Gaucho Acquisitions Limited

Report and Financial Statements

Period ended 28 February 2017

Directors
Z Godik (resigned 9th November 2017)
P Mason (appointed 9th November 2017)
G Mann (resigned 24th February 2017)
F Bandura (appointed 24th February 2017)

Secretary
G Mann (resigned 24th February 2017)
F Bandura (appointed 24th February 2017)

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Northern Ireland
Belfast BT2 7DT

Bankers
Royal Bank of Scotland
62 - 63 Threadneedle Street
London EC2R 8LA

Lloyds TSB Plc
25 Gresham Street
London EC2V 7HN

Solicitors
Travers Smith
10 Snow Hill
London EC1A 2AL

Registered Office
Fourth Floor
7-9 Swallow Street
London W1B 4DE

Strategic report

The directors present their strategic report for the period ended 28 February 2017.

Principal activity and review of the business

The principal activity of the company is as an intermediate holding company.

The company's key performance indicators are as follows:

	28 February 2017	*31 December 2016*
	£	*£*
Profit for the period/year	337,430	1,067,764
Shareholders' funds	60,959,905	60,622,475

During the previous period, the company received a capital contribution from its parent company Gaucho Group Limited of £35,482,532.

During the previous period, Gaucho Acquisitions Limited entered into an irrevocable and unconditional deed of release with Gioma (UK) Limited for £25,023,060 and Gaucho Holdings Limited for £6,241,437.

Principal risks and uncertainties

The company's strategy is to follow an appropriate risk policy, which effectively manages exposures related to the achievement of business objectives. The key risks which management face are detailed as follows:

Liquidity risk and credit risk

The company's liquidity and credit risks are managed through monthly cash flow forecasts that capture all future cash flows for the next 12 months. Financial covenants are monitored internally on a monthly basis and quarterly with the bank. Management reviews available facilities and cash headroom to mitigate these risks.

Foreign currency risk

The company's costs are in Sterling with no material currency risk. The company does not currently have a policy to mitigate foreign exchange movements as management do not believe the impact would be significant.

On behalf of the Board

Frank Bandura

Director

Date 15/11/17

Registered No. 05869370

Directors' report

The directors present their report the period ended 28 February 2017.

Results and dividends

Profit for the period after taxation amounted to £337,430 (2016 – £1,067,764). The directors do not recommend a final dividend (2016 – £nil).

Future developments

The directors wish to maintain the shareholder value in the business.

Directors

The directors who served the company during the period were as follows:

Z Godik (resigned 9th November 2017)
P Mason (appointed 9th November 2017)
G Mann (resigned 24th February 2017)
F Bandura (appointed 24th February 2017)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Frank Bandura
Director
Date 15/11/17

Director's Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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.

Independent auditors' report

to the members of Gaucho Acquisitions Limited

Opinion

We have audited the financial statements of Gaucho Acquisition Limited for the period ended 28 February 2017 which comprise the Profit and Loss account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes1 to 11, 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 FRS 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 company's affairs as at 28 February 2017 and of its profit 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.

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 below. We are independent of the 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 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.

Other information

The other information comprises the information included in the Strategic Report and Directors' Report (set out on pages 2-3), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditors' report

Other information (continued)

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 the 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 the Directors' Report for the financial period 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement (set out on page 4), 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 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 company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Michael Kidd (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 22 November 2017

Profit and loss account

for the period ended 28 February 2017

	Notes	*Period ended 28 February 2017* £	*Year ended 31 December 2016* £
Administrative expenses		–	–
Other interest income	2	370,860	1,870,225
Interest payable	3	(2,726)	(1,136,016)
Profit before taxation		368,134	734,209
Tax (charge)/credit	4	(30,704)	333,555
Profit after taxation		337,430	1,067,764

All amounts relate to continuing activities.

Statement of comprehensive income

for the period ended 28 February 2017

There is no comprehensive income or loss other than the profit attributed to shareholders of the company of £337,430 in the period ended 28 February 2017 (year ended 31 December 2016 – £1,067,764).

Statement of changes in equity

for the period ended 28 February 2017

	Called up share capital £	*Other reserves* £	*Capital contribution reserve* £	*Profit and loss account* £	*Total Equity* £
At 1 January 2016	14,699,702	2,767,602	–	(24,659,622)	(7,192,318)
Capital contribution	–	—	35,482,532	–	35,482,532
Intercompany loan waiver	–	—	–	31,264,497	31,264,497
Profit for the year	–	—	–	1,067,764	1,067,764
At 1 January 2017	14,699,702	2,767,602	35,482,532	7,672,639	60,622,475
Profit for the period	–	—	–	337,430	337,430
At 28 February 2017	14,699,702	2,767,602	35,482,532	8,010,069	60,959,905

Registered No. 05869370

Balance sheet

at 28 February 2017

	Notes	*28 February 2017* £	*31 December 2016* £
Fixed assets			
Investments	5	36,270,150	36,270,150
Current assets			
Debtors	6	24,864,033	24,523,877
Creditors: amounts falling due within one year	7	(174,278)	(171,552)
Net current assets		24,689,755	24,352,325
Total assets less current liabilities		60,959,905	60,622,475
Net assets		60,959,905	60,622,475
Capital and reserves			
Called up share capital	8	14,699,702	14,699,702
Other reserves		2,767,602	2,767,602
Capital contribution reserve		35,482,532	35,482,532
Profit and loss account		8,010,069	7,672,639
Shareholders' funds		60,959,905	60,622,475

Frank Bandura
Director
Date 15/11/17

Notes to the financial statements

at 28 February 2017

1. Accounting policies

Statement of compliance

Gaucho Acquisitions Limited is a company limited by shares and incorporated in England and Wales. The registered office is Fourth Floor, 7-9 Swallow Street, London, W1B 4DE.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the period ended 28 February 2017.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are prepared in Sterling which is the functional currency of the company and no rounding has been applied.

Going Concern

The directors have prepared the financial statements on the going concern basis as the intercompany loans will not be sought for repayment in the immediate future and the company is supported by its ultimate parent undertaking, Malbec Topco Limited.

Group Financial Statements

The company is exempt from preparing group financial statements under section 400 of the Companies Act 2006 on the grounds that the group qualifies as a small group in accordance with the provisions of section 383 of Companies act 2006.

Reduced disclosure framework

The company has taken advantage of the following disclosure exemptions under FRS 102:

(a) the requirements of section 4 Statement of Financial Position paragraph 4.12(a)(iv);

(b) the requirements of section 7 Statement of Cash Flows and section 3 Financial Statement Presentation paragraph 3.17(d);

(c) the requirements of section 11 Basic Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and section 12 paragraph 12.26; and

(d) section 33 Related Party Disclosures paragraph 33.7.

The ultimate parent undertaking and controlling entity is Malbec Topco Limited, a company incorporated in England and Wales, which is the parent undertaking of the largest group to consolidate these financial statements. Malbec Topco Limited's group financial statements are available from the company's registered office, Fourth Floor 7-9 Swallow Street, London, W1B 4DE.

Investments

The carrying value of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements

at 28 February 2017

1. Accounting policies (continued)

Judgements and key sources of estimation

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant impact on amounts recognised in the financial statements.

The following are the company's key sources of judgement:

Recoverability of amounts due from group undertakings

The company has receivables due from the following Group companies; Gaucho Grill Holdings Limited of £22,701,474 (2016 - £22,346,381), Gioma (UK) Limited of £97,544 (2016 - £31,580), Gaucho Grill Limited of £941,661 (2016 - £nil) and Malbec Bidco Limited of £520,503 (2016 - £512,361) (note 6). The recoverability of these receivables is ultimately dependent on the trading performance of the group. The directors have considered cash flow forecasts of those indirect subsidiaries, which include estimates of future revenues and costs and determined that there is no objective evidence of impairment of the intercompany receivable.

Financial Instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial instruments, including intergroup receivables and loans to fellow subsidiary companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction measured at the present value of the future receipts discounted at a market rate of interest.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including intergroup payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

2. Interest receivable and similar charges

	Period ended 28 February 2017	*Year ended 31 December 2016*
	£	*£*
Interest receivable on bank balances	–	798
Interest receivable on shareholder loan	–	7,746
Interest receivable on loans due from group undertakings	370,860	1,861,681
	370,860	1,870,225

Notes to the financial statements

at 28 February 2017

3. Interest payable

	Period ended 28 February 2017	*Year ended 31 December 2016*
	£	*£*
Amounts owed to group undertakings	2,726	13,947
Bank loans and overdrafts	–	89,417
Release of deferred finance costs	–	1,032,652
	2,726	1,136,016

4. Tax

(a) Tax on profit

	Period ended 28 February 2017	*Year ended 31 December 2016*
	£	*£*
Current tax		
Corporation tax on profit for the period	–	–
Adjustment in respect of prior period	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of timing differences	73,627	(392,418)
Impact in change of tax rates	(42,923)	58,863
Total tax	30,704	(333,555)
Total deferred tax (note 4(c))	30,704	(333,555)
Tax charge / (credit) (note 4(b))	30,704	(333,555)

(b) Factors affecting tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 20% (2016 – 20%). The differences are explained below:

	Period ended 28 February 2017	*Year ended 31 December 2016*
	£	*£*
Profit before tax	368,134	734,209
Profit multiplied by standard rate of corporation tax in the UK of 20% (2016 – 20%)	73,627	146,842
Effects of:		
Tax rate changes	(42,923)	58,863
Movement in unrecognised deferred tax asset	–	(539,260)
Total tax for the period	30,704	(333,555)

Notes to the financial statements
at 28 February 2017

4. Tax
(c) Deferred tax asset

The deferred tax asset is made up as follows:

	£
At 1 January 2017	(333,555)
Release for the period	30,704
At 28 February 2017	(302,851)

The deferred tax asset is made up as follows:

	28 February 2017	*31 December 2016*
	£	£
Losses	(302,851)	(333,555)

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted in October 2015 and September 2016 respectively. The company's future current tax charge will reduce accordingly. As the changes have been substantively enacted at the balance sheet date their effects are included in the closing deferred tax assets.

5. Investments

	Investments in subsidiary companies
	£
Cost:	
At 1 January 2017	36,270,150
Additions	–
At 28 February 2017	36,270,150
At 1 January 2017	36,270,150
At 28 February 2017	36,270,150

Principal subsidiaries and joint ventures
Principal subsidiaries

Company name	*Country*	*Percentage shareholding*	*Description*
Gaucho Grill Holdings Limited	England	100%	Parent undertaking
Inhoco 4065 Limited*	England	100%	Parent undertaking
Pan European Restaurants Limited*	England	100%	Parent undertaking

All companies are registered at the same address 7 - 9 Swallow Street, London, England, W1B 4DE

* held by a subsidiary undertaking

Notes to the financial statements

at 28 February 2017

6. Debtors

	28 February 2017	*31 December 2016*
	£	*£*
Shareholder loan (note 10)	–	1,000,000
Current corporation tax receivable	300,000	300,000
Deferred tax credit (note 4c)	302,851	333,555
Amounts owed by group undertakings	24,261,182	22,890,322
	24,864,033	24,523,877

Amounts owed by group undertakings are repayable on demand with an annual interest rate of 10%.

7. Creditors: amounts falling due within one year

	28 February 2017	*31 December 2016*
	£	*£*
Amounts owed to group undertakings	174,278	171,552
	174,278	171,552

Amounts owed to group undertakings are repayable on demand with an annual interest rate of 10%.

8. Issued share capital

		28 February 2017		*31 December 2016*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	14,699,702	14,699,702	14,699,702	14,699,702

9. Reserves

The nature and purpose of each reserve is explained below:

Share capital – represents the nominal value of shares issued.

Other reserves – This reserve records a historic reserve received from Gaucho Group Limited.

Capital contribution reserve - This reserve records the cash value of the donation made by the parent company.

Retained earnings – the cumulative income and expenses recognised in the income statement together with cumulative items, other than the proceeds of share issues recognised in equity.

Notes to the financial statements

at 28 February 2017

10. Related party transactions

The company has taken advantage of the exemption granted by FRS102.33 "Related party disclosures" to disclose related party transactions with other wholly owned group companies.

At the period end, a loan of £nil (31 December 2016: £1,000,000) was outstanding to Zeev Godik, a director of the company. This was settled in full on 2 February 2017.

11. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Gaucho Group Limited, a company incorporated in England and Wales.

The company's ultimate parent undertaking is Malbec Topco Limited, a company incorporated in England and Wales, which is the parent undertaking of the largest group to consolidate these financial statements. Malbec Topco Limited's group financial statements are available from the company's registered office, Fourth Floor 7-9 Swallow Street, London, W1B 4DE.

The company's controlling party is Equistone General Partner V LLP.