	(52,381)	(31,572)
Net cash (outflow) / inflow generated from financing activities	(355,152)	6,087,842
Net (decrease) / increase in cash and cash equivalents	(2,940,194)	3,002,422
Cash and cash equivalents at beginning of year	3,369,230	366,808
Cash and cash equivalents at the end of year	429,036	3,369,230
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	429,036	3,369,230
	429,036	3,369,230

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Cabana Restaurants Limited is a private company limited by share capital, incorporated in England and Wales, registration number 07627429. The address of the registered office is 8 Lancashire Court, London W1S 1EY.

The principal activity of the Company is owning and operating a chain of Brazilian barbecue restaurants.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Going concern

The financial statements have been prepared on a going concern basis. In assessing going concern the directors have considered the forecast working capital requirements and future financing activities of the Company for a period of twelve months from the date of approval of the financial statements. The directors have concluded that the Company will continue to meet its liabilities as and when they fall due and accordingly believe that the financial statements should be prepared on the going concern basis.

2.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. All turnover is derived from the rendering of services.

Turnover is recognised upon the completion of restaurant services having been provided to customers when all of the following conditions are deemed to have been satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due for the service;
- the completion of the service at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the service can be measured reliably.

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs and maintenance costs are expensed as normal.

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

Short leasehold land and buildings	- straight line over the lease term
Plant and machinery	- straight line over 15 years or the lease term if shorter
Fixtures, fittings and equipment	- straight line at 20% per annum
Kitchen equipment	- straight line at 15% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Profit and Loss Account.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected.

2.5 Hire purchase and leasing

Rentals paid under operating leases, net of any lease incentives, are charged to the Profit and Loss Account on a straight line basis over the period of the lease.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company and assets held under hire purchase agreements, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the Profit and Loss Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised. Cost is determined on a first in, first out basis. Cost includes the purchase price and all other expenditure directly attributable to bring the stock to its present location and condition.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell and an impairment charge is recognised immediately in the Profit and Loss Account. Where a reversal of the impairment is recognised, the impairment charge is reversed up to the original impairment loss and is recognised as a credit in the Profit and Loss Account.

2.7 Debtors

Debtors are measured at transaction price, less any impairment.

2.8 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.9 Creditors

Creditors are measured at transaction price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.10 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at present value of future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Profit and Loss Account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Profit and Loss Account.

Financial assets are derecognised when:

- (a) The contractual rights to the cash flows from the asset expire or are settled; or
- (b) Substantially all the risks and rewards of the ownership of the asset are transferred to another party; or
- (c) Control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and obligations under finance lease and hire purchase contracts that are classified as debt are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, this is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.11 Deferred tax

A deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

2.12 Pre-opening expenses

Pre-opening expenses are those costs charged to the Profit and Loss Account before new restaurant sites commence trading. In the opinion of the directors it is necessary to present these costs on the face of the Profit and Loss Account as they are relevant to understanding the Company's overall financial performance.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible assets and note 2.4 for the useful economic lives for each class of assets.

(ii) Fair value of share options

The fair value of share options is measured at grant with reference to the three-tier measurement hierarchy outlined in Section 26 of FRS 102, 'Share-based Payment'. To date the most appropriate measure of the fair value of equity instruments granted has been recent transactions in the Company's shares - the issue of share options having coincided with the issue of new shares in the Company. In the event of new share options being granted in the future, the directors will consider the most appropriate measure of fair value, as stipulated by the three-tier measurement hierarchy. Depending on the timing of the grant of share options and the current circumstances of the Company at that time, this may differ from the measurement basis previously utilised.

4. Analysis of income

All turnover is attributable to income from the rendering of services, and all other operating income is rent receivable.

All income arose within the United Kingdom.

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. Pre-opening expenses

	2016 £	2015 £
Pre-opening expenses	269,065	232,440
	<u>269,065</u>	<u>232,440</u>

Pre-opening expenses are costs incurred before new restaurant sites commence trade. These comprise: rent, rates and service charges; staff costs; light, heat and power; and other expenses which are ordinarily classified as administrative expenses.

In the current year, Newcastle and Southampton opened in April and December respectively. In the prior year, Brixton and Manchester opened in September and October respectively.

6. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	958,793	739,608
Operating lease payments	1,486,832	1,223,682
Fees payable to the Company's auditor for the audit of the company's annual financial statements	20,000	18,000
	<u>2,465,625</u>	<u>1,981,290</u>

7. Employees

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

	2016 £	2015 £
Wages and salaries	4,618,390	3,979,961
Social security costs	313,048	277,684
	<u>4,931,438</u>	<u>4,257,645</u>

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

	2016 No.	2015 No.
Administration and support	15	13
Operational	297	250
	<u>312</u>	<u>263</u>

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	218,326	239,992
	<u>218,326</u>	<u>239,992</u>

The highest paid director received remuneration of £125,000 (2015 - £135,000).

Directors' remuneration also represents Key Management Personnel Compensation.

9. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are reconciled below:

	2016 £	2015 £
Loss on ordinary activities before tax	(2,276,609)	(1,595,188)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	(455,322)	(323,026)
Effects of:		
Depreciation (less than) / in excess of capital allowances	(28,388)	35,044
Other short term timing differences	(2,104)	(8,875)
Unrelieved tax losses carried forward	485,814	296,857
Total tax charge for the year	-	-

Factors that may affect future tax charges

The Company has unrecognised deferred tax assets at the balance sheet date. These comprise the losses available for offset against future trading profits of the Company of £7,410,000 (2015 - £4,993,000) less accelerated capital allowances of £1,773,000 (2015 - £1,421,000).

The net deferred tax asset not recognised at the balance sheet date was £960,000 (2015 - £642,000).

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 January 2016	8,591,662	314,732	2,022,820	10,929,214
Additions	1,702,488	235,660	517,191	2,455,339
At 31 December 2016	10,294,150	550,392	2,540,011	13,384,553
Depreciation				
At 1 January 2016	1,062,306	86,404	669,220	1,817,930
Charge for the year	545,210	41,024	372,559	958,793
At 31 December 2016	1,607,516	127,428	1,041,779	2,776,723
Net book value				
At 31 December 2016	8,686,634	422,964	1,498,232	10,607,830
At 31 December 2015	7,529,356	228,328	1,353,600	9,111,284

Leased assets

Included within the net book value of Fixtures, fittings and equipment are £39,027 (2015 - £76,568) of assets held under finance leases and hire purchase contracts. The net book value of Plant and machinery includes £294,631 (2015 - £50,228) of assets held under finance leases and hire purchase contracts.

11. Stocks

	2016 £	2015 £
Finished goods and goods for resale	154,604	133,346
Consumables	176,226	132,725
	330,830	266,071

Stock recognised during the year as an expense was £3,613,512 (2015 - £3,104,222).

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Debtors

	2016 £	2015 £
Trade debtors	111,831	122,512
Other debtors	150,173	267,640
Prepayments and accrued income	493,658	358,632
	<u>755,662</u>	<u>748,784</u>

Other debtors includes £98,500 (2015 - £98,500) receivable after more than one year.

13. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans	390,347	440,901
Trade creditors	950,243	627,973
Taxation and social security	337,298	399,278
Obligations under finance leases and hire purchase contracts	65,867	55,449
Other creditors	331,018	145,250
Accruals and deferred income	688,481	412,464
	<u>2,763,254</u>	<u>2,081,315</u>

Accruals and deferred income included within creditors falling due within one year includes £139,026 (2015 - £77,042) relating to rent free periods.

Security

The Company's bank loans of £390,347 (2015 - £440,901) are secured by fixed and floating charges over the assets of the Company.

Obligations under finance leases and hire purchase contracts of £65,867 (2015 - £55,449) are secured by fixed charges on the leased assets.

Government assistance

Bank loans falling due within one year includes £145,833 (2015 - £145,833) of loans obtained under the Enterprise Finance Guarantee scheme under which the government provides guarantees to the lender.

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Bank loans	732,741	1,124,012
Obligations under finance leases and hire purchase contracts	152,812	-
Accruals and deferred income	1,122,854	661,736
	<u>2,008,407</u>	<u>1,785,748</u>

Accruals and deferred income included within creditors falling due after one year includes £1,122,854 (2015 - £661,736) relating to the rent free period.

Security

The Company's bank loans of £732,741 (2015 - £1,124,012) are secured by fixed and floating charges over the assets of the Company.

Obligations under finance leases and hire purchase contracts of £152,812 (2015 - £nil) are secured by fixed charges on the leased assets.

Government assistance

Bank loans falling due after more than one year includes £262,103 (2015 - £407,986) of loans obtained under the Enterprise Finance Guarantee scheme under which the government provides guarantees to the lender.

15. Hire purchase & finance leases

Minimum lease payments under finance leases and hire purchase contracts fall due as follows:

	2016 £	2015 £
Not later than one year	65,867	55,449
Later than 1 year and not later than 5 years	152,812	-
	<u>218,679</u>	<u>55,449</u>

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	262,004	390,152
	<u>262,004</u>	<u>390,152</u>
	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised cost	4,203,038	3,412,337
	<u>4,203,038</u>	<u>3,412,337</u>

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals.

The interest rate on bank loans is 3% plus the Bank of England base rate.

17. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, issued, called up and fully paid		
8,830,940 (2015 - 8,830,940) 'A' Ordinary shares of £0.10 each	883,094	883,094
30 (2015 - 30) 'B' Ordinary shares of £0.10 each	3	3
	<u>883,097</u>	<u>883,097</u>

During the prior year 2,040,824 'A' Ordinary shares having an aggregate nominal value of £204,082 were allotted for an aggregate consideration of £5,000,001.

The different classes of shares rank pari passu except for in the event of the sale of the whole of the issued equity share capital of the Company.

In the event of a sale, the 'B' Ordinary shares receive sale proceeds subject to a target investment return being delivered on the 'A' Ordinary shares as prescribed in the Company's Articles of Association. Where target investment return conditions are not met, all sales proceeds are allocated to the 'A' Ordinary shares.

CABANA RESTAURANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. Capital commitments

At 31 December 2016 the Company had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	64,356	41,736

19. Commitments under operating leases

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

	2016 £	2015 £
Not later than 1 year	1,797,237	1,528,750
Later than 1 year and not later than 5 years	7,688,346	6,115,000
Later than 5 years	21,311,465	17,293,750
Total	30,797,048	24,937,500

The total operating lease payments recognised during the year as an expense were £1,486,832 (2015 - £1,223,682).

20. Related party transactions

During the year the Company was charged management fees in relation to human resources, finance and marketing services totalling £193,444 (2015 - £170,218) by companies under common influence. The Company was recharged costs totalling £7,248 (2015 - £3,009) by these companies for expenses incurred on the Company's behalf and in turn recharged expenses to companies under common influence totalling £nil (2015 - £1,001). At the balance sheet date the amount due to companies under common influence was £20,820 (2015 - £6,000).

The above transactions took place on an arm's length basis.

21. Controlling party

There was no ultimate controlling party during the current or prior year.

22. Post balance sheet events

The company received a shareholder loan of £750,000 on 1 March 2017.