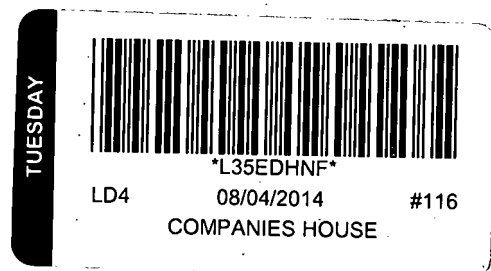


Registered number: 3488606

HAKKASAN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MAY 2013



HAKKASAN LIMITED

COMPANY INFORMATION

Directors	K Al-Qubaisi J J Sullivan K Al-Mehairi C Tappendorf
Company secretary	M Benjamin
Registered number	3488606
Registered office	4th Floor 151 Wardour Street London W1F 8WE
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

HAKKASAN LIMITED

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HAKKASAN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MAY 2013

The directors present their report and the audited financial statements for the 53 weeks ended 31 May 2013. The comparative period in these financial statements was for the 52 weeks ended 26 May 2012.

Principal activities and business review

The principal activities of the Group are the operation and development of restaurants, nightclubs, day clubs and other hospitality related undertakings.

During the period the Group continued to operate the following restaurants:

- two Hakkasan, one Yauatcha and a Sake No Hana in London
- a Hakkasan in New York
- three Hakkasan under management contracts in Miami, Dubai and Abu Dhabi
- one Hakkasan and a Yauatcha in Mumbai, operating under franchise agreements.

The period saw significant expansion of the business, with the following openings:

- In December 2012, a Hakkasan restaurant was opened in the iconic One Kearny building in downtown San Francisco.
- In December 2012, HKK, a fine-dining Chinese restaurant, was opened to critical acclaim in the City of London. Among numerous other accolades, HKK was awarded its first Michelin star in October 2013.
- In January 2013, a Hakkasan restaurant was opened within the St Regis Hotel in Doha, Qatar. This site is operated under a management contract.
- Chrysan, a Japanese fine-dining restaurant, opened in September 2012 in London. Trading fell significantly below expectations, and the restaurant was closed in April 2013.
- In April 2013, the Group opened Hakkasan Nightclub, a bold evolution of the brand offering patrons an unparalleled nightlife experience in the heart of the Las Vegas Strip.
- In May 2013, a Hakkasan restaurant was opened adjacent to the Las Vegas nightclub. Located within the MGM Grand Hotel & Casino, the nightclub and restaurant together span nearly 80,000 square feet and attract an international following of trendsetters, tastemakers and celebrities, making the combined facility one of the most vibrant and memorable experiences in the hospitality world.

Subsequent to the period end, the company opened additional Hakkasan restaurants in Beverly Hills, California (September 2013) and in Shanghai (March 2014). Two Yauatcha restaurants were opened under franchise agreements in India: Bangalore opened September 2013 and Delhi commenced operations in November 2013. Effective 1 January 2014, the Group acquired the right to manage Wet Republic, a 55,000 square foot pool and day life complex in the MGM Grand Hotel & Casino that reopened for the season in March 2014 after a significant renovation. Also on 1 January 2014, Hakkasan acquired Venue Driver, a ticketing and technology company through which the Group will sell tickets to events at its venues and manage customer relationships. On 31 January 2014, Hakkasan consummated a transaction with Enlightened Hospitality Group in which Hakkasan acquired Stingaree nightclub, a leading nightclub in San Diego located in the heart of the Gaslamp District as well as a 51% controlling interest in five social dining restaurants (three Searsucker-branded locations in San Diego and Del Mar, California and Austin Texas and two Herringbone-branded restaurants in La Jolla and Los Angeles California, the latter located within the prestigious Mondrian Hotel). On 19 February 2014, Hakkasan announced the acquisition of Angel Management Group, its Las Vegas-based nightlife and entertainment partner.

Hakkasan has recently entered into agreements to acquire its restaurant in Dubai (previously operated under a management agreement), PURE Nightclub located in Caesars Palace in Las Vegas, and HKK Hospitality, a third party management company which provides strategic services to the Group.

This brings total locations currently operated, managed, licensed or controlled by the Group to 27 (12 Hakkasan restaurants, one Hakkasan nightclub, three Yauatchas, three Searsuckers, two Herringbones, Stingaree, HKK, Sake No Hana, Sake No Hana Club, PURE Nightclub and Wet Republic).

HAKKASAN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MAY 2013

A further Yauatcha is due to open in Calcutta in mid-2014 again under a franchise agreement and Hakkasan will open a new restaurant in New York in April 2014 under the Beautique brand through a majority interest in a joint venture with a local partner.

The directors consider sales growth and EBITDA before exceptional items to be key performance indicators of the group. Sales grew by £19.6m (70%) year on year, driven by a full year of operations in New York and partial year sales for HKK and the Group's new US locations in Las Vegas and San Francisco. The EBITDA loss before exceptionals of £2.6m was £2.5m adverse to the prior period, with improved performance in the UK restaurants and significant profitability of the Las Vegas nightclub offset by underperformance in New York and San Francisco. The directors are satisfied with the Group's performance and look forward to significant future growth.

Overall profitability has been impacted by significant pre-opening and development costs as the Hakkasan brand is expanded as well as non-cash fixed asset impairments with respect to underperforming locations of £15m.

Results

The loss for the period, after taxation, amounted to £31,916,000 (2012 - loss £4,052,000).

The directors have not recommended the payment of a dividend (2012: £Nil).

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank balances, trade creditors and shareholder loans. The main purpose of these instruments is to raise funds for and to finance the company's operations and restaurant development and opening programme.

In respect of bank balances, liquidity risks are managed by maintaining a balance between the continuity of funding and flexibility through use of bank deposits and loan funding from shareholders. The Group makes use of money market facilities where funds are available. The Group manages its liquidity risk by ensuring there are sufficient funds available to meet its payments as they fall due. The Group has significant cash balances, net current assets and has received commitments for future funding from its shareholders, and as such these financial statements are prepared on a going concern basis.

Principal risks and uncertainties

The key risks and uncertainties relate to ensuring consistent delivery of the products and services offered, to ensure that the restaurants retain their attractiveness to customers.

There is significant competition in the restaurant markets in which the Group operates and it aims to offer the highest levels of product and service in order to keep ahead of its competitors. This is particularly important under the continuing tough economic conditions, which have had an adverse effect on restaurant businesses in many of the locations where the Group operates.

One significant factor in keeping ahead of competitors is the high level of skill exhibited by the Group's employees in producing and serving the exceptional food and drink available in the restaurants. To maintain this, the Group provides excellent training, competitive remuneration and other benefits to encourage retention of staff.

HAKKASAN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MAY 2013

Directors

The directors who served during the period were:

K Al-Qubaisi
N M Howard (resigned 11 February 2013)
M B Al-Husseiny (resigned 31 December 2012)
J Brucculeri (appointed 8 January 2013 & resigned 15 January 2014)
J J Sullivan (appointed 8 January 2013)
K Al-Mehairi (appointed 8 January 2013)

On 15 January 2014 the company appointed C Tappendorf as a director of the company.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The Group is an equal opportunities employer. It also has in place a training programme to ensure that all staff are fully trained and up to date with statutory laws and requirements relating to food hygiene, health and safety, licensing and employment law.

Provision of information to auditor

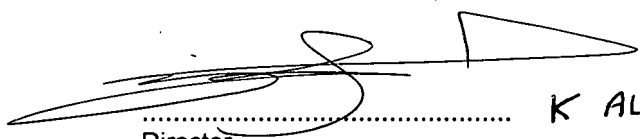
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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 information needed by the company and the group's auditor in connection with preparing its report 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.


..... K AL-QUBAIS I
Director

Date: 6 April 2014

HAKKASAN LIMITED

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; and
- 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.

HAKKASAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAKKASAN LIMITED

We have audited the financial statements of Hakkasan Limited for the period ended 31 May 2013 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, 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 May 2013 and of the group's loss for the period 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 period for which the financial statements are prepared is consistent with the financial statements.

HAKKASAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAKKASAN LIMITED

Matters on which we are required to report by exception

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

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



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

Date: 6/4/14

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

HAKKASAN LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MAY 2013

	Note	2013 £000	2012 £000
TURNOVER	2	47,717	28,129
Cost of sales		<u>(29,053)</u>	<u>(18,337)</u>
GROSS PROFIT		18,664	9,792
Administrative expenses		(51,789)	(14,942)
Other operating income	5	1,205	1,102
EBITDA *		(2,616)	(158)
Exceptional administrative expenses	8	(16,461)	-
Pre-opening expenses	6	(7,219)	(1,330)
Depreciation and amortisation	6	(5,624)	(2,560)
OPERATING LOSS	6	(31,920)	(4,048)
Interest receivable and similar income		<u>7</u>	<u>10</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(31,913)	(4,038)
Tax on loss on ordinary activities	9	(3)	(14)
LOSS FOR THE FINANCIAL PERIOD	20,21	(31,916)	(4,052)

All amounts relate to continuing operations.

* EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional administrative expenses and pre-opening costs.

The notes on pages 12 to 26 form part of these financial statements.

HAKKASAN LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 MAY 2013

	Note	2013 £000	2012 £000
LOSS FOR THE FINANCIAL PERIOD		(31,916)	(4,052)
Foreign exchange on consolidation	20,21	<u>(779)</u>	<u>(31)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD		<u>(32,695)</u>	<u>(4,083)</u>

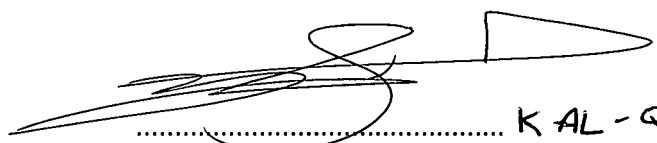
The notes on pages 12 to 26 form part of these financial statements.

HAKKASAN LIMITED
REGISTERED NUMBER: 3488606

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2013

	Note	£000	31 May 2013 £000	26 May 2012 £000
FIXED ASSETS				
Intangible assets	10		-	944
Tangible assets	11		107,954	33,406
			<u>107,954</u>	<u>34,350</u>
CURRENT ASSETS				
Stocks	13	4,099		1,774
Debtors: amounts falling due after more than one year	14	1,777		1,018
Debtors: amounts falling due within one year	14	8,769		3,706
Cash at bank		26,967		38,032
		<u>41,612</u>		<u>44,530</u>
CREDITORS: amounts falling due within one year	15	(19,594)		(11,744)
NET CURRENT ASSETS			<u>22,018</u>	<u>32,786</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>129,972</u>	<u>67,136</u>
CREDITORS: amounts falling due after more than one year				
	16		171,761	76,700
PROVISIONS FOR LIABILITIES				
Other provisions	17		470	-
CAPITAL AND RESERVES				
Called up share capital	19	100		100
Capital redemption reserve	20	678		678
Capital contribution reserve	20	6,623		6,623
Foreign exchange reserve	20	(810)		(31)
Profit and loss account	20	(48,850)		(16,934)
	21		<u>(42,259)</u>	<u>(9,564)</u>
			<u>129,972</u>	<u>67,136</u>

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


..... K AL - QUBAISI
Director

Date: 6 April 2014

The notes on pages 12 to 26 form part of these financial statements.

HAKKASAN LIMITED
REGISTERED NUMBER: 3488606

COMPANY BALANCE SHEET
AS AT 31 MAY 2013

	Note	£000	31 May 2013 £000	26 May 2012 £000
FIXED ASSETS				
Tangible assets	11		13,582	12,341
Investments	12		621	2,746
			<u>14,203</u>	<u>15,087</u>
CURRENT ASSETS				
Stocks	13	1,049		960
Debtors: amounts falling due after more than one year	14	341		345
Debtors: amounts falling due within one year	14	123,582		22,705
Cash at bank		22,761		36,272
		<u>147,733</u>		<u>60,282</u>
CREDITORS: amounts falling due within one year	15	(4,380)		(4,774)
			<u>143,353</u>	<u>55,508</u>
NET CURRENT ASSETS				
			<u>157,556</u>	<u>70,595</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
			<u>157,556</u>	<u>70,595</u>
CREDITORS: amounts falling due after more than one year	16		171,761	76,700
CAPITAL AND RESERVES				
Called up share capital	19	100		100
Capital redemption reserve	20	678		678
Capital contribution reserve	20	6,623		6,623
Profit and loss account	20	(21,606)		(13,506)
	21		<u>(14,205)</u>	<u>(6,105)</u>
			<u>157,556</u>	<u>70,595</u>

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

Director

K AL-QUBAISI

Date: 6 April 2014

The notes on pages 12 to 26 form part of these financial statements.

HAKKASAN LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MAY 2013

	Note	2013 £000	2012 £000
Net cash flow from operating activities	22	(13,923)	(60)
Returns on investments and servicing of finance	23	7	10
Taxation		10	(14)
Capital expenditure and financial investment	23	(92,220)	(18,487)
CASH OUTFLOW BEFORE FINANCING		(106,126)	(18,551)
Financing	23	95,061	47,419
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(11,065)	28,868

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT FOR THE PERIOD ENDED 31 MAY 2013

	2013 £000	2012 £000
(Decrease)/Increase in cash in the period	(11,065)	28,868
Cash inflow from increase in shareholder loans	(95,061)	(49,482)
Repayment of other loans	-	2,063
Loans acquired with subsidiary	-	(2,063)
MOVEMENT IN NET DEBT IN THE PERIOD	(106,126)	(20,614)
Opening net debt	(38,668)	(18,054)
CLOSING NET DEBT	(144,794)	(38,668)

The notes on pages 12 to 26 form part of these financial statements.

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. These financial statements are for the 53 week period ended 31 May 2013 with the comparative period being the 52 weeks ended 26 May 2012.

1.2 Going concern

The Group remains in a net liability position due to the accumulated losses of £48.9m (2012: £16.9m), although it has net current assets of £22.0m (2012: £32.8m). During the year the company has received £95.1m (2012: £49.5m) from its shareholder to help finance working capital and to fund the build cost of new Hakkasan operations in the USA & China.

The directors have prepared cash flow forecasts for the next 12 months which, based upon continued committed shareholder funding, indicated the Group has sufficient available cash flow to continue operations for the foreseeable future. On this basis the directors have concluded that it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Basis of consolidation

The financial statements consolidate the accounts of Hakkasan Limited and all of its subsidiary undertakings ('subsidiaries').

1.4 Turnover

Turnover from the operation of restaurants and nightclubs is the invoiced amount of goods and services, exclusive of Value Added Tax or other sales taxes, provided to customers during the period. Revenue is recognised at the point of service delivery to customers.

1.5 Other operating income

Other operating income represents income arising under franchising and management agreements. The income is recognised when the company has fulfilled its contractual obligations over the revenue under each agreement.

1.6 Intangible fixed assets and amortisation

Goodwill

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

- 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.

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

1. ACCOUNTING POLICIES (continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	-	Over life of lease
Leasehold improvements	-	10% straight line on cost or straight line over the period of the lease if shorter
Plant & machinery	-	25% on cost
Fixtures & fittings	-	20% on cost
Computer equipment	-	30% on cost

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.8 Impairments of fixed assets and goodwill

Where indicators of impairment exist, 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.

1.9 Investments in subsidiaries

Investments in subsidiaries are valued at cost less provision for impairment.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.11 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term or to the first rent review date on which the rent payable will be adjusted to the prevailing market rate, whichever is the shorter period.

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

1. ACCOUNTING POLICIES (continued)

1.12 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.13 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the profit and loss account.

The results of overseas operations are translated into sterling 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.

1.14 Pensions

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

1.15 Onerous leases

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

2. TURNOVER

The turnover is attributable to the principal activity of the company and an analysis by geographical area is as follows:

	2013 £000	2012 £000
United Kingdom	31,197	26,211
Rest of world	16,520	1,918
	<hr/>	<hr/>
	47,717	28,129
	<hr/>	<hr/>

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

3. STAFF COSTS

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

	2013 £000	2012 £000
Wages and salaries	21,705	12,606
Social security costs	1,688	1,165
Other pension costs	160	71
	<u>23,553</u>	<u>13,842</u>

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

	2013 No.	2012 No.
Management staff	63	39
All other functions	968	592
	<u>1,031</u>	<u>631</u>

4. DIRECTORS' REMUNERATION

	2013 £000	2012 £000
Emoluments	<u>19</u>	<u>36</u>

The highest paid director received remuneration of £19,000 (2012 - £36,000).

5. OTHER OPERATING INCOME

	2013 £000	2012 £000
Other operating income	<u>1,205</u>	<u>1,102</u>

Other operating income included franchise fees, management fees and royalty fees arising under certain operating agreements.

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

6. OPERATING LOSS

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

	2013 £000	2012 £000
Amortisation - intangible fixed assets	104	98
Depreciation of tangible fixed assets:		
- owned by the group	5,520	2,462
Operating lease rentals:		
- plant and machinery	5	3
- other operating leases	1,837	1,646
Difference on foreign exchange	1	(119)
Pre-opening expenses	7,219	1,330
Loss on disposal of fixed assets	88	91
	<u> </u>	<u> </u>

7. AUDITORS' REMUNERATION

	2013 £000	2012 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	56	46
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	18	22
	<u> </u>	<u> </u>

8. EXCEPTIONAL ITEMS

	2013 £000	2012 £000
Impairment of tangible fixed assets	14,965	-
Charge in respect of onerous leases	470	-
Write down of stock	186	-
Impairment of goodwill	840	-
	<u> </u>	<u> </u>
	16,461	-
	<u> </u>	<u> </u>

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

9. TAXATION

	2013 £000	2012 £000
Analysis of tax charge in the period		
UK corporation tax charge on loss for the period	3	-
	<u>3</u>	<u>-</u>
Foreign tax on income for the period	-	14
	<u>-</u>	<u>14</u>
Tax on loss on ordinary activities	<u>3</u>	<u>14</u>

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2012 - higher than) the standard rate of corporation tax in the UK of 23.83% (2012 - 25.7%). The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before tax	(31,913)	(4,038)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.83% (2012 - 25.7%)	(7,605)	(1,038)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,007	363
Capital allowances for period in excess of depreciation	601	341
Utilisation of tax losses brought forward	(377)	(397)
Unrelieved tax losses carried forward	5,374	733
Foreign tax	3	14
Other adjustments	-	(2)
	<u>3</u>	<u>14</u>
Current tax charge for the period (see note above)	<u>3</u>	<u>14</u>

Factors that may affect future tax charges

At the period end, there is an unprovided deferred tax asset of £2,722,000 (2012: £2,765,000) in respect of UK trading losses carried forward and £7,513,000 (2012: £738,000) in respect of overseas trading losses. In addition, there is an unprovided deferred tax asset of £618,000 (2012: £731,000) in respect of other timing differences. These assets have not been recognised because the timing and extent of their utilisation is uncertain.

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

10. INTANGIBLE FIXED ASSET

	Goodwill £000
Group	
Cost	
At 27 May 2012 and 31 May 2013	1,042
Amortisation	
At 27 May 2012	98
Charge for the period	104
Impairment charge	840
At 31 May 2013	1,042
Net book value	
At 31 May 2013	-
At 26 May 2012	944

11. TANGIBLE FIXED ASSETS

	Leasehold Property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Assets in the course of construction £000	Total £000
Group						
Cost						
At 27 May 2012	27,501	1,460	2,116	964	8,742	40,783
Additions	80,925	975	1,768	884	7,582	92,134
Disposals	(47)	-	-	-	(41)	(88)
Transfer between classes	7,059	199	568	13	(7,839)	-
Foreign exchange movement	2,951	9	76	33	338	3,407
At 31 May 2013	118,389	2,643	4,528	1,894	8,782	136,236
Depreciation						
At 27 May 2012	5,730	636	652	359	-	7,377
Charge for the period	3,995	501	710	314	-	5,520
Impairment charge	13,525	416	779	245	-	14,965
Foreign exchange movement	379	2	28	11	-	420
At 31 May 2013	23,629	1,555	2,169	929	-	28,282
Net book value						
At 31 May 2013	94,760	1,088	2,359	965	8,782	107,954
At 26 May 2012	21,771	824	1,464	605	8,742	33,406

HAKKASAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2013**

11. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold Property £000	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Other fixed assets £000	Total £000
Cost						
At 27 May 2012	15,926	1,322	1,443	670	67	19,428
Additions	2,722	520	180	94	-	3,516
Disposals	-	-	-	-	(41)	(41)
Transfer between classes	15	10	1	-	(26)	-
At 31 May 2013	18,663	1,852	1,624	764	-	22,903
Depreciation						
At 27 May 2012	5,494	624	623	346	-	7,087
Charge for the period	1,447	368	246	173	-	2,234
At 31 May 2013	6,941	992	869	519	-	9,321
Net book value						
At 31 May 2013	11,722	860	755	245	-	13,582
At 26 May 2012	10,432	698	820	324	67	12,341

12. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £000
Cost or valuation	
At 27 May 2012 and 31 May 2013	2,746
Impairment	
At 27 May 2012	-
Charge for the period	2,125
At 31 May 2013	2,125
Net book value	
At 31 May 2013	621
At 26 May 2012	2,746

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

12. FIXED ASSET INVESTMENTS (continued)

PRINCIPAL SUBSIDIARIES

Company name	Country	Class of share	Percentage Shareholding	Description
Sake No Hana Limited (formerly Cha Cha No Hana Limited)	England	Ordinary	100	Restaurant operation
Chrysan Limited*	England	Ordinary	100	Restaurant operation
Hakkasan USA Inc	USA		100	Holding company
Hakkasan Holdings LLC*	USA		100	Holding company
Hakkasan SF LLC*	USA		100	Restaurant operation
Hakkasan NYC LLC*	USA		100	Restaurant operation
Hakkasan LA LLC*	USA		100	Restaurant operation
Hakkasan LV LLC*	USA		100	Restaurant & nightclub operation
Hakkasan (Shanghai) Limited	China		100	Restaurant operation
Hakkasan (Hong Kong) Limited	Hong Kong	Ordinary	100	Dormant

* Indirectly held

13. STOCKS

	<u>Group</u>		<u>Company</u>	
	31 May 2013	26 May 2012	31 May 2013	26 May 2012
	£000	£000	£000	£000
Consumable stock	1,830	959	517	463
Goods for resale	2,269	815	532	497
	<u>4,099</u>	<u>1,774</u>	<u>1,049</u>	<u>960</u>

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

14. DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>31 May</u>	<u>26 May</u>	<u>31 May</u>	<u>26 May</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Due after more than one year				
Other debtors	1,777	1,018	341	345
	<u>1,777</u>	<u>1,018</u>	<u>341</u>	<u>345</u>
	<u>Group</u>		<u>Company</u>	
	<u>31 May</u>	<u>26 May</u>	<u>31 May</u>	<u>26 May</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Due within one year				
Trade debtors	2,442	644	484	523
Amounts owed by group undertakings	-	-	120,025	19,511
Other debtors	3,939	1,958	1,757	1,754
Prepayments and accrued income	2,388	1,104	1,316	917
	<u>8,769</u>	<u>3,706</u>	<u>123,582</u>	<u>22,705</u>

The other debtors due after more than one year are rent deposits of £1,112,000 (2012: £1,018,000) held jointly to the order of the individual group companies and the respective landlords under the terms of the lease, and £665,000 (2012: £nil) in relation to a deposit for sales tax held with the relevant taxation authorities.

15. CREDITORS: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>31 May</u>	<u>26 May</u>	<u>31 May</u>	<u>26 May</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Trade creditors	8,179	5,385	2,491	2,372
Corporation tax	14	-	14	-
Social security and other taxes	2,348	774	943	877
Other creditors	575	874	116	759
Accruals and deferred income	8,478	4,711	816	766
	<u>19,594</u>	<u>11,744</u>	<u>4,380</u>	<u>4,774</u>

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

16. CREDITORS:

Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	31 May	26 May	31 May	26 May
	2013	2012	2013	2012
	£000	£000	£000	£000
Shareholder loans	171,761	76,700	171,761	76,700

The Shareholder loan is repayable on demand on notice of not less than one year.

17. PROVISIONS

Group	Onerous lease provision £000
At 27 May 2012	-
Additions	470
At 31 May 2013	470

The onerous lease provision represents the directors' best estimate of the likely costs that will be incurred in relation to an onerous lease held in a subsidiary company.

The Company has no provisions

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

18. OPERATING LEASE COMMITMENTS

At 31 May 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	31 May	26 May
	2013	2012
	£000	£000
Group		
Expiry date:		
Between 2 and 5 years	1,075	939
After more than 5 years	4,809	2,344
Total	5,884	3,283

At 31 May 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	31 May	26 May
	2013	2012
	£000	£000
Company		
Expiry date:		
Between 2 and 5 years	-	53
After more than 5 years	1,352	1,194
Total	1,352	1,247

19. SHARE CAPITAL

	31 May	26 May
	2013	2012
	£000	£000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100	100

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

20. RESERVES

	Capital redemption reserve £000	Capital contribution reserve £000	Foreign exchange reserve £000	Profit and loss account £000
Group				
At 27 May 2012	678	6,623	(31)	(16,934)
Loss for the period	-	-	-	(31,916)
Foreign exchange on consolidation	-	-	(779)	-
At 31 May 2013	<u>678</u>	<u>6,623</u>	<u>(810)</u>	<u>(48,850)</u>
		Capital redemption reserve £000	Capital contribution reserve £000	Profit and loss account £000
Company				
At 27 May 2012		678	6,623	(13,506)
Loss for the period		-	-	(8,100)
At 31 May 2013		<u>678</u>	<u>6,623</u>	<u>(21,606)</u>

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	31 May 2013 £000	26 May 2012 £000
Group		
Opening shareholders' deficit	(9,564)	(5,481)
Loss for the period	(31,916)	(4,052)
Foreign exchange on consolidation	(779)	(31)
Closing shareholders' deficit	<u>(42,259)</u>	<u>(9,564)</u>
	31 May 2013 £000	26 May 2012 £000
Company		
Opening shareholders' deficit	(6,105)	(5,481)
Loss for the period	(8,100)	(624)
Closing shareholders' deficit	<u>(14,205)</u>	<u>(6,105)</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the period dealt with in the accounts of the company was £8,100,000 (2012 - £624,000).

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £000	2012 £000
Operating loss	(31,920)	(4,048)
Amortisation of intangible fixed assets	104	98
Depreciation of tangible fixed assets	5,520	2,462
Impairments of fixed assets	15,805	-
Loss on disposal of tangible fixed assets	88	91
Increase in stocks	(2,325)	(831)
Increase in debtors	(5,822)	(581)
Increase in creditors	4,936	2,980
Increase/(decrease) in provisions	470	(200)
Other exchange movements	(779)	(31)
Net cash outflow from operating activities	(13,923)	(60)

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2013 £000	2012 £000
Returns on investments and servicing of finance		
Interest received	7	10
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(92,220)	(18,423)
Net cash outflow on acquisition of subsidiary	-	(64)
Net cash outflow from capital expenditure	(92,220)	(18,487)
Financing		
Shareholder loans	95,061	49,482
Net cash outflow on acquisition of subsidiary	-	(2,063)
Net cash inflow from financing	95,061	47,419

24. ANALYSIS OF CHANGES IN NET DEBT

	27 May 2012 £000	Cash flow £000	31 May 2013 £000
Cash at bank and in hand	38,032	(11,065)	26,967
Debts falling due after more than one year	(76,700)	(95,061)	(171,761)
Net debt	(38,668)	(106,126)	(144,794)

HAKKASAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MAY 2013

25. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise bank balances, trade creditors and shareholder loans. The main purpose of these instruments is to raise funds for the Group's operations and to finance the Group's operations.

In respect of bank balances, liquidity risks are managed by maintaining a balance between the continuity of funding and flexibility through use of bank deposits and loan funding from shareholders. The Group makes use of money market facilities where funds are available. The Group manages its liquidity risk by ensuring there are sufficient funds to meet its payments including from shareholders' support.

26. POST BALANCE SHEET EVENTS

Subsequent to the period end, the company opened additional Hakkasan restaurants in Beverly Hills, California (September 2013) and in Shanghai (March 2014). Two Yauatcha restaurants were opened under franchise agreements in India: Bangalore opened September 2013 and Delhi commenced operations in November 2013. Effective 1 January 2014, the Group acquired the right to manage Wet Republic, a 55,000 square foot pool and day life complex in the MGM Grand Hotel & Casino that reopened for the season in March 2014 after a significant renovation. Also on 1 January 2014, Hakkasan acquired Venue Driver, a ticketing and technology company through which the Group will sell tickets to events at its venues and manage customer relationships. On 31 January 2014, Hakkasan consummated a transaction with Enlightened Hospitality Group in which Hakkasan acquired Stingaree nightclub, a leading nightclub in San Diego located in the heart of the Gaslamp District as well as a 51% controlling interest in five social dining restaurants (three Searsucker-branded locations in San Diego and Del Mar, California and Austin Texas and two Herringbone-branded restaurants in La Jolla and Los Angeles California, the latter located within the prestigious Mondrian Hotel). On 19 February 2014, Hakkasan announced the acquisition of Angel Management Group, its Las Vegas-based nightlife and entertainment partner.

Hakkasan has recently entered into agreements to acquire its restaurant in Dubai (previously operated under a management agreement), PURE Nightclub located in Caesars Palace in Las Vegas, and HKK Hospitality, a third party management company which provides strategic services to the Group.

27. CONTROLLING PARTY

The company's immediate and ultimate parent company is Tasameem Real Estate LLC, a company incorporated in Abu Dhabi.

28. RELATED PARTY TRANSACTIONS

Included in creditors falling due after more than one year is an amount of £171,761,000 (2012: £76,700,000) being a shareholder loan from the company's immediate shareholder, Tasameem Real Estate LLC. This loan does not bear interest.