

Kavalake Limited

Report and Financial Statements

Year Ended

31 August 2017

Company Number 07360142

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COMPANIES HOUSE

Kavalake Limited

Company Information

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

Kavalake Limited

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Kavalake Limited

Group strategic report For the year ended 31 August 2017

The Directors present their strategic report together with the audited financial statements for the year ended 31 August 2017.

Principal activities

Kavalake Limited and its subsidiary companies (the "Group") hold an interest in fourteen London based restaurants, in addition there are licence agreements for 18 restaurants in various locations around the world.

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

Business review

The consolidated turnover for the Group (excluding joint ventures) for the 12 months to August 31st 2017 is £51.4m (2016: £51.9). The UK restaurants grew on a like for like basis by 1.7%. International revenue grew by 52% to £5.4m. Total turnover is down 1% versus 2016 due to the 5-month closure of Plane Food.

Like for like Adjusted EBITDA once stripped of the disposals, impairments and the impact closure of Plane Food showed a growth of 17%. Since re-opening Plane Food has performed ahead of expectation and is showing a sales growth in excess of 25%.

Revenue from international operations continued to perform well, contributing £5.4m (2016: £3.6m) to revenue in the year, an increase of 52% on prior year. The expansion programme continues in 2018 with 5 new planned venues. This includes 1 site in China and 4 in North America including a new concept in Las Vegas called Hell's Kitchen. The Hell's Kitchen opened at the beginning of January 2018 and is already performing ahead of expectations.

Future developments

A new 10 year lease has been signed for Maze and Maze Grill Mayfair. Maze will close in January 2019 and a new concept will be launched 2019.

The Group continues to actively look for new restaurant locations both in the UK and Internationally.

A number of new international contracts are being actively negotiated however contracts have yet to be signed.

Post balance sheet events

Since the year end a new banking facility has been agreed with Barclays. This is an increased 5 year facility that will mature in 2023.

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

Kavalake Limited

Group strategic report (continued) For the year ended 31 August 2017

Key performance indicators

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

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

Profit and loss summary

	2017 £m	2016 £m
Turnover	51.4	51.9
Gross profit	25.7	25.5
Adjusted EBITDA *	4.0	4.6

Principal risks and uncertainties

The variety of concepts and choice of location throughout London helps to minimise any risk of dependency on one brand or economic area.

Like any consumer facing business, any softness within the economic climate may have an adverse impact. The global spread of our restaurants means the business is not reliant upon one location and is therefore well placed to adapt and adjust to softer trading conditions.

Kavalake Limited

Group strategic report (continued) For the year ended 31 August 2017

Capital risk management

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

Foreign exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Pound Sterling (£). The Group maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs. Given that the majority of the Group's transactions remain Sterling denominated, the Group does not consider it necessary to enter into foreign exchange contracts to manage its current foreign exchange risks.

Liquidity risk

The Group manages its exposure to liquidity risk through a naturally low level of debtors, maintaining a diversity of funding sources and the spreading of debt repayments over a range of maturities. To manage liquidity risk, the Group prepares regular working capital forecasts to assess cash requirements. The risk posed by liquidity has been considered and we are satisfied there is sufficient funding available in the Group to meet its requirements.

Interest rate risk

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

Credit risk

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

Supplier payment policy

The Group's policy is to agree all payment terms with suppliers as and when a trading relationship is established the Group ensures that the payment terms are clear and its policy is to abide by the agreed terms where possible provided the supplier meets their obligations.

Kavalake Limited

Group strategic report (continued) For the year ended 31 August 2017

Employees

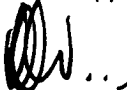
The successful delivery of the service to the Group's customers depends on recruiting, training, managing retaining people of the highest quality. The Group is committed to the welfare of its staff and all employees given opportunities and are encouraged to develop with the Group.

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

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

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

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


.....
A Wenlock
Director

Date:

19/3/18

Kavalake Limited

Directors' report For the year ended 31 August 2017

The Directors present their report and the financial statements for the year ended 31 August 2017.

Results and dividends

The statement of comprehensive income is set out on pages 10 and 11 and shows the loss for the year.

Directors

The Directors who served during the year were:

G J Ramsay
S Gillies (resigned 8 February 2018)
G Eades (resigned 30 January 2018)

A Wenlock was appointed as a director on 30 January 2018.

Directors' responsibilities

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

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

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

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

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

Risks and uncertainties and likely future developments

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

Kavalake Limited

Directors' report (continued) For the year ended 31 August 2017

Disclosure of information to auditor

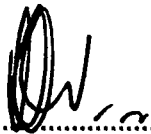
Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

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

Auditor

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

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



.....
A Wenlock
Director

Date: 19/3/18

Kavalake Limited

Independent auditor's report to the members of Kavalake Limited

Opinion

We have audited the financial statements of Kavalake Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 August 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Kavalake Limited

Independent auditor's report to the members of Kavalake Limited

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities section, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Kavalake Limited

Independent auditor's report to the members of Kavalake Limited

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



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

Date: 20/03/2018

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

Kavalake Limited

Consolidated statement of comprehensive income For the year ended 31 August 2017

	Note	2017 £000	2016 £000
Turnover	5	51,400	51,922
Cost of sales		(25,737)	(26,462)
Gross profit		25,663	25,460
Administrative expenses		(28,603)	(24,788)
Adjusted EBITDA*		4,032	4,599
Depreciation and amortisation	6	(2,543)	(2,632)
Share based payments	23	(26)	(110)
Exceptional administrative expenses	4	(4,403)	(1,185)
Operating (loss)/profit	6	(2,940)	672
Share of profit of joint venture	13	43	381
Total operating (loss)/profit		(2,897)	1,053
Interest payable and similar charges	9	(908)	(951)
(Loss)/profit before taxation		(3,805)	102
Tax on (loss)/profit	10	(333)	637
(Loss)/profit for the financial year		(4,138)	739
Foreign exchange movement		(15)	(32)
Other comprehensive income for the year		(15)	(32)
Total comprehensive income for the year		(4,153)	707
(Loss)/profit for the year			
Non-controlling interests		(15)	(21)
Owners of the Parent Company		(4,123)	760
		(4,138)	739
Total comprehensive income for the year			
Non-controlling interest		(15)	(21)
Owners of the Parent Company		(4,138)	728
		(4,153)	707

Kavalake Limited

Consolidated statement of comprehensive income (continued) For the year ended 31 August 2017

All amounts relate to continuing activities.

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

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited
Registered number: 07360142

Consolidated statement of financial position
As at 31 August 2017

			2017	As restated
	Note	£000	£000	2016 £000
Fixed assets				
Intangible assets	11		171	565
Tangible assets	12		14,784	15,074
			<u>14,955</u>	<u>15,639</u>
Current assets				
Stocks	14	992		998
Debtors: amounts falling due after more than one year	15	925		1,069
Debtors: amounts falling due within one year	15	5,166		3,198
Cash at bank and in hand		191		901
		<u>7,274</u>		<u>6,166</u>
Creditors: amounts falling due within one year	16	(32,986)		(27,929)
Net current liabilities			<u>(25,712)</u>	<u>(21,763)</u>
Total assets less current liabilities			<u>(10,757)</u>	<u>(6,124)</u>
Creditors: amounts falling due after more than one year	17		(6,178)	(7,009)
Provisions for liabilities				
Investments in joint venture				
- share of gross assets		37		37
- share of gross liabilities		(224)		(224)
	13	(187)		(187)
Other provisions		(6,690)		(6,366)
Provisions	21	<u>(6,877)</u>		<u>(6,553)</u>
Net liabilities			<u><u>(23,812)</u></u>	<u><u>(19,686)</u></u>

Kavalake Limited
Registered number: 07360142

Consolidated statement of financial position (continued)
As at 31 August 2017

		2017 £000	As restated 2016 £000
	Note		
Capital and reserves			
Share capital	25	2	2
Foreign exchange reserve	26	(47)	(32)
Other reserves	26	1,100	1,099
Accumulated losses	26	(25,033)	(20,936)
Equity attributable to owners of the parent Company		<u>(23,978)</u>	<u>(19,867)</u>
Non-controlling interests		166	181
		<u><u>(23,812)</u></u>	<u><u>(19,686)</u></u>

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



.....
A Wenlock
Director

Date: 19/3/18

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited
Registered number: 07360142

Company statement of financial position
As at 31 August 2017

	Note	£000	2017 £000	As restated 2016 £000
Fixed assets				
Investments	13		3,038	3,012
Current assets				
Debtors: amounts falling due within one year	15	3,428		2,604
Creditors: amounts falling due within one year	16	(6,318)		(3,914)
Net current liabilities			(2,890)	(1,310)
Total assets less current liabilities			148	1,702
Creditors: amounts falling due after more than one year	17		(6,178)	(6,811)
Net liabilities			(6,030)	(5,109)
Capital and reserves				
Share capital	25		2	2
Other reserves	26		3,036	3,010
Accumulated losses	26		(9,068)	(8,121)
			(6,030)	(5,109)

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the Parent Company for the year was £947,114 (2016 - £664,513).

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



.....
A Wenlock
Director

Date: 19/3/18

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited

Consolidated statement of changes in equity For the year ended 31 August 2017

	Share capital	Foreign exchange reserve	Other reserves	Accumulated losses	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 September 2016	2	(32)	1,099	(20,936)	(19,867)	181	(19,686)
Comprehensive income for the year							
Loss for the year	-	-	-	(4,123)	(4,123)	(15)	(4,138)
Foreign exchange movement	-	(15)	-	-	(15)	-	(15)
Share-based payment	-	-	1	26	27	-	27
At 31 August 2017	2	(47)	1,100	(25,033)	(23,978)	166	(23,812)

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited

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

	Share capital £000	Foreign exchange reserve £000	Other reserves £000	Accumulated losses £000	Equity attributable to owners of parent Company £000	Non- controlling interests £000	Total equity £000
At 1 September 2015	2	-	1,099	(21,806)	(20,705)	202	(20,503)
Comprehensive income for the year							
Profit for the year	-	-	-	760	760	(21)	739
Foreign exchange movement	-	(32)	-	-	(32)	-	(32)
Share-based payment	-	-	-	110	110	-	110
At 31 August 2016	2	(32)	1,099	(20,936)	(19,867)	181	(19,686)

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited

Company statement of changes in equity For the year ended 31 August 2017

	Share capital £000	Other reserves £000	Accumulated losses £000	Total equity £000
At 1 September 2016	2	3,010	(8,121)	(5,109)
Comprehensive income for the year				
Loss for the year	-	-	(947)	(947)
Share-based payment on behalf of subsidiary	-	26	-	26
At 31 August 2017	2	3,036	(9,068)	(6,030)

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

	Share capital £000	Other reserves £000	Accumulated losses £000	Total equity £000
At 1 September 2015	2	2,900	(7,457)	(4,555)
Comprehensive income for the year				
Loss for the year	-	-	(664)	(664)
Share-based payment on behalf of subsidiary	-	110	-	110
At 31 August 2016	2	3,010	(8,121)	(5,109)

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited

Consolidated statement of cash flows For the year ended 31 August 2017

	2017 £000	2016 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(4,138)	739
Adjustments for:		
Amortisation of intangible fixed assets	96	96
Depreciation of tangible fixed assets	2,447	2,536
Impairments of tangible fixed assets	592	-
Impairment of goodwill	298	-
Loss on disposal of tangible fixed assets	279	177
Interest charged to the income statement	908	951
Taxation charged/(credited) to the income statement	333	(637)
Decrease in stocks	6	134
(Increase)/decrease in debtors	(1,834)	199
Increase/(decrease) in creditors	1,296	(4,037)
Increase/(decrease) in provisions	324	(285)
Share of operating profit in joint ventures	(43)	(381)
Corporation tax paid	(189)	(176)
Share-based payment charges	26	110
Foreign exchange movement	(13)	(32)
Net cash generated from/(used in) operating activities	388	(606)
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,626)	(929)
Dividends received from joint ventures	43	381
Net cash used in investing activities	(2,583)	(548)
Cash flows from financing activities		
New secured loans	1,709	3,111
Repayment of loans	-	(1,428)
Interest paid	(542)	(589)
Net cash used from financing activities	1,167	1,094
Cash and cash equivalents at beginning of year	205	265
Cash and cash equivalents at the end of year	(823)	205

Kavalake Limited

Consolidated Statement of cash flows (continued) For the year ended 31 August 2017

	2017 £000	2016 £000
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	191	901
Bank overdrafts	(1,014)	(696)
	<u>(823)</u>	<u>205</u>

The notes on pages 20 to 45 form part of these financial statements.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

2.2 Basis of consolidation

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

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

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

2.3 Going concern

The Group's forecasts 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. Post year end, the group has refinanced its facility, extending the facility and the term to 2023.

The Directors have received confirmation of continuing support from the controlling shareholder and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the annual report and financial statements.

The financial statements do not include any adjustments that would result if the going concern basis was not appropriate.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

2. Accounting policies (continued)

2.4 Turnover

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

Food and beverage

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

Hotel rooms

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

Consultancy services and licence fees

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

Rental income

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

2.5 Goodwill

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

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

2. Accounting policies (continued)

2.6 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold land and buildings	- straight line over lease period
Plant and machinery, Fixtures and fittings	- 15% straight line
Assets under construction	- not depreciated

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

2.7 Impairment of fixed assets and goodwill

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

2.8 Valuation of investments

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

2.9 Stocks

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

2.10 Leased assets

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

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

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

2. Accounting policies (continued)

2.11 Provisions for liabilities

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

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

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

2.12 Pensions

Defined contribution pension plan

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

2.13 Debtors

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

2. Accounting policies (continued)

2.14 Financial instruments

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

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

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

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

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

2.15 Creditors

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

2. Accounting policies (continued)

2.16 Current and deferred taxation

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

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

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

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

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

2.17 Foreign currency translation

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Any differences are taken to the income statement.

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

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

2. Accounting policies (continued)

2.18 Joint ventures

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

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

2.19 Share-based payment

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

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

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

2.20 Holiday pay accrual

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

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

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

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

- Determine whether there are onerous leases which due to committed future periods of rental charges result in unavoidable costs not covered by trading or other uses of the lease.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Where there are indicators of impairment the carrying value is compared to the higher of value in use and fair value less costs to sell. Calculating the value in use requires the group to estimate future cash flows of each CGU and choose a suitable discount rate to calculate the present value of those cash flows. The Group has applied a discount rate of 9%.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 12)

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

- Investments (see notes 13)

Determining whether the company's investments in its subsidiaries have any indicators of impairment. Where such indicators exist, the Directors estimate the recoverable amount of the investment. Assessments include the review of current trading performance and future expected cash flows expected to arise from the investments. The carrying amount of the investments in the subsidiaries at the reporting date was £3,037,265 (2016 - £3,011,729) with no impairment provisions recognised in 2017 or 2016.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

4. Exceptional items

	2017 £000	2016 £000
Strategic review and reorganisation costs	-	44
Legal and compliance costs	1,743	728
Pre-opening costs	828	48
Onerous lease provision (see note 21)	663	187
Loss on disposal of fixed assets	279	129
Impairment of fixed assets	592	49
Impairment of goodwill	298	-
	<u>4,403</u>	<u>1,185</u>

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

5. Turnover

Analysis by geographical market:

	2017 £000	2016 £000
United Kingdom	45,929	48,346
Rest of the world	5,471	3,576
	<u>51,400</u>	<u>51,922</u>

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

6. Operating (loss)/profit

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

	2017 £000	2016 £000
Depreciation of tangible fixed assets	2,447	2,536
Amortisation of positive goodwill	96	96
Auditors' remuneration:		
- fees payable to the Group's current auditor for the audit of the Company's annual accounts	25	25
- fees payable to the Group's current auditor for the audit of the subsidiaries' annual accounts	71	71
- other taxation services	75	70
- all other services	35	40
Exchange differences	93	(42)
Operating lease rentals	5,610	5,248
Share based charge	26	110
	<u> </u>	<u> </u>

7. Employees

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

	2017 £000	2016 £000
Wages and salaries	15,712	15,242
Social security costs	1,605	1,440
Cost of defined contribution scheme	150	158
	<u> </u>	<u> </u>
	<u>17,467</u>	<u>16,840</u>

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

	2017 No.	2016 No.
Head office	68	54
Restaurant staff	749	709
Directors	3	3
	<u> </u>	<u> </u>
	<u>820</u>	<u>766</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

8. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	559	426

During the year retirement benefits were accruing to 2 Directors (2016 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £500,045 (2016 - £385,665).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £4,141 (2016 - £3,842).

9. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	542	589
Unwinding of the discounted future costs (note 21)	366	362
	<u>908</u>	<u>951</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

10. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on (losses)/profits for the year	62	-
Adjustments in respect of previous periods	-	(829)
	<u>62</u>	<u>(829)</u>
Double taxation relief	(62)	-
	<u>-</u>	<u>(829)</u>
Foreign tax		
Foreign tax on income for the year	211	178
Foreign tax in respect of prior periods	110	-
	<u>321</u>	<u>(651)</u>
Deferred tax		
Origination and reversal of timing differences	63	31
Adjustments in respect of previous periods	(44)	-
Effect of tax rate change on opening balance	(7)	(17)
	<u>12</u>	<u>14</u>
Taxation on (loss)/profit on ordinary activities	<u><u>333</u></u>	<u><u>(637)</u></u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.58% (2016 - 20%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit on ordinary activities before tax	(3,805)	102
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.58% (2016 - 20%)	(745)	59
Effects of:		
Fixed asset differences	306	188
Expenses not deductible for tax purposes	172	122
Income not taxable for tax purposes	-	(192)
Adjustments to brought forward values	-	(43)
Other permanent differences	(17)	(18)
Foreign tax - other	(15)	8
Adjustments in respect of prior periods - deferred tax	(44)	-
Adjustments in respect of prior periods	110	(761)
Adjustments for deferred tax percentages	145	158
Deferred tax not recognised	421	(139)
Other movements	-	(19)
Total tax charge/(credit) for the year	333	(637)

In addition to the deferred tax asset of £283,538 (2016 - £294,784) that has been recognised (note 15), a deferred tax asset of £1,935,075 (2016 - £1,347,028) was not recognised in respect of losses carried forward in different group companies, as there was insufficient evidence that those losses would be recovered.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

11. Intangible assets

Group

Goodwill £000

Cost

At 1 September 2016

961

At 31 August 2017

961

Amortisation

At 1 September 2016

396

Charge for the year

96

Impairment charge

298

At 31 August 2017

790

Net book value

At 31 August 2017

171

At 31 August 2016

565

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

12. Tangible fixed assets

Group

	Leasehold land and buildings £000	Fixtures, fittings and equipment £000	Assets under construction £000	Total £000
Cost				
At 1 September 2016	21,010	7,616	-	28,626
Additions	1,724	1,193	111	3,028
Disposals	(2,787)	(196)	-	(2,983)
At 31 August 2017	19,947	8,613	111	28,671
Depreciation				
At 1 September 2016	9,791	3,761	-	13,552
Charge for the year	1,461	986	-	2,447
Disposals	(2,577)	(127)	-	(2,704)
Impairment charge	151	441	-	592
At 31 August 2017	8,826	5,061	-	13,887
Net book value				
At 31 August 2017	11,121	3,552	111	14,784
At 31 August 2016	11,219	3,855	-	15,074

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

13. Fixed asset investments

Group

Investment
in joint
ventures
£000

Cost

At 1 September 2016	(187)
Share of profit for the year	43
Dividends received	(43)
At 31 August 2017	<u>(187)</u>

Net book value

At 31 August 2017	<u><u>(187)</u></u>
At 31 August 2016	<u><u>(187)</u></u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

13. Fixed asset investments (continued)

Company

	Group undertakings £000
Cost	
At 1 September 2016	3,012
Additions	26
At 31 August 2017	3,038
Net book value	
At 31 August 2017	3,038
At 31 August 2016	3,012

In the opinion of the Directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the Statement of financial position.

Subsidiary undertakings, associated undertakings and other investments

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

Name	Country of incorporation	Class of shares	Holding	Principal activity
Gordon Ramsay Holdings Limited	United Kingdom	Ordinary	99 %	Holding company
Gordon Ramsay Holdings International Limited	United Kingdom	Ordinary	100 %	Holding company
Artichoke Consultancy Limited*	United Kingdom	Ordinary	99 %	Holding company
Gordon Ramsay (Royal Hospital Road) Limited*	United Kingdom	Ordinary	99 %	Operating a restaurant
Gordon Ramsay at Claridge's Limited*	United Kingdom	Ordinary	99 %	Not trading
Gordon Ramsay at the Connaught Limited*	United Kingdom	Ordinary	99 %	Not trading
Gordon Ramsay at the Berkeley Limited*	United Kingdom	Ordinary	99 %	Not trading
Gordon Ramsay (Maze) Limited*	United Kingdom	Ordinary	89 %	Operating a restaurant
Gordon Ramsay (St James's) Limited	United Kingdom	Ordinary	89 %	Not trading

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

13. Fixed asset investments (continued)

Gordon Ramsay (No. 1) Limited*	United Kingdom	Ordinary	99 % Operating a restaurant
La Noisette Restaurant Limited*	United Kingdom	Ordinary	99 % Not trading
Gordon Ramsay at the Savoy Grill Limited	United Kingdom	Ordinary	99 % Not trading
London House Operating Company Limited*	United Kingdom	Ordinary	99 % Not trading
Gordon Ramsay (Narrow Street) Limited*	United Kingdom	Ordinary	99 % Operating a restaurant
London House Restaurants Limited*	United Kingdom	Ordinary	100 % Not trading
G R Logistics Limited*	United Kingdom	Ordinary	100 % Rental income
Foxtrot Oscar Holdings Limited*	United Kingdom	Ordinary	100 % Holding company
Foxtrot Oscar Limited*	United Kingdom	Ordinary	100 % Operating a restaurant
Gordon Ramsay (York and Albany) Limited*	United Kingdom	Ordinary	100 % Operating a restaurant and hotel
Gordon Ramsay Plane Food Limited*	United Kingdom	Ordinary	100 % Operating a restaurant
Gordon Ramsay (No. 2) Limited*	United Kingdom	Ordinary	100 % Operating a restaurant
Gordon Ramsay (One New Change) Limited*	United Kingdom	Ordinary	100 % Operating a restaurant
Petrus (Kinnerton Street) Limited*	United Kingdom	Ordinary	99 % Operating a restaurant
Union Street Cafe Limited	United Kingdom	Ordinary	100 % Operating a restaurant
Sparkle Restaurants Limited*	United Kingdom	Ordinary	99 % Providing back of house staff for restaurants
Gordon Ramsay International Talent Limited	United Kingdom	Ordinary	99 % Not trading
G R BurGR LLC*	USA	Ordinary	50 % Restaurant franchise income
The Fat Cow LLC*	USA	Ordinary	50 % Not trading
Bread Street Kitchen Pte Limited	Singapore	Ordinary	100 % Restaurant franchise income
GR Macau Limited	Hong Kong	Ordinary	100 % Not trading
RB Restaurant Ventures LLC*	USA	Ordinary	100 % Restaurant franchise income
GR US Topco LLC	USA	Ordinary	100 % Holding company
GR US Opco No.1 LLC*	USA	Ordinary	100 % Holding company
GR US Licensing LP	USA	Ordinary	99.8 % Restaurant franchise income
GR US General Partner LLC	USA	Ordinary	100 % Holding company

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

13. Fixed asset investments (continued)

*indirectly held

All companies incorporated in the United Kingdom and Hong Kong have the same registered office as Kavalake Limited (see company information page).

The registered office of GR US Licensing LP, GR BurGR LLC and The Fat Cow LLC is 200 Central Park South, 19th Floor, NY NY 10019, USA

The registered office of Bread Street Kitchen Pte Limited is 1 Marina Boulevard, #28-00 1 Marina Boulevard, Singapore, 018989.

The registered office of GR US General Partner LLC, GR US Topco LLC is 1201 North Market Street, 18th Floor Wilmington, DE 19801.

The registered office of GR US Opco No.1 LLC and RB Restaurant Ventures LLC is West Olympic Blvd, Los Angeles, CA 90064, USA.

14. Stocks

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Raw materials and consumables	992	998	-	-

Stock recognised in cost of sales during the year as an expense was £12,249,808 (2016 - £12,643,773).

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

15. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Due after more than one year				
Other debtors	925	1,069	-	-
	<u>925</u>	<u>1,069</u>	<u>-</u>	<u>-</u>
	Group 2017 £000	Group As restated 2016 £000	Company 2017 £000	Company As restated 2016 £000
Due within one year				
Trade debtors	964	590	-	-
Amounts owed by group undertakings	-	-	3,204	2,592
Amounts owed by joint ventures	49	3	-	-
Other debtors	1,573	905	224	12
Directors' loan (note 29)	-	20	-	-
Prepayments and accrued income	2,296	1,385	-	-
Deferred taxation	284	295	-	-
	<u>5,166</u>	<u>3,198</u>	<u>3,428</u>	<u>2,604</u>

16. Creditors: Amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank overdrafts	1,014	696	185	696
Bank loans	3,771	1,429	3,771	1,429
Trade creditors	6,027	5,402	61	-
Amounts owed to group undertakings	-	-	961	1,236
Amounts owed to other participating interests	706	-	706	-
Corporation tax	319	186	-	-
Other taxation and social security	1,676	1,467	-	-
Other creditors	2,517	2,896	538	536
Directors' loan (note 29)	12,442	13,032	-	-
Accruals and deferred income	4,514	2,821	96	17
	<u>32,986</u>	<u>27,929</u>	<u>6,318</u>	<u>3,914</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

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

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Bank loans	6,178	6,811	6,178	6,811
Other creditors	-	198	-	-
	<u>6,178</u>	<u>7,009</u>	<u>6,178</u>	<u>6,811</u>

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

18. Bank loans

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Amounts falling due within one year				
Bank loans	3,771	1,429	3,771	1,429
Amounts falling due 1-2 years				
Bank loans	1,429	1,429	1,429	1,429
Amounts falling due 2-5 years				
Bank loans	4,750	5,382	4,750	5,382
	<u>9,950</u>	<u>8,240</u>	<u>9,950</u>	<u>8,240</u>

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

19. Financial Instruments

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financial assets				
Financial assets that are measured at amortised cost	3,680	3,069	-	2,603
Financial liabilities				
Financial liabilities measured at amortised cost	(30,756)	(33,273)	(5,354)	(10,189)

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

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

20. Deferred taxation

Group

	2017 £000	2016 £000
At beginning of year	295	309
Charged to the income statement	(11)	(14)
At end of year	284	295

The deferred tax asset is made up as follows:

	Group 2017 £000	Group 2016 £000
Accelerated capital allowances	(195)	(205)
Short term timing differences	5	5
Tax losses carried forward	474	495
	284	295

21. Provisions

Group

	Onerous lease provision £000	Provision relating to joint venture £000	Total £000
At 1 September 2016	6,366	187	6,553
Charged to the income statement (note 4)	663	-	663
Unwinding of the finance discount (note 9)	366	-	366
Utilised in year	(705)	-	(705)
At 31 August 2017	6,690	187	6,877

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.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £149,925 (2016 - £157,506). Contributions totalling £48,000 (2016 - £47,000) were payable to the fund at the reporting date.

23. Share-based payments

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

	Weighted average exercise price 2017 Pence	2017 Number	Weighted average exercise price 2016 Pence	2016 Number
Outstanding at the beginning of the year	<u>23,000</u>	<u>1</u>	<u>23,000</u>	<u>1</u>

The exercise price of options outstanding at the end of the year were all 1p and their weighted average contractual life was 0 years (2016 - 0.5 years).

Of the total number of options outstanding at the end of the year, 23,000 had vested and were exercisable at the end of the year (2016 - 20,700).

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

	2017 £000	2016 £000
Equity-settled schemes	<u>26</u>	<u>110</u>

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

24. Commitments under operating leases

At 31 August 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000
Not later than 1 year	6,166	5,493
Later than 1 year and not later than 5 years	16,870	19,261
Later than 5 years	37,284	41,088
	<u>60,320</u>	<u>65,842</u>

25. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
214,300 Ordinary shares of £0.01 each	<u>2</u>	<u>2</u>

26. Reserves

Foreign exchange reserve

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

Other reserves

Company - These are share based payments made by the Company on behalf of the subsidiary of the Company.

Group - This is a reserve arising as a result of a past business combination accounted for as a merger in accordance with UK GAAP and applicable law.

Accumulated losses

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

27. Prior year adjustment

The opening profit and loss reserve figure has been restated along with accruals for the prior period, to reflect costs incurred by the group as a result of a legal judgement relating to a previously closed restaurant. No further costs are anticipated in relation to this site and the recording of this adjustment has had no impact on the result for either the current nor prior period.

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

28. Contingent liabilities

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

29. Related party transactions

As at 31 August 2017, G J Ramsay had given personal guarantees totalling £5,000,000 (2016 - £5,000,000) in respect of the Group's banking facility.

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

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

	As at 1 September 2016 £000	Net movements £000	As at 31 August 2017 £000
Gordon Ramsay Holdings Limited	1,825	(389)	1,436
Gordon Ramsay (Maze) Limited	231	99	330
Gordon Ramsay (Royal Hospital Road) Limited	(183)	213	30
Petrus (Kinnerton Street) Limited	50	98	148
Gordon Ramsay (Narrow Street) Limited	(148)	50	(198)
Gordon Ramsay (No 1) Limited	40	57	97
Sparkle Restaurants Limited	(3)	(41)	(44)
Humble Pie Media Limited	-	(706)	(706)

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

	As at 1 September 2016 £000	Net movements £000	As at 31 August 2017 £000
G J Ramsay	13,032	(590)	12,442
S Gillies	(20)	20	-

30. Ultimate parent company and controlling party

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

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

Kavalake Limited

Notes to the financial statements For the year ended 31 August 2017

31. Post balance sheet events

Since the year end a new banking facility has been agreed with Barclays. This is an increased 5 year facility that will mature in 2023.