

Kavalake Limited

Report and Financial Statements

Year Ended

31 August 2013

Company Number 07360142



Kavalake Limited

Report and financial statements for the year ended 31 August 2013

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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

Report of the directors for the year ended 31 August 2013

The directors present their report together with the audited financial statements for the year ended 31 August 2013

Results and dividends

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

Principal activities

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

Business review and future developments

The Directors are pleased to report that the performance of the group in 2013 has been very positive.

<i>Profit and loss summary</i>	2013	2012
	£m	£m
Sales	44.8	43.1
Cost of sales	(23.1)	(23.7)
Gross profit	21.6	19.5
Admin expenses *	(16.7)	(14.6)
Adjusted EBITDA *	5.0	4.9

* Excludes interest, tax, pre-opening expenses, depreciation and amortisation, and other exceptional items

The Group's UK turnover increased by 3.9% to £44.8m in 2013 which is the blended result of a healthy increase in covers in existing operations combined with an increase in spend per cover, which more than compensated for the group exiting from Claridge's in June 2013 after a long and successful tenure. Gross profit margins have increased by 5.0% whilst adjusted EBITDA margins were flat on the prior year.

While the economic backdrop remained challenging for much of 2013, towards the end of the financial year there were signs of more positivity in the market place.

In March 2013 the group underwent a refinancing with Barclays Bank that has put the Group in a better position to take advantage of new opportunities that are identified.

The Group continued to contend with increasing input costs but our enhanced financial position helped us to agree improved terms with our suppliers to the benefit of all concerned.

Portfolio developments

Bread Street Kitchen, which was opened in 2011, bedded in very nicely showing excellent growth in both covers and spend and a resultant strong growth in contribution.

The financial year saw the opening of 2 new restaurants under license in Las Vegas with Gordon Ramsay BurGR opening at Planet Hollywood and Gordon Ramsay Pub and Grill opening at Caesar's Palace meaning the Group now has 3 operations in Las Vegas including Gordon Ramsay Steak at Paris Hotel. These operations have outperformed all expectations and the group is keen to follow up on this success with much interest being shown by other parties.

Work started on Union Street Cafe which opened to critical acclaim in September 2013 and the Group acquired a site at Battersea Square where it opened London House in February 2014.

Kavalake Limited

Report of the directors for the year ended 31 August 2013 (*continued*)

Portfolio developments (*continued*)

The Group has acquired the lease on a restaurant site in Park Walk, Chelsea that is expected to open in the last half of calendar year 2014

In April 2014 the group decided to close The Fat Cow in Los Angeles due to litigation issues and partnership disputes

The Group continues to look for potential new sites and is in discussions for a number of sites in the Far East and across the USA as well as in the UK

The performance of the Group is measured by the directors and the executive management on a site by site basis with a focus on covers, spend per cover, revenue, margins and resultant EBITDA

Principal risks and uncertainties

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

Consumer demand

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

Suppliers

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

Food safety

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

Kavalake Limited

Report of the directors for the year ended 31 August 2013 (*continued*)

Employees

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

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

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

Creditor payment policy

The Group's policy is to agree all payment terms with suppliers as and when a trading relationship is established. The Group ensures that the payment terms are clear and its policy is to abide by the agreed terms where possible provided the suppliers meet their obligations. On average trade creditors at the end of the year represented 65 (2012 - 96) days purchases.

Financial risk management

Liquidity risk

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

Interest rate risk

The Group does not have formal policies on interest rate risk 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 and a significant proportion of cash sales. The Group has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

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

Capital risk management

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

Indemnity of officers

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

Kavalake Limited

Report of the directors for the year ended 31 August 2013 (continued)

Directors

The directors of the company during the year were

G J Ramsay
S Gillies
G Eades (appointed 14 February 2013)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

BDO LLP 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

6 June 2014

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 2013 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 2013 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 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*

6 June 2014

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 2013

	Note	2013 £'000	2012 £'000
Turnover Group and share of joint venture		46,399	43,125
Less share of joint venture turnover		(1,598)	-
Turnover	3	44,801	43,125
Cost of sales		23,139	23,670
Gross profit		21,662	19,455
Administrative expenses		27,120	17,011
Adjusted EBITDA*		5,035	4,886
Pre-opening costs		-	(262)
Depreciation and amortisation		(1,491)	(1,923)
Other exceptional items	2	(9,002)	(255)
Group operating (loss)/profit	4	(5,458)	2,444
Share of operating loss in joint ventures		(386)	-
Loss on disposal of fixed assets		(137)	-
(Loss)/profit on ordinary activities before interest and other income		(5,981)	2,444
Interest payable and similar charges	7	(374)	(440)
(Loss)/profit on ordinary activities before taxation		(6,355)	2,004
Taxation on (loss)/profit on ordinary activities	8	18	(436)
(Loss)/profit on ordinary activities after taxation		(6,337)	1,568
Minority interest		80	137
(Loss)/profit for the financial year	20	(6,417)	1,431

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, pre-opening costs, depreciation, amortisation and exceptional items

The notes on pages 11 to 28 form part of these financial statements

Kavalake Limited

Consolidated balance sheet at 31 August 2013

Company number 07360142	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Intangible assets	10		992		554
Tangible assets	11		11,816		10,399
Investments in joint ventures	12				
- share of gross assets		117		-	
- share of gross liabilities		(117)		-	
Fixed asset investments					
			12,808		10,953
Current assets					
Stocks	13	1,014		1,017	
Debtors	14	3,750		2,172	
Cash at bank and in hand		4,380		1,410	
		9,144		4,599	
Creditors' amounts falling due within one year	15	(29,887)		(26,329)	
Net current liabilities			(20,743)		(21,730)
Total assets less current liabilities			(7,935)		(10,777)
Creditors' amounts falling due after more than one year	16	(4,311)		(1,875)	
Provisions for liabilities					
Investments in joint ventures	12				
- share of gross assets		122		-	
- share of gross liabilities		(676)		-	
- loans to joint ventures		536		-	
		(18)		-	
Other provisions	17	(6,725)		-	
		(6,743)		-	
			(11,054)		(1,875)
			(18,989)		(12,652)
Capital and reserves					
Called up share capital	19		2		2
Other reserves	20		1,099		1,099
Profit and loss account	20		(20,476)		(14,059)
Shareholders' deficit	22		(19,375)		(12,958)
Minority interests	21		386		306
			(18,989)		(12,652)

The notes on pages 11 to 28 form part of these financial statements

Kavalake Limited

Company balance sheet at 31 August 2013

Company number 07360142	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Fixed asset investments	12		2		2
Current assets					
Debtors	14	5,259		-	
Cash at bank and in hand		83		-	
		<u>5,342</u>		<u>-</u>	
Creditors, amounts falling due within one year	15	2,323		-	
		<u></u>		<u></u>	
Net current assets			3,019		-
Total assets less current liabilities			<u>3,021</u>		<u>2</u>
Creditors, amounts falling due after more than one year	16		4,311		-
			<u>(1,290)</u>		<u>2</u>
Capital and reserves					
Called up share capital	19		2		2
Profit and loss account	20		(1,292)		-
			<u></u>		<u></u>
Shareholders' (deficit)/funds	22		<u>(1,290)</u>		<u>2</u>

The financial statements were approved by the board of directors and authorised for issue on 6 June 2014

S Gillies
Director



The notes on pages 11 to 28 form part of these financial statements

Kavalake Limited

Consolidated cash flow statement for the year ended 31 August 2013

	Note	2013 £'000	2013 £'000	2012 As restated £'000	2012 As restated £'000
Net cash (outflow)/inflow from operating activities	29		(1,128)		4,193
Returns on investments and servicing of finance					
Interest paid bank loans		(169)		(122)	
Interest paid other loans		(128)		-	
Interest paid hire purchase		(77)		(318)	
Net cash outflow from returns on investments and servicing of finance			(374)		(440)
Taxation					
Corporation tax paid			(341)		(683)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets			(2,949)		(2,305)
Acquisitions and disposals					
Cash on acquisition of subsidiary undertaking	23		4		-
Cash (outflow)/inflow before use of financing			(4,788)		1,748
Financing					
Increase in directors' loan account		4,037		983	
Repayment of long term loans		(2,177)		(1,531)	
Drawdown of long term loans		5,754		-	
Repayment of hire purchase loans		(1,078)		(949)	
Net cash inflow/(outflow) from financing			6,536		(1,497)
Increase/(decrease) in cash	30		1,748		(732)

The notes on pages 11 to 28 form part of these financial statements

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2013

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 2013 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition

Turnover

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

Goodwill

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

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

Depreciation

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

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

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

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2013 (continued)

1 Accounting policies (continued)

Stocks

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

Leased assets

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

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

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

Pension costs

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

Deferred taxation

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

Deferred tax balances are not discounted.

Foreign currency

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

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

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

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2013 (continued)

1 Accounting policies (continued)

Restatement of comparatives

The comparative figures in the cash flow statement and related notes have been restated to include directors' loan accounts as financing cash flows

Reverse premium

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

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

2 Exceptional items

	2013 £'000	2012 £'000
Related party bad debt	-	255
Legal and compliance costs	2,277	-
Onerous lease provision (note 17)	6,725	-
	<u>9,002</u>	<u>255</u>

3 Turnover

	2013 £'000	2012 £'000
Analysis by geographical market		
United Kingdom	<u>44,801</u>	<u>43,125</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 2013 (continued)

4 Operating (loss)/profit

	2013 £'000	2012 £'000
This is arrived at after charging		
Depreciation of tangible fixed assets	1,395	1,826
Amortisation of positive goodwill	96	97
Hire of other assets - operating leases	5,102	4,878
Auditors' remuneration		
- fees payable to the group's current auditor for the audit of the company's annual accounts	22	20
- fees payable to the group's current auditor for the audit of the subsidiaries' annual accounts	58	55
- other taxation services	95	45
- all other services	90	54
	<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

	Group 2013 £'000	Group 2012 £'000
Staff costs (including directors) consist of		
Wages and salaries	12,585	12,907
Social security costs	1,159	1,197
Open pension costs	36	(11)
	<u> </u>	<u> </u>
	13,780	14,093
	<u> </u>	<u> </u>

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

	Number	Number
Head office	70	60
Restaurant staff	712	706
Directors	2	2
	<u> </u>	<u> </u>
	784	768
	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (*continued*)

6 Directors' remuneration

	2013 £'000	2012 £'000
Directors' emoluments	353	477
Company contributions to money purchase pension schemes	2	4
	<u> </u>	<u> </u>

There was 1 director in the Group's defined contribution pension scheme during the year (2012 - 1)

The total amount payable to the highest paid director in respect of emoluments was £336,603 (2012 - £342,185) Company pension contributions of £Nil (2012 - £Nil) were made to a money purchase scheme on their behalf

7 Interest payable and similar charges

	2013 £'000	2012 £'000
Bank loans and overdrafts	169	119
Other loans	128	-
Finance leases and hire purchase contracts	77	318
Interest payable - other	-	3
	<u> </u>	<u> </u>
	374	440
	<u> </u>	<u> </u>

8 Taxation on (loss)/profit on ordinary activities

	2013 £'000	2012 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	31	365
Adjustment in respect of previous periods	(49)	71
	<u> </u>	<u> </u>
	(18)	436
	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements for the year ended 31 August 2013 (continued)

8 Taxation on (loss)/profit on ordinary activities (continued)

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

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before tax	(6,355)	2,004
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 23.58% (2012 - 25.17%)	(1,499)	505
Effect of:		
Expenses not deductible for tax purposes	561	180
Capital allowances for period in excess of depreciation	377	(57)
Utilisation of tax losses brought forward	(29)	(262)
Adjustment to tax charge in respect of previous periods	(49)	71
Losses not utilised in the period	639	-
	<hr/>	<hr/>
Current tax charge for the year	(18)	437
	<hr/>	<hr/>

A deferred tax asset of £934,927 (2012 - £549,841) has not been recognised in respect of losses carried forward as there is insufficient evidence that the asset will be recovered. A potential deferred tax asset in respect of depreciation in excess of capital allowances has not been recognised as it is not material to these financial statements.

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 £1,291,788 (2012 - £Nil) which is dealt with in the financial statements of the parent company.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (*continued*)

10 Intangible fixed assets

	Goodwill on consolidation £'000
Group	
<i>Cost</i>	
At 1 September 2012	1,223
Additions (note 23)	534
	<hr/>
At 31 August 2013	1,757
	<hr/>
<i>Amortisation</i>	
At 1 September 2012	669
Provided for the year	96
	<hr/>
At 31 August 2013	765
	<hr/>
<i>Net book value</i>	
At 31 August 2013	992
	<hr/>
At 31 August 2012	554
	<hr/>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 *(continued)*

11 Tangible fixed assets

Group	Leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>					
At 1 September 2012	13,554	6,010	16	1,224	20,804
Additions	2,099	665	-	185	2,949
Disposals	(113)	(439)	-	(734)	(1,286)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2013	15,540	6,236	16	675	22,467
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 1 September 2012	5,141	4,213	16	1,035	10,405
Provided for the year	909	435	-	51	1,395
Disposals	(59)	(431)	-	(659)	(1,149)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2013	5,991	4,217	16	427	10,651
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 31 August 2013	9,549	2,019	-	248	11,816
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2012	8,413	1,797	-	189	10,399
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £2,160,592 (2012 - £2,596,396) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £356,551 (2012 - £364,687).

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (*continued*)

12 Fixed asset investments

	Joint ventures £'000
Group	
<i>Cost or valuation</i>	
At 1 September 2012	-
Movements in the period	(18)
	<hr/>
At 31 August 2013	(18)
	<hr/>
Company	Group undertakings £'000
<i>Cost or valuation</i>	
At 1 September 2012 and 31 August 2013	2
	<hr/>

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

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (continued)

12 Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments

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

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
Gordon Ramsay Holdings Limited	United Kingdom	Ordinary	99%	Holding company
Gordon Ramsay Holdings International Limited	United Kingdom	Ordinary	100%	Holding company
Artichoke Consultancy Limited *	United Kingdom	Ordinary	99%	Holding company
Gordon Ramsay (Royal Hospital Road) Limited *	United Kingdom	Ordinary	99%	Operating a restaurant
Gordon Ramsay at Clardge'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 2013 (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

Joint ventures

The company had the following aggregate interests in joint ventures

	G R BurGR LLC £'000	The Fat Cow LLC £'000	Total 2013 £'000	Total 2012 £'000
Share of total assets	117	122	239	-
Share of total liabilities	(117)	(676)	(793)	-
<i>Share of net liabilities</i>	-	(554)	(554)	-
Loan to joint venture	-	536	536	-
<i>Total investment in joint ventures</i>	-	(18)	(18)	-

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

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (continued)

13 Stocks

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Raw materials and consumables	1,014	1,017	-	-

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

14 Debtors

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Trade debtors	563	276	-	-
Amounts owed by group undertakings	-	-	5,256	-
Amounts due from joint ventures	61	-	-	-
Directors' loan accounts	32	-	-	-
Corporation tax recoverable	10	2	-	-
Other debtors	1,605	839	3	-
Prepayments and accrued income	1,479	1,055	-	-
	<u>3,750</u>	<u>2,172</u>	<u>5,259</u>	<u>-</u>

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

15 Creditors amounts falling due within one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Bank loans and overdrafts (secured)	3,812	2,391	1,730	-
Trade creditors	4,982	6,939	-	-
Amounts owed to associated undertakings	22	-	-	-
Taxation and social security	1,664	2,368	-	-
Obligations under finance lease and hire purchase contracts	942	1,078	-	-
Directors' loans (note 26)	14,257	10,220	536	-
Other creditors	954	1,506	-	-
Accruals and deferred income	3,254	1,827	57	-
	<u>29,887</u>	<u>26,329</u>	<u>2,323</u>	<u>-</u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (continued)

16 Creditors: amounts falling due after more one year

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Bank loans (secured)	4,311	933	4,311	-
Obligations under finance lease and hire purchase contracts	-	942	-	-
	<u>4,311</u>	<u>1,875</u>	<u>4,311</u>	<u>-</u>
 Maturity of debt				
	Loans and overdrafts 2013 £'000	Loans and overdrafts 2012 £'000	Finance leases 2013 £'000	Finance leases 2012 £'000
In one year or less, or on demand	3,812	2,391	942	1,078
In more than one year but not more than two years	4,311	933	-	285
In more than two years but not more than five years	-	-	-	657
	<u>4,311</u>	<u>933</u>	<u>-</u>	<u>942</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.

17 Provisions for liabilities

Group	Provision relating to joint venture (note 12) £'000	Onerous lease provision £'000	Total £'000
Charged to the profit and loss account at 31 August 2013	18	6,725	6,743

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

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 £35,852 (2012 - £4,044). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 *(continued)*

19 Share capital

	2013 £'000	2012 £'000
<i>Allotted, called up and fully paid</i>		
214,300 ordinary shares of £0.01 each	2	2
	<u> </u>	<u> </u>

20 Reserves

	Other reserves £'000	Profit and loss account £'000
Group		
At 1 September 2012	1,099	(14,059)
Loss for the year	-	(6,417)
	<u> </u>	<u> </u>
	1,099	(20,476)
	<u> </u>	<u> </u>
At 31 August 2013		

21 Minority interests

	2013	2012
Minority interests' share of net assets and liabilities in subsidiary undertakings	386	306
	<u> </u>	<u> </u>

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

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
(Loss)/profit for the year	(6,417)	1,431	(721)	-
Opening shareholders' (deficit)/funds	(12,958)	(14,389)	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing shareholders' (deficit)/funds	(19,375)	(12,958)	(719)	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (*continued*)

23 Acquisitions

Acquisition of Union Street Cafe

On 25 March 2013 the company acquired the entire issued share capital of Union Street Café Limited for consideration of £1 which was settled in cash

In calculating the goodwill arising on acquisition, the fair value of the net liabilities of Union Street Café Limited has been assessed and the directors have concluded that there was no material difference to the book value

The net liabilities acquired are summarised in the following table

	Book and Fair value £'000
Fixed assets	
Tangible	337
Current assets	
Debtors - due within one year	256
Cash at bank and in hand	4
	<hr/>
Total assets	597
Creditors	
Due within one year	(1,131)
	<hr/>
Net liabilities	(534)
	<hr/>
	£'000
Fair value of consideration	-
Net liabilities acquired	(534)
	<hr/>
Goodwill arising on acquisition	534
	<hr/>
Cash flows	
The net outflow of cash arising from the acquisition of Union Street Café Limited and subsidiaries was as follows	
	£'000
Cash consideration, as above	-
Cash acquired	4
	<hr/>
Net inflow of cash	4
	<hr/>

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (continued)

24 Commitments under operating leases

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

	Land and buildings 2013 £'000	Land and buildings 2012 £'000
Operating leases which expire		
Within one year	151	157
In two to five years	1,332	1,294
After five years	2,744	2,754
	<hr/>	<hr/>
	4,227	4,205
	<hr/>	<hr/>

25 Financial commitment

A Group loan facility is secured by a debenture over the present and future assets of the company, and its subsidiaries and personal guarantees from the directors. The loan is repayable over 52 months, commencing February 2010 and interest is chargeable at 3.25% per annum above LIBOR. As at 31 August 2013 the maximum facility was £5,000,000 (2012 - £2,176,800).

26 Related party disclosures

G J Ramsay is a director and therefore a related party. As at 31 August 2013, G J Ramsay had given personal guarantees totalling £5,000,000 (2012 - £2,176,800) in respect of the Group banking facility.

Warrington Hotel Limited is a subsidiary of Gordon Ramsay Pubs Limited in which G J Ramsay is a shareholder. During the year total loans due from the Warrington Hotel Limited amounting to £Nil (2012 - £255,000) were not considered to be recoverable and therefore have been provided for in the profit and loss account.

As at 31 August 2013 the balance due from Tante Marie Limited to Gordon Ramsay Holdings International Limited was £Nil (2012 - £125,333).

Woodham School Limited (formerly Tante Marie School of Cookery Limited) is a company limited by guarantee in which H O'Donovan and M O'Donovan, directors of Tante Marie Limited, are guarantors and Woodham House Limited is a company in which G J Ramsay was a shareholder during the year. During the year, rent of £80,000 (2012 - £80,000) was payable and paid in full by Tante Marie Limited to Woodham House Limited.

During the year, the group acquired the issued share capital of Union Street Café Limited as disclosed in note 23 from G J Ramsay. Details of the 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.

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (continued)

27 Directors' loan accounts

	As at 1 September 2012 £'000	Loans to/ (advanced from) in the year £'000	As at 30 August 2013 £'000
G J Ramsay			
S Gillies	(10,220)	(4,037)	(14,257)
	-	32	32

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)/profit to net cash inflow from operating activities

	2013 £'000	2012 As restated £'000
Operating (loss)/profit	(5,458)	2,444
Amortisation of intangible fixed assets	96	97
Depreciation of tangible fixed assets	1,395	1,826
Profit on sale of tangible fixed assets	-	(1)
Decrease/(increase) in stocks	3	(33)
(Increase)/decrease in debtors	(1,570)	1,623
Increase/(decrease) in creditors	4,406	(1,763)
Net cash (outflow)/inflow from operating activities	(1,128)	4,193

30 Reconciliation of net cash flow to movement in net debt

	2013 £'000	2012 As restated £'000
Increase/(decrease) in cash	1,748	(732)
Cash (inflow)/outflow from changes in debt	(6,536)	1,497
Movement in net debt	(4,788)	765
Opening net debt	(14,154)	(14,919)
Closing net debt	(18,942)	(14,154)

Kavalake Limited

Notes forming part of the financial statements
for the year ended 31 August 2013 (*continued*)

31 Analysis of net debt

	At 1 September 2012 As restated £'000	Cash flow £'000	At 31 August 2013 £'000
Cash at bank and in hand	1,410	2,970	4,380
Bank overdrafts	(1,147)	(1,222)	(2,369)
	<u>263</u>	<u>1,748</u>	<u>2,011</u>
Debt due within one year	(11,464)	(4,236)	(15,700)
Debt due after one year	(933)	(3,378)	(4,311)
Finance leases	(2,020)	1,078	(942)
	<u>(14,417)</u>	<u>(6,536)</u>	<u>(20,953)</u>
Total	<u>(14,154)</u>	<u>(4,788)</u>	<u>(18,942)</u>