

Hakkasan Limited

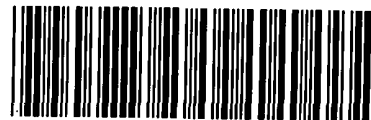
Report and Financial Statements

Year ended

30 June 2017

Company Number 03488606

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Hakkasan Limited

Report and financial statements for the year ended 30 June 2017

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Directors

K Bin Butti
H Buttikhi
R Attieh

Registered office

3rd Floor, Elsley House, 24 - 30 Great Titchfield Street, London, W1W 8BF

Company number

03488606

Auditors

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

Hakkasan Limited

Strategic report for the year ended 30 June 2017

Our Group

Hakkasan Group is a hospitality group with establishments across the United States, Europe, Middle East and Asia. Originally founded in London in 2001 its name is taken from its Michelin star-rated restaurant that set the high-level standard for the group's collection of diverse brands. The group operates restaurants, night and day clubs and receives income from management agreements. The company operates restaurants and receives income from management agreements.

During the year, the Hakkasan Group's brand portfolio was organised into three verticals: the Asian Luxury Collection, the Social Dining Collection, and the Nightlife and Daylife Collection.

Asian Luxury	Social Dining	Nightlife & Daylife
Hakkasan Yauatcha Sake no Hana Ling Ling HKK (closed since year end)	Herringbone Searsucker Nice Guy Ivory on Sunset Delilah	Hakkasan OMNIA Blind Dragon SHOREbar Bootsy Bellows The Peppermint Club

In addition to the owned brand portfolio, the Hakkasan Group operates a white-label management service, creating concepts and managing venues for partners.

At 30 June 2017 our portfolio of owned and managed properties totalled 60.

The year to 30 June 2017 has been a year of moderate growth within the owned brand portfolio, with openings of two locations of the Yauatcha brand within the US. These were the first two instalments of the Yauatcha brand outside of London. Since the year end, there has been some continued growth as we opened a Herringbone in Waikiki (August 2017) and a new nightclub and restaurant within the Cosmo Entertainment associate venture (Poppy nightclub in September 2017 and Petit Taqueria restaurant in October 2017).

Similarly, there has been growth in our managed portfolio, as multiple managed venues have been opened since year end with development partners in Bali, Indonesia (Omnia Dayclub and Sake No Hana restaurant, both in early February 2018) and in San Jose del Cabo, Mexico (Omnia Dayclub, Herringbone, Casa Calavera restaurant, and SHOREbar, all in February 2018).

By contrast, since the end of the year there has also been an active initiative to streamline the portfolio by closing certain venues in order to allow a greater focus on core performing assets. Furthering the streamlining efforts, the company also sold its interest in J2 Enterprises, Ltd (Beautique restaurant in New York) in October 2017, and sold all of its remaining interest in Cosmo Entertainment, LLC and the Cosmo subsidiaries in June 2018.

Trading performance

The group's core operations are based in the UK, USA, Dubai and China. Whilst the functional currency for the overseas operations are in Pounds Sterling, Dirham and Chinese Renminbi, the presentational currency for the group is US dollars.

Hakkasan Limited

Strategic report for the year ended 30 June 2017 (continued)

Trading performance (continued)

Overall turnover of \$313.6m for 2017 compared unfavourably to turnover of \$338.9m for 2016 (a decrease of 7%), noting:

In the US, revenues fell by 7%. The principle movement here was a reduction in revenue from social dining and some nightlife and daylife venues, where specifically Omnia Nightclub in Las Vegas saw a reduction in its revenue of 4%. In addition, the results in the prior year included \$12.9m in relation to Cosmo which has been deconsolidated in the year therefore no longer included in turnover.

- In the UK revenues fell by 11%, primarily driven by the week performance of a specific restaurant in the portfolio. Taking account of this HKK restaurant was closed in October 2017; and
- In the rest of the world, revenue fell by 2% and while Shanghai Hakkasan continues to perform well, with revenues increasing 7%, this was contrasted by a 10% fall in revenues from our Dubai Hakkasan.

The group continued to grow fees from managed services increasing other operating income from \$12.4m to \$15.1m, an increase of 22%.

In terms of overall profitability, we continue to measure this by reference to an adjusted EBITDA, defined as earnings before interest, tax, depreciation, amortisation, loss on deconsolidation of subsidiary, share of associated undertaking's operating result, impairment charges, profit/(loss) on disposal of fixed assets, exceptional administrative expenses, non-cash rent charge and pre-opening expenses (being the directly incurred costs up to first opening). We consider this to be the best measure of the cash profit generated from our operations. This is shown on the face of the Consolidated Income Statement.

Adjusted EBITDA for the year was \$2.2 compared to \$18.7m for 2016 and therefore a decrease of 88%. The key driver to this weaker performance being a reduction in turnover, and an increase in non-exceptional administrative costs.

Balance sheet

The balance sheet has been adversely impacted by two key events during the year. Firstly, the dilution of the group's interest in Cosmo Entertainment LLC following an equity financing transaction, which resulted in the group not retaining control, and requiring this subsidiary investment to be deconsolidated and equity accounted for as an associated undertaking, which the group retains significant influence. Furthermore, with there having been an active initiative to streamline the portfolio by closing certain venues in order to allow a greater focus on core performing assets, \$31m of tangible and intangible assets have been impaired in the year.

The Group's resultant debt net of cash position is as follows:

	2017 \$'000	2016 \$'000
Cash and cash equivalents	21,649	39,696
Loans	(107,378)	(121,775)
	<hr/>	<hr/>
Total	(85,729)	(82,079)
	<hr/>	<hr/>

Hakkasan Limited

Strategic report for the year ended 30 June 2017 (continued)

Key performance indicators

We use both financial and non-financial KPI's to measure our success in meeting our operating objectives. Our principal non-financial measure is focussed on the monitoring of customer feedback both directly received and through social media. Our principal financial KPI's are shown below:

	2017	2016
Turnover (\$m)	313.6	338.9

As the prime measure of our economic output, revenue growth is key to measuring shareholder return and the success of our expansion strategies

Gross margin (%)	83.1%	83.5%
Gross margin (\$m)	260.6	283.1

Gross margin provides an indication of the quality of turnover and is also a measure of value added by the group

Adjusted EBITDA (\$m)	2.2	18.7
<i>Adjusted EBITDA provides an indication of the cash profit from continuing operations generated by the group</i>		

Hakkasan Limited

Strategic report for the year ended 30 June 2017 *(continued)*

Principal risks and uncertainties

General economic factors and a highly competitive sector

The economic conditions both in the markets in which we operate, and the general economic conditions affecting the world's economies can adversely impact disposable income and consumer confidence. Our two principal locations are in Las Vegas and London and both of these markets are dependent on international as well as national consumers. We also operate in a highly competitive sector with new brands and concepts continually coming to market. To mitigate against these risks the group emphasises the importance of ensuring a consistent, high quality experience for all our customers, listens carefully to feedback and is continually focussed on ensuring our brand offering is in tune with developing trends. In addition the expansion of our brands and geographical spread also acts as a natural hedge against these risks.

Credit risk

There is little credit risk in the business with the vast majority of customers paying by cash or credit card.

Liquidity risk

The group monitors cash flow as part of its day to day control procedures and ensures that appropriate funding is available.

Foreign exchange risk

Foreign exchange risk arises when individual group entities enter into transactions denominated in a currency other than their functional currency. The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (primarily US dollar or Pound Sterling) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the group.

The ability to expand into new and existing markets

Our growth to date has historically come from organic growth in our two principal locations of the USA and London and through acquisitions. Future growth will also come from an expansion of activities beyond these markets which in turn is dependent upon the ability to find appropriate locations; fund their construction and opening costs; and hire the appropriate staff, all of which can take time to achieve. The expansion into new overseas territories is also dependent on finding the right local partner.

Labour shortages and increases in labour costs

Our success depends in part on our ability to attract and retain highly qualified and motivated individuals. In our principal markets the competition for these individuals is intense with the consequent impact on salaries.

Hakkasan Limited

Strategic report for the year ended 30 June 2017 (*continued*)

Future developments

The group's principal strategic initiatives during the year were (i) the management of its investment interests including in Cosmo Entertainment LLC ('Cosmo'), which was disposed of post year end, (ii) to manage and continually re-appraise the operational and financial performance across its brand portfolio including through certain site closures (iii) to accelerate the group's evolution from a capital intensive ownership model to an asset light management model by leveraging the group's brand portfolio to attract partner-funded management deals. Going forward, the group intends to selectively fund development with an eye towards reducing up-front capital investment by focusing on brands that are less costly to open, such as Yauatcha. In addition, the group will work with select landlords and partners on deal structures that will showcase existing brands, build equity in new brands, and spur growth while minimizing costs.

Post balance sheet events

On 28 September 2017, the shareholder provided a \$50m loan (split between a \$43m interest bearing loan and \$7 non-interest bearing loan to the group. On 1 January 2018, these loans were novated to a third party.

On 14 March 2018, Hakkasan USA obtained a \$24m credit facility with a 5.75% APR calculated on a 365 day basis from a third party, the facility was fully drawn down, over three tranches, by the 21 June 2018.

On 20 April 2017, the group's US subsidiary received a \$8.9m loan from a third party with \$4.5m repaid on 30 March 2018.

On the 31 December 2017, the ownership of the Non-share Equity Instrument (see note 21) was exchanged between two third parties and \$60m of the total outstanding loan balance (see note 17) was exchanged between two third parties.

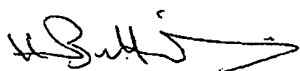
On 24 October 2017, the group's 51% interest in J2 Enterprises, Ltd was sold to a third party.

On 20 June 2018, Hakkasan Holdings sold their remaining 46.9% (See note 10) interest in Cosmo Entertainment, LLC and its subsidiaries to a third party. The total consideration for this sale is in the process of being calculated and concluded.

Finally, the group continually re-appraises the operational and financial performance of its global restaurant portfolio and since the year end has closed or is in the process of closing 5 restaurants. The directors have appraised the accounting impact on the tangible and intangible asset values and lease obligations, connected to these restaurants as part of the issuance of these financial statements

Approval

This Strategic Report was approved on behalf of the Board on



HANI BUTTIKHI

Director

Date: 14 August 2018

Hakkasan Limited

Directors' report for the year ended 30 June 2017

Directors

The directors of the company during the year and after the year end were:

N Moffitt (resigned 14 April 2017)
K Bin Butti
N Coleman (resigned 8 January 2018)
H Buttikhi
R Attieh

Financial risk management objectives and policies

Foreign exchange risk

Details of the financial risk management objectives and policies can be found in the strategic report and forms part of this report by cross-reference.

Post balance sheet events

Details of Post balance sheet events are set out in the Strategic Report and in Note 25 to the financial statements.

Future developments

Information on likely future developments in the business of the group has been included in the Strategic Report.

Employment of disabled persons

The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The group's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the group, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the group. Retraining of employees who become disabled whilst employed by the group is offered where appropriate.

Dividends

No dividends were paid by the company during the year (2016: nil). Dividends of nil (2016: \$1.073m) were paid by a subsidiary company to minority shareholders.

Employee involvement

The group maintains an HR intranet site that provides employees with information on matters of concern to them as employees, including the financial and economic factors affecting the performance of the group. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously and the group also undertakes a biennial staff survey to canvas views on significant matters.

Hakkasan Limited

Directors' report for the year ended 30 June 2017 (*continued*)

Directors' responsibilities

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

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

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

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

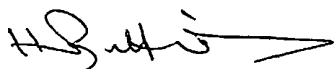
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

Approval

This Directors' Report was approved on behalf of the Board on



HANI BUTTKHI
Director

Date: 14 August 2018

Hakkasan Limited

Independent auditor's report

TO THE MEMBERS OF HAKKASAN LIMITED

Opinion

We have audited the financial statements of Hakkasan Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements 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 30 June 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.

Hakkasan Limited

Independent auditor's report (*continued*)

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.

Hakkasan Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

As explained more fully in the directors' responsibilities report, 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 determine 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.

Auditor's responsibilities for the audit of the financial statements

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.

Use of our report

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.



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

Date: 14 August 2018

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

Hakkasan Limited

Consolidated income statement for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Turnover	3	313,647	338,930
Cost of sales		(53,076)	(55,854)
Gross profit		260,571	283,076
Administrative expenses		(413,774)	(336,240)
Other operating income	8	15,105	12,410
Adjusted EBITDA *		2,247	18,696
Exceptional administrative expenses	5	(53,347)	(6,458)
Pre-opening expenses		(3,228)	(815)
Profit/(loss) on disposal of fixed assets		47	(261)
Loss on deconsolidation of subsidiary	10	(3,434)	-
Non-cash rent charge		(951)	(1,842)
Depreciation and amortisation	4	(48,004)	(50,397)
Impairment charges	4	(31,428)	323
Operating loss	4	(138,098)	(40,754)
Share of associated undertaking's operating results	10	(713)	-
Interest receivable and similar income	7	1,286	2,738
Interest payable and similar charges	7	(7,969)	(18,300)
Loss on ordinary activities before taxation		(145,494)	(56,316)
Tax charge on loss on ordinary activities	9	(252)	(315)
Loss on ordinary activities after taxation		(145,746)	(56,631)

All amounts relate to continuing activities

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, loss on deconsolidation of subsidiary, share of associated undertaking's operating results, impairment charges, profit/(loss) on disposal of fixed assets, exceptional administrative expenses, non-cash rent charge and pre-opening expenses.

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited

Consolidated statement of comprehensive income for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Loss on ordinary activities after taxation	(145,746)	(56,631)
Currency translation differences	1,752	10,824
Other comprehensive income for the year	1,752	10,824
Total comprehensive loss for year	(143,994)	(45,807)
Loss attributable to:		
Non-controlling interest	(321)	(880)
Owners of the parent company	(145,425)	(55,751)
	(145,746)	(56,631)
Total comprehensive loss attributable to:		
Non-controlling interest	(321)	(880)
Owners of the parent company	(143,673)	(44,927)
	(143,994)	(45,807)

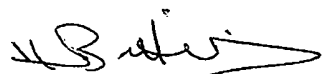
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Hakkasan Limited

Consolidated balance sheet as at 30 June 2017

Company number 03488606	Note	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Fixed assets					
Intangible assets	11		73,966		102,159
Tangible assets	12		162,954		195,550
Investments	10		4,800		-
			<u>241,720</u>		<u>297,709</u>
Current assets					
Stocks	14	9,617		10,997	
Debtors: amounts falling due after more than one year	15	8,389		5,382	
Debtors: amounts falling due within one year	15	31,503		28,001	
Cash at bank and in hand	16	21,649		39,696	
		<u>71,158</u>		<u>84,076</u>	
Creditors: amounts falling due within one year	17	(211,092)		(130,408)	
Net current liabilities			<u>(139,934)</u>		<u>(46,332)</u>
Total assets less current liabilities			<u>101,786</u>		<u>251,377</u>
Creditors: amounts falling due after more than one year	18		36,360		43,994
Provisions for liabilities	20		1,456		1,575
Capital and reserves					
Called up share capital	21	149		149	
Non-share equity instrument	21	566,230		566,230	
Capital redemption reserve		1,011		1,011	
Capital contribution reserve		13,179		16,029	
Foreign exchange reserve		19,352		17,600	
Profit and loss account		(534,648)		(393,999)	
Equity attributable to owners of the parent company			<u>65,273</u>		<u>207,020</u>
Non-controlling interests			<u>(1,303)</u>		<u>(1,212)</u>
			<u>101,786</u>		<u>251,377</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 August 2018



HANI BUTTIKHI

Director

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited
Consolidated statement of changes in equity
for the year ended 30 June 2017

	Share Capital \$'000	Non-share equity instrument \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Foreign exchange reserve \$'000	Profit and loss account \$'000	Equity attributable to owners of the parent company \$'000	Non- controlling interests \$'000	Total equity \$'000
1 July 2015	149	566,230	1,011	13,179	6,776	(338,248)	249,097	741	249,838
Comprehensive income for the year									
Loss for the year	-	-	-	-	-	(55,751)	(55,751)	(880)	(56,631)
Currency translation differences	-	-	-	-	10,824	-	10,824	-	10,824
Total comprehensive income for the year	-	-	-	-	10,824	(55,751)	(44,927)	(880)	(45,807)
Contributions by and distributions to owners									
Dividends to minorities	-	-	-	-	-	-	-	(1,073)	(1,073)
Capital contribution by external shareholders in certain subsidiaries	-	-	-	2,850	-	-	2,850	-	2,850
Total contributions by and distributions to owners	-	-	-	2,850	-	-	2,850	(1,073)	1,777
30 June 2016	149	566,230	1,011	16,029	17,600	(393,999)	207,020	(1,212)	205,808

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited
Consolidated statement of changes in equity
for the year ended 30 June 2017 (continued)

	Share Capital \$'000	Non-share equity instrument \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Foreign exchange reserve \$'000	Profit and loss account \$'000	Equity attributable to owners of the parent company \$'000	Non- controlling interests \$'000	Total equity \$'000
1 July 2016	149	566,230	1,011	16,029	17,600	(393,999)	207,020	(1,212)	205,808
Comprehensive income for the year									
Loss for the year	-	-	-	-	-	(145,425)	(145,425)	(321)	(145,746)
Currency translation differences	-	-	-	-	1,752	-	1,752	-	1,752
Total comprehensive income for the year	-	-	-	-	1,752	(145,425)	(143,673)	(321)	(143,994)
Contributions by and distributions to owners									
Deconsolidation of subsidiary (Cosmo)	-	-	-	(2,850)	-	4,776	1,926	230	2,156
Total contributions by and distributions to owners	-	-	-	(2,850)	-	4,776	1,926	230	2,156
30 June 2017	149	566,230	1,011	13,179	19,352	(534,648)	65,273	(1,303)	63,970

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited

Consolidated statement of cash flows for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Loss for the financial year		(145,746)	(56,631)
<i>Adjustments for:</i>			
Depreciation and amortisation of fixed assets	11/12	48,004	50,397
Share of loss for the year of associated undertaking		713	-
Impairment / (reversal) of fixed assets	11/12	31,428	(323)
(Gain)/Loss on disposal of fixed assets		(47)	261
Loss on deconsolidation of subsidiary		3,434	
Net interest payable		6,683	15,562
Taxation expense	9	252	315
Increase in receivables		(11,966)	(979)
Decrease in stocks		1,069	48
Increase/(Decrease) in payables		71,713	(14,869)
Increase/(Decrease) in provisions		(119)	334
Cash generated from/(used in) operations		5,418	(5,885)
Tax paid		-	(416)
Net cash generated from/(used in) operating activities		5,418	(6,301)
Cash flows from investing activities			
Purchases of tangible fixed assets	12	(25,242)	(16,413)
Interest received		148	293
Proceeds from disposal of tangible fixed assets		17	977
Transfer of cash from Escrow account		-	3,557
Deconsolidation of subsidiary cash		(4,071)	-
Net cash used in investing activities		(29,148)	(11,586)
Cash flows from financing activities			
Amounts advanced from shareholder		8,864	30,000
Capital contribution from external shareholders		-	2,850
Loan repayment		(21,541)	(544)
Note advanced		20,389	3,000
Interest paid		(2,264)	(2,737)
Dividends to minorities		-	(683)
Net cash from financing activities		5,448	31,886
Net increase in cash and cash equivalents		(18,282)	13,999
Cash and cash equivalents at beginning of year		39,696	25,303
Foreign exchange gains		235	394
Cash and cash equivalents at end of year		21,649	39,696
Cash and cash equivalents comprise:			
Cash at bank and in hand		21,649	39,696

The notes on pages 20 to 44 form part of these financial statements

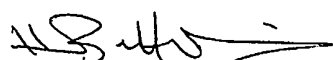
Hakkasan Limited

Company balance sheet as at 30 June 2017

<i>Company number 03488606</i>	<i>Note</i>	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Fixed assets					
Intangible assets	11		132		136
Tangible assets	12		11,456		13,973
Investments	13		175,897		172,573
			<hr/>		<hr/>
			187,485		186,682
Current assets					
Stocks	14	2,083		2,015	
Debtors: amounts falling due after more than one year	15	1,208		813	
Debtors: amounts falling due within one year	15	11,167		6,365	
Cash at bank and in hand	16	7,886		16,086	
		<hr/>		<hr/>	
		22,344		25,279	
Creditors: amounts falling due within one year	17	(111,645)		(78,480)	
Net current liabilities		<hr/>	(89,301)	<hr/>	(53,201)
Total assets less current liabilities			<hr/>		<hr/>
			98,184		133,481
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	18		926		30,835
Provisions for liabilities	20		598		-
Capital and reserves					
Called up share capital	21	149		149	
Non-share equity instrument	21	566,230		566,230	
Capital redemption reserve		1,011		1,011	
Capital contribution reserve		13,179		13,179	
Foreign exchange reserve		(17,577)		(14,425)	
Profit and loss account		(466,332)		(463,498)	
		<hr/>		<hr/>	
			96,660		102,646
			<hr/>		<hr/>
			98,184		133,481
			<hr/>		<hr/>

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 \$2,834,000 (2016 – loss \$21,546,000).

The financial statements were approved by the Board of Directors and authorised for issue on 14 August 2018



HANI BUTTKHI

Director

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited

Company statement of changes in equity for the year ended 30 June 2017

	Share capital \$'000	Non-share equity instrument \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Foreign exchange reserve \$'000	Profit and loss account \$'000	Total equity \$'000
1 July 2015	149	566,230	1,011	13,179	4,885	(441,952)	143,502
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(21,546)	(21,546)
Currency translation differences	-	-	-	-	(19,310)	-	(19,310)
Total comprehensive income for the year	-	-	-	-	(19,310)	(21,546)	(40,856)
Contributions by and distributions to owners	-	-	-	-	-	-	-
30 June 2016	149	566,230	1,011	13,179	(14,425)	(463,498)	102,646

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited

Company statement of changes in equity for the year ended 30 June 2017 *(continued)*

	Share capital \$'000	Non-share equity instrument \$'000	Capital redemption reserve \$'000	Capital contribution reserve \$'000	Foreign exchange reserve \$'000	Profit and loss account \$'000	Total equity \$'000
1 July 2016	149	566,230	1,011	13,179	(14,425)	(463,498)	102,646
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(2,834)	(2,834)
Currency translation differences	-	-	-	-	(3,152)	-	(3,152)
Total comprehensive income for the year	-	-	-	-	(3,152)	(2,834)	(5,986)
Contributions by and distributions to owners	-	-	-	-	-	-	-
30 June 2017	149	566,230	1,011	13,179	(17,577)	(466,332)	96,660

The notes on pages 20 to 44 form part of these financial statements

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017

1 Accounting policies

Hakkasan Limited is a private company, incorporated in England and Wales under the Companies Act 2016. The address of the registered office is given on the company information page and the nature of the group and company operations and principal activity are set out in the Strategic Report.

The financial statements have been prepared under the historic cost convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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 group's accounting policies (see note 2).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Hakkasan Limited and its subsidiaries as if they formed 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 1 January 2013.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

1 Accounting policies (continued)

Going concern

The group's business activities together with the current financial position of the group are shown in the Strategic Report. At 30 June 2017 the group had net current liabilities of \$139.9m and net assets of \$64m. Included within net current liabilities is an amount of \$8.9m of Shareholder loans. The directors have received confirmation from its shareholder that this loan will not be called for repayment for at least 12 months from the date of approval of these financial statements and that financial support will be provided as required to meet the continuing obligations of the group to meet its liabilities as and when they fall due for a period no less than 12 months from the date of approval of these accounts.

The directors have prepared cash flow forecasts for the group and based on these, the committed support of the group's parent company and current trading the directors consider that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors have concluded it is appropriate to adopt the going concern basis in preparing these financial statements.

Associates and joint ventures

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions. An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. 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 applying accounting policies consistent with those of the group. In the consolidated balance sheet, the interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

Turnover

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

Other operating income

Other operating income represents income arising under franchising and management agreements and rental income from a sublet property. The income is recognised when the group has fulfilled its contractual obligations under each agreement.

Tangible fixed assets

Tangible fixed assets 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.

Assets in the course of construction represent the direct costs associated with the construction of assets which have yet to open to the public. No depreciation is charged until the asset is ready for use.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

1 Accounting policies (continued)

Depreciation

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

Leasehold land and buildings	-	The term of the lease
Leasehold improvements	-	10% or period of lease if shorter
Plant and machinery	-	4 years
Fixtures and fittings	-	5 years
Computer equipment	-	3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit / loss in the income statement.

Valuation of investments

Investments in subsidiaries, associates and joint ventures are measured at cost less accumulated impairment.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. Reversal of goodwill impairments are not permitted under FRS 102.

Stocks

Stocks comprise food and beverage and consumable items and are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

Pre-opening expenses

Pre-opening expenses represent the total operational costs incurred up to the point the venue opens.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligation, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (*continued*)

1 Accounting policies (*continued*)

Foreign currency translation

The functional currency of Hakkasan Limited is Pounds Sterling. The presentational currency is US dollars as the majority of the group's activities are located in the United States of America and the funding of the group is US dollar.

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within operating profit / loss.

On consolidation the results of operations where the functional currency is not US dollars are translated into US dollars at the average rate of exchange during the year and the balance sheet translated into US dollars at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the operating net assets and results of foreign subsidiary undertakings are taken to reserves.

Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, 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 payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 statement of comprehensive income.

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.

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

Finance costs

Finance costs are charged to the profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

1 Accounting policies (continued)

Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised over 10 years.

(b) Brand

Brands are recognised on business combinations if they are separable from the acquired entity or arise from to other contractual / legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below) and amortised over 10 years.

(c) Management contracts

Management contracts are separately identified when the underlying income from an acquired entity arises from management contracts and the price paid for the acquired entity reflects the value of those contracts. The carrying value of such contracts is amortised based on the remaining useful lives at the date of acquisition.

(d) Licenses

Licenses represent amounts paid for liquor and other trading related licenses for which no amortisation is charged.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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's subsidiaries operate and generate taxable income.

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

- 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 timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 *(continued)*

1 Accounting policies *(continued)*

Current and deferred taxation (continued)

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Leased assets: Lessee

The annual rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2013) to continue to be charged over the period to the first market rent review rather than the term of lease.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it a provision is made for the present value of the obligation under the lease. The ongoing costs of the lease in subsequent years are then charged against the provision rather than being recognised in the statement of comprehensive income.

Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the group's ordinary activities. These items, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the group's financial performance. Details of these items are provided in the relevant note.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement in accordance with local employee policies and applicable law which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Assets are considered for any indicators of impairment on an annual basis. In assessing whether any impairment is required to the carrying value of intangible assets the expected future profitability of the underlying acquired entities is considered. In assessing whether any impairment is required to the carrying value of fixed assets the expected future trading projections of each individual operating unit is considered.
- Depreciation is based on an assessment and judgement about the useful life of assets acquired and their expected residual values.
- In assessing the amount of revenue recognised on management contracts, judgement as to the percentage of the total expected service completed at year end is made.
- The group has substantial tax losses available for carry forward against future trading profits. In view of the quantum of these losses compared to the assessment of the quantum of future profitability in the near future and restrictions which may be place on the availability of those losses, no deferred tax asset has been recognised at this time.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have a significant risk of causing material misstatement to the carrying amounts of asset and liabilities within the next financial year are assessed below:

- The assessment of onerous lease provisions is based on an estimate of the time taken to dispose or sub-let the underlying lease.

3 Analysis of turnover

	2017 \$'000	2016 \$'000
Analysis of turnover by country of origin:		
United Kingdom	54,188	60,572
United States of America	243,946	262,508
Rest of the World	15,513	15,850
	<hr/>	<hr/>
	313,647	338,930
	<hr/>	<hr/>

Turnover primarily arises from the one class of business, namely the sale of food and beverage in our restaurants and nightclubs and admission fees.

Hakkasan Limited

Notes forming part of the financial statements For the year ended 30 June 2017 (continued)

4 Operating loss

	2017 \$'000	2016 \$'000
This is arrived at after charging / (crediting):		
Amortisation – intangible fixed assets	12,314	12,703
Impairment - intangible fixed assets	11,804	-
Depreciation - tangible fixed assets	35,690	37,694
Impairment charge/(reversal) - tangible fixed assets	19,624	(323)
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	374	272
Fees payable to the company's auditor and its associates for other services to the group: Taxation services	241	324
Other services	238	-
Foreign exchange	(512)	(31)
Pre-opening expenses	3,228	815
Operating lease rentals:		
Plant and machinery	472	560
Other operating lease rentals	18,266	18,065
Inventories recognised as an expense	53,076	55,854

5 Exceptional administrative expenses

	2017 \$'000	2016 \$'000
Non-recurring directors' emoluments and CEO expenses	51,419	1,161
Onerous lease net (release)/provision	(118)	1,575
Costs associated with an aborted project	1,937	63
Provision against amounts due from related parties	-	904
Aborted financing costs	109	2,118
Exceptional bad debt expense	-	637
	53,347	6,458

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

6 Directors and employees

	2017 \$'000	2016 \$'000
Staff costs (including directors) consist of:		
Wages and salaries	143,706	104,705
Social security costs	22,013	11,889
Cost of defined contribution scheme	1,026	785
	<u>166,745</u>	<u>117,379</u>

At 30 June 2017 the amount of unpaid pension cost was \$54,000 (2016 - \$37,000).

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

	2017 Number	2016 Number
Operations	2,835	2,817
Administration	272	242
	<u>3,107</u>	<u>3,059</u>
	\$'000	\$'000
Directors' emoluments	50,717	2,278
Other Key Management emoluments	3,662	1,787
	<u>54,379</u>	<u>4,065</u>

There were no directors in the group's defined contribution pension scheme (2016 - Nil). Emoluments of the highest paid director were \$50,507k (2016 - \$2,249k). Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group.

Hakkasan Limited

Notes forming part of the financial statements
for the year ended 30 June 2017 (continued)

7 Interest

	2017 \$'000	2016 \$'000
Interest receivable and similar income		
Interest receivable	148	293
Foreign exchange net gain arising on cash at bank	1,138	2,445
	<u>1,286</u>	<u>2,738</u>
	2017 \$'000	2016 \$'000
Interest payable and similar charges		
Interest payable on other loans	3,899	3,828
Foreign exchange net loss arising on amounts owed under Shareholder loans	3,070	14,472
Loan penalty	1,000	-
	<u>7,969</u>	<u>18,300</u>

8 Other operating income

	2017 \$'000	2016 \$'000
Other operating income	<u>15,105</u>	<u>12,410</u>

Other operating income represents franchise and management fees arising under third party operating agreements and rental income.

Hakkasan Limited

Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

9 Taxation on loss on ordinary activities

	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
<i>UK corporation tax</i>				
Withholding tax		252		303
		<u>252</u>		<u>303</u>
<i>Foreign tax</i>				
Current tax on foreign income for the year		-		12
		<u>-</u>		<u>12</u>
Total current tax		252		315
<i>Deferred tax</i>				
Origination and reversal of timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Taxation on loss from ordinary activities		<u>252</u>		<u>315</u>

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

9 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2017 \$'000	2016 \$'000
Loss on ordinary activities before tax	(145,494)	(56,316)
Loss on ordinary activities at the standard rate of Corporation tax in the UK of 19.75% (2016 – 20%)	(28,735)	(11,263)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	402	3,451
Depreciation, amortisation and impairment in excess of tax allowances	3,929	1,496
Unrelieved tax losses carried forward	25,327	6,555
Unrelieved tax losses brought forward	(607)	(356)
Transfer pricing adjustments	85	117
State taxes	-	12
Short term timing differences	10	-
Withholding taxes	252	303
Non-taxable income	(411)	-
Total tax charge for year	252	315

The group has unrecognised deferred tax assets for losses of \$54.4m (2016 - \$46.1m), tangible fixed assets of \$9.5m (2016 - \$12.1m) and intangibles and goodwill of \$16.5m (2016 - \$20.7m). The company has unrecognised deferred tax assets for losses of \$4.0m (2016 - \$4.8m) and tangible fixed assets of \$0.9m (2016 - \$0.9m). The deferred tax assets are unrecognised due to uncertainty that the group will have sufficient taxable profits of the right type in the right entities to utilise these deferred tax assets in the near future.

10 Investments

In May 2015, Hakkasan Holdings, LLC purchased a 51% interest in Cosmo Entertainment, LLC ('Cosmo') and subsidiaries. On 3 June 2016 Cosmo Entertainment LLC completed an equity financing transaction with a third party that reduced the company's ownership from 51% to 46.9%. In connection with the financing, Cosmo Entertainment LLC became party to a Second Amended and Restated Limited Liability Company Agreement. Certain provisions of this agreement including with respect to the appointment of officers and the exercise of voting rights (including certain matters requiring a supermajority vote) did not become effective until 1 July 2016 with the result that Cosmo Entertainment LLC was consolidated into the company's financial statements until that date as a subsidiary undertaking. Commencing 1 July 2016 Cosmo Entertainment LLC was no longer consolidated into the financial statements and was accounted for under the equity method as an associated undertaking. The Company recorded \$4,799,996 in investments and \$3,434,448 of loss on deconsolidation related to Cosmo Entertainment, LLC in the current fiscal year.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

10 Investments (continued)

Group	Associated undertakings \$'000
Cost	
At 1 July 2016	-
Additions (converted from subsidiary undertaking)	4,800
At 30 June 2017	4,800

The group's share of losses for the year in the Cosmo Entertainment LLC associated undertaking was \$713,000 as shown below.

For the year ended June 30	Cosmo Entertainment LLC \$'000
Income statement	
Turnover	6,864
Operating expenses	(7,577)
Taxation	-
Share of loss after tax	(713)

Balance sheet as at 30 June 2017

Fixed assets	3,232
Current assets	3,749
Current liabilities	(4,586)
Non-current liabilities	(1,046)
Total Equity	1,349

Hakkasan Limited

Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

11 Intangible assets

Group	Brand and licences \$'000	Goodwill on consolidation \$'000	Management contracts \$'000	Total \$'000
<i>Cost or valuation</i>				
At 1 July 2016	5,456	205,279	44,010	254,745
Deconsolidation of subsidiary (see Note 10)	(852)	(4,621)	-	(5,473)
At 30 June 2017	<u>4,604</u>	<u>200,658</u>	<u>44,010</u>	<u>249,272</u>
<i>Amortisation</i>				
At 1 July 2016	1,152	144,407	7,027	152,586
Impairment charge	1,408	10,396	-	11,804
Provision for year	573	7,340	4,401	12,314
Deconsolidation of subsidiary (see Note 10)	(177)	(1,221)	-	(1,398)
At 30 June 2017	<u>2,956</u>	<u>160,922</u>	<u>11,428</u>	<u>175,306</u>
<i>Net book value</i>				
At 30 June 2017	<u>1,648</u>	<u>39,736</u>	<u>32,582</u>	<u>73,966</u>
At 30 June 2016	<u>4,304</u>	<u>60,872</u>	<u>36,983</u>	<u>102,159</u>

Company

Licences
\$'000

Cost and net book value

At 1 July 2016	136
Foreign exchange	(4)

At 30 June 2017	<u>132</u>
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The company has not provided any amortisation in relation to intangible assets as the licenses granted are for an indefinite life.

Hakkasan Limited

Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

12 Tangible fixed assets

Group	Leasehold property \$'000	Assets in the course of construction \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
<i>Cost</i>						
At 1 July 2016	248,462	2,753	28,987	19,737	14,589	314,529
Additions	16,129	6,264	977	643	1,229	25,242
Transfers	4,283	565	120	1,164	(6,131)	-
Disposals	-	-	-	(36)	-	(36)
Foreign exchange	(1,154)	-	(109)	(130)	(50)	(1,443)
Deconsolidation of subsidiary (see Note 10)	(1,386)	(565)	(99)	(380)	(95)	(2,525)
At 30 June 2017	266,334	9,018	29,875	20,998	9,542	335,767
<i>Depreciation</i>						
At 1 July 2016	96,479	-	10,723	7,598	4,178	118,978
Provision for year	25,825	-	3,745	3,431	2,690	35,690
Impairment charge	17,433	-	892	944	355	19,624
Transfers	(9,517)	-	6,302	3,215	-	-
Foreign exchange	(663)	-	(81)	(87)	(39)	(869)
Deconsolidation of subsidiary (see Note 10)	(387)	-	(55)	(141)	(28)	(611)
At 30 June 2017	129,169	-	21,527	14,961	7,155	172,813
<i>Net book value</i>						
At 30 June 2017	137,165	9,018	8,348	6,037	2,386	162,954
At 30 June 2016	171,872	1,269	9,822	5,722	6,865	195,550

Hakkasan Limited

Notes forming part of the financial statements
for the year ended 30 June 2017 *(continued)*

12 Tangible fixed assets *(continued)*

Company	Leasehold property \$'000	Plant and machinery \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
<i>Cost</i>					
At 1 July 2016	27,272	3,237	2,815	1,590	34,914
Additions	428	62	226	209	925
Disposals			(36)		(36)
Foreign exchange	(804)	(95)	(84)	(47)	(1,030)
At 30 June 2017	26,896	3,204	2,921	1,752	34,773
<i>Depreciation</i>					
At 1 July 2016	15,277	2,273	2,153	1,238	20,941
Provision for year	2,140	376	219	157	2,892
Impairment charges	60	7	24	11	102
Foreign exchange	(452)	(66)	(63)	(37)	(618)
At 30 June 2017	17,025	2,590	2,333	1,369	23,317
<i>Net book value</i>					
At 30 June 2017	9,871	614	588	383	11,456
At 30 June 2016	11,995	964	662	352	13,973

Hakkasan Limited

Notes forming part of the financial statements
for the year ended 30 June 2017 (*continued*)

13 Fixed asset investments

Company	Group undertakings \$'000
<i>Cost</i>	
At 1 July 2016	497,013
Advances in the year	8,413
Foreign exchange	(14,656)
	<hr/>
At 30 June 2017	490,770
	<hr/>
<i>Impairment</i>	
At 1 July 2016	324,440
Foreign exchange	(9,567)
	<hr/>
At 30 June 2017	314,873
	<hr/>
<i>Net book value</i>	
At 30 June 2017	175,897
	<hr/>
At 30 June 2016	172,573
	<hr/>

Subsidiary undertakings and associated undertakings

The undertakings in which the company has interests in are as follows:

Note	Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
			B/fwd	C/fwd	
	<i>Subsidiary undertakings</i>				
a)	Sake no Hana Limited	England	100	100	Restaurant
a)	Chrysan Limited*	England	100	100	Restaurant
d)	Hakkasan Hospitality Inc.	USA	100	100	Holding company
a)	Hakkasan Hong Kong Limited	China	100	100	Dormant
b)	Hakkasan Shanghai Limited	China	100	100	Restaurant
c)	Hakkasan Restaurant LLC	UAE	100	100	Restaurant
d)	Hakkasan USA Inc.	USA	100	100	Holding company
e)	Hakkasan Holdings LLC*	USA	100	100	Holding company
f)	Hakkasan SF LLC*	USA	100	100	Restaurant
f)	Hakkasan NYC LLC*	USA	100	100	Restaurant
f)	Hakkasan LA LLC*	USA	100	100	Restaurant
e)	Hakkasan LV LLC*	USA	100	100	Restaurant and nightclub
e)	Level Up 2, LLC*	USA	n/a	100	Management contract
e)	Yauatcha Houston LLC*	USA	100	100	Restaurant

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

13 Fixed asset investments (continued)

Subsidiary undertakings and associated undertakings (continued)

The undertakings in which the company has interests in are as follows:

Note	Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
			B/fwd	C/fwd	
Subsidiary undertakings					
e)	Hakkasan Texas Holdings, LLC*	USA	100	100	Holding company
e)	Yauatcha Waikiki LLC*	USA	100	100	Restaurant
e)	Lion Bar LLC*	USA	100	100	Management contract
e)	Venue Driver LLC*	USA	100	100	Ticketing
e)	NMP Holding LLC*	USA	100	100	Holding company
e)	Touch LLC*	USA	100	100	Nightclub
e)	Gladiator Bar, LLC*	USA	100	100	Management contract
f)	Hakkasan Fabric-Stingaree Holding LLC*	USA	100	100	Holding company
f)	6th and Island Investments*	USA	100	100	Nightclub
f)	H-FSD Holding LLC*	USA	71	71	Holding company
f)	7th & C Investments LLC*	USA	71	71	Restaurant
f)	El Camino Hospitality LLC*	USA	71	71	Restaurant
f)	L J Eats LLC*	USA	71	71	Restaurant
f)	Sunset Eats LLC*	USA	71	71	Restaurant
f)	Las Vegas Eats LLC*	USA	71	71	Restaurant
f)	Santa Monica Eats LLC*	USA	71	71	Restaurant
g)	Searsucker Austin LLC*	USA	71	71	Holding company
g)	Searsucker Texas Holdings LLC*	USA	71	71	Holding company
g)	Searsucker Beverage LLC*	USA	71	71	Restaurant
f)	Waikiki Eats LLC	USA	71	71	Restaurant
e)	58th Street Venture LLC*	USA	100	100	Holding company
i)	J2 Enterprises Limited*	USA	51	51	Restaurant
e)	58th Street Venture (IP) LLC*	USA	60	60	Holding company
d)	TLG Acquisition, LLC*	USA	100	100	Holding company
e)	The Light Group LLC*	USA	100	100	Management contract
j)	DDD Holdings, LLC*	USA	100	100	Management contract
j)	HHH Holdings, LLC*	USA	100	100	Management contract
f)	LGD Management, LLC*	USA	100	100	Management contract
e)	CBL Management, LLC*	USA	100	100	Management contract
e)	BNC Entertainment, LLC*	USA	100	100	Management contract
e)	Fix Management, LLC*	USA	100	100	Management contract
e)	Yellowtail Restaurant, LLC*	USA	100	100	Management contract
e)	Dancing Monkey, LLC*	USA	100	100	Management contract
e)	Bare Pool Management, LLC*	USA	100	100	Management contract
e)	REV Management, LLC*	USA	100	100	Management contract
e)	MB Venues, LLC	USA	100	100	Management contract

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

13 Fixed asset investments (continued)

Subsidiary undertakings and associated undertakings (continued)

Note	Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
			B/fwd	C/fwd	
Subsidiary undertakings (continued)					
e)	Cranberry Restaurants, LLC*	USA	100	100	Management contract
e)	MB/RS Venues, LLC*	USA	100	100	Management contract
e)	Bijou LLC*	USA	100	100	Management contract
e)	City Lounge, LLC*	USA	100	100	Management contract
e)	LG BI, LLC*	USA	100	100	Management contract
e)	HBLV Eats, LLC*	USA	100	100	Management contract
e)	NLDL Holdings LLC*	USA	n/a	100	Holding company
Note	Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held		Nature of business
			B/fwd	C/fwd	
Associated undertakings					
g)	Cosmo Entertainment LLC*	USA	47	47	Management company
g)	West Beverly Group LLC*	USA	47	21	Nightclub
g)	DBDJ LLC*	USA	34	34	Nightclub
h)	Beverley Sherbourne LLC*	USA	47	47	Restaurant
g)	Change the Channel LLC*	USA	9	9	Restaurant
k)	755 Tacos LLC*	USA	47	47	Restaurant
k)	Blind Dragon Franchising LLC*	USA	47	47	Management company
h)	Mason Chicago LLC*	USA	47	47	Restaurant
h)	Mason SF LLC*	USA	47	47	Restaurant
h)	Slab BBQ, LLC*	USA	n/a	10	Restaurant

* Indirectly held

Note: The registered addresses of the undertakings are noted below:

- 3rd Floor Elsley House, 24-30 Great Titchfield Street, London, W1W 8BF United Kingdom
- 5F, No. 18 Zhong Shan Dong Yi Road, Huangpu District, Shanghai
- Sheikh Zayed Road, P.O. Box 117609, Dubai, United Arab Emirates, OR Unit 53, The Boulevard, Emirates Towers, Dubai, United Arab Emirates
- 1209 Orange Street, Wilmington, Delaware, 19801
- 701 S Carson Street, Suite 200, Carson City, Nevada, 89701
- 6385 S. Rainbow Boulevard, Suite 800, Las Vegas, Nevada, 89118
- 160 Greentree Drive, Suite 101, Dover, Delaware, 19904
- 9229 W Sunset Boulevard, Suite 305, West Hollywood, California, 90069
- 363 Seventh Avenue, Fifth Floor, New York, New York, 10001
- 3500 South Dupont Highway, Dover, Delaware, 19901
- CT Corporation System, 818 W 7th St #930, Los Angeles, CA 90017

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

14 Stocks

	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Raw materials and consumables	9,617	10,997	2,083	2,015

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

15 Debtors

	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Due after more than one year				
Other debtors	8,389	5,382	1,208	813

The other debtors are rent, utilities and other deposits of \$6,789k (2016 - \$4,507k) held jointly to the order of the individual group companies and the respective landlords under the terms of the lease, and \$1,600k (2016 - \$875k) for a Letter of Credit.

Due within one year	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Trade debtors	12,729	10,153	2,273	1,954
Amounts owed from related parties	1,202	-	-	-
Amounts owed from group undertakings	-	-	5,944	2,260
Other debtors	4,603	4,444	814	374
Prepayments and accrued income	12,969	13,404	2,136	1,777
	31,503	28,001	11,167	6,365

16 Cash at bank

	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Cash at bank and in hand	21,649	39,696	7,886	16,086

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

17 Creditors: amounts falling due within one year

	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Trade creditors	16,722	14,564	2,618	2,640
Shareholder loans (see below)	8,864	8,858	-	68,775
Other loans (see below)	105,382	79,917	98,514	-
Other taxes and social security costs	1,726	1,936	1,576	1,699
Corporation tax	7	-	-	-
Other creditors	7,759	8,615	1,625	849
Accruals and deferred income	70,632	16,518	7,312	4,517
	<u>211,092</u>	<u>130,408</u>	<u>111,645</u>	<u>78,480</u>

The shareholder loans are unsecured and without any interest charge. Other loans comprise of six amounts: an unsecured and non-interest bearing loan of \$59.9m, an unsecured and non-interest bearing loan of \$8.6m, a \$0.5m loan without interest which fell due for payment in July 2017, a \$1.6m loan which carried imputed interest at 22%, a \$4.8m loan which carried interest at 5.75% and a \$30m loan on which interest of 8% is charged was repayable in full on 30 July 2017 but remains outstanding at 30 June 2018.

18 Creditors: amounts falling due after more than one year

	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Deferred rent	23,986	10,957	792	835
Shareholder loan	-	30,000	-	30,000
Other loans	-	-	-	-
Notes payable (see below)	12,240	3,000	-	-
Other liabilities	134	37	134	-
	<u>36,360</u>	<u>43,994</u>	<u>926</u>	<u>30,835</u>

The Note payable comprises of two amounts: a \$3.6m loan which carried imputed interest at 22% and \$8.7m loan which carried interest at 5.75%.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

19 Financial instruments

The Group financial instruments may be analysed as follows:

	Group 2017 \$'000	Group 2016 \$'000
Financial assets		
Financial assets measured at amortised cost	54,060	59,486
Financial liabilities		
Financial liabilities measured at amortised cost	221,136	158,518

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors, accrued income. Financial liabilities measured at amortised cost comprise trade creditors and other creditors, accruals and loans.

20 Provisions for liabilities

Group	2017 \$'000	2016 \$'000
Opening balance	1,575	1,241
Charged to profit or loss	1,126	1,575
Utilised in year	(827)	(1,241)
Provision release	(418)	-
Closing balance	1,456	1,575

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

Company

	2017 \$'000	2016 \$'000
Opening balance	-	-
Charged to profit or loss	598	-
Closing balance	598	-

Provisions include an onerous lease representing the directors' best estimate of the likely costs that will be incurred in relation to an onerous lease and a dilapidations provision.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

21 Equity

	2017 \$'000	2016 \$'000
(a) Ordinary shares		
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	149	149
	<hr/>	<hr/>
(b) Non-share equity instrument		
Non-share equity instrument	566,230	566,230
	<hr/>	<hr/>

On 29 December 2014 a Deed was entered into whereby a Non-share Equity Instrument was issued to a third party in exchange for certain amounts owed to the ultimate parent company as Shareholder Loans. This represents a material non cash transaction which does not affect the cash flow statement. The Non-share Equity Instrument carries no voting rights or rights to receive distributions or dividends and no interest payable. Quarterly, the holder has the right but not the obligation to request redemption of the full amount but the company has the right to reject such a redemption request. If such a rejection is issued the amount due will increase.

(c) Reserves

Capital redemption reserve

The capital redemption reserve represents amounts transferred from share capital on the redemption of issued share capital.

Capital contribution reserve

Capital contribution reserve represents working capital, in the form of debt that has been forgiven by the provider of the facility.

Foreign exchange reserve

The foreign exchange reserve is the unrealised cumulative net gains and losses on the translation of the net assets and results of subsidiary undertakings which have a functional currency other than the US dollar.

Profit and loss reserves

The profit and loss reserves are the accumulated profit and losses from all the group's operations, less any distributions made.

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

22 Commitments under operating leases

The group and the company had minimum lease payments under non-cancellable operating leases as set out below:

Group	2017 \$'000	2016 \$'000
Not later than one year	19,646	19,560
Later than 1 year and not later than 5 years	81,142	82,192
Later than 5 years	68,640	88,623
	<hr/>	<hr/>
Total	169,428	190,375
	<hr/>	<hr/>
Company		
Not later than one year	3,245	3,032
Later than 1 year and not later than 5 years	12,114	11,194
Later than 5 years	11,521	13,680
	<hr/>	<hr/>
Total	26,880	27,906
	<hr/>	<hr/>

23 Related party disclosures and controlling party

The ultimate controlling party of the group at 30 June 2016 was Tasameem Real Estate Company LLC, a company incorporated in Abu Dhabi. On 18 August 2016, the entire ownership was transferred to Alliance International Investments LLC, a company incorporated in Abu Dhabi. The ultimate controlling party was Mr Khaleefa Butti Omair Yousif Almuhaier.

The following analysis shows the amounts due to the controlling parties at the opening and closing balance sheet dates and the transactions which took place during the year:

	2017 \$'000	2016 \$'000
Opening balance	98,775	70,273
Advances in the year	-	30,000
Ultimate controlling party advances in the year	8,864	-
Transfer following change in ownership	(98,775)	-
Foreign exchange	-	(1,498)
	<hr/>	<hr/>
Closing balance	8,864	98,775
	<hr/>	<hr/>

No provisions were made against amounts due from parties related to directors of the company in 2017 (2016 - \$904,000).

Amounts owed from related parties include amounts owed from Cosmo Entertainment LLC totalling \$1.2m (2016 - Nil).

Hakkasan Limited

Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

24 Capital commitments

	Group 2017 \$'000	Group 2016 \$'000	Company 2017 \$'000	Company 2016 \$'000
Capital expenditure contracted but not provided for	3,522	2,000	-	-

25 Post balance sheet events

On 28 September 2017, the shareholder provided the group with a \$43m interest bearing loan and on 7 December 2017 provided an additional \$7 non-interest bearing loan. On 1 January 2018, these loans were novated to a third party.

On 14 March 2018, Hakkasan USA obtained a \$24m credit facility with a 5.75% APR calculated on a 365 day basis from a third party, the facility was fully drawn down, over three tranches, by the 21 June 2018.

On 20 April 2017, the group's US subsidiary received a \$8.9m loan from a third party with \$4.5m repaid on 30 March 2018.

On the 31 December 2017, the ownership of the Non-share Equity Instrument (see note 21) was exchanged between two third parties and \$60m of the total outstanding shareholder loan balance (see note 17) was exchanged between a shareholder and a third party.

On 24 October 2017, the group's 51% interest in J2 Enterprises, Ltd was sold to a third party

On 20 June 2018, Hakkasan Holdings sold their remaining 46.9% (See note 10) interest in Cosmo Entertainment, LLC and its subsidiaries to a third party. The total consideration for this sale is in the process of being calculated and concluded.

Finally, the group continually re-appraises the operational and financial performance of its global restaurant portfolio and since the year end has closed or is in the process of closing 5 restaurants. The directors have appraised the accounting impact on the tangible and intangible asset values and lease obligations, connected to these restaurants as part of the issuance of these financial statements