POURSHINS

# Pourshins Plc

Directors' report and financial statements

Registered number 1576522

31 May 2003

## Contents

# Directors and advisors

### Main Board Directors

| | |
|---|---|
| RD Yeomans | Non-executive Chairman |
| A Barnwell | Chief Executive Officer |
| MF Diviney | Managing Director |
| RU Moëd | Director Customers |
| JP Delport | Finance Director |

### Secretary

| | |
|---|---|
| C Boundy | Fladgate Fielder, solicitors |

### Additional Operational Board Members

| | |
|---|---|
| John Metcalf | Director of US customer services |
| Anne Newton | Director of Sales |
| Patricia Stutchbury | Director of UK & International customer service team |

### Legal advisers and corporate solicitors

Fladgate Fielder
25 North Row
London, UK
W1K 6DJ

### Auditors and financial advisers

KPMG LLP
PO Box 695
8 Salisbury Square
London, UK
EC4Y 8BB

# Contacting Pourshins

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Director of Sales

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### Registered number

1576522 (England and Wales)

## Chief Executive's Review

### Key statistics for the period

| | |
|---|---|
| Gross profit | **£ 4.6 million** |
| Exceptional costs of terrorism and lease litigation | **£ 345,000** |
| Operating loss after expenses and exceptional items | **£ 0.5 million** |
| Net cash generated from operating activities | **£ 1.1 million** |
| Service level achieved | **99%** |

### Overview – a challenging year but a positive outlook

I am hopeful that this, my second annual report, will be the last time I have to comment on the effects of wars and international terrorism on Pourshins and the airline industry we serve. It has been a challenging year, but I am pleased to report that we have followed our strategy of continuing to enhance service, whilst adding to our excellent customer base, and keeping our costs low.

The company has maintained operational profitability, though has made a loss overall after exceptional items which all relate to events emanating from previous periods. With strong signs of a market recovery in mid 2003, Pourshins is seeing profit growth during the summer of 2003 and a number of important new contracts have been signed.

The business is cash generative and continues to receive and value the support of its bankers, Lloyds TSB and NatWest.

### Gulf War, Terrorism and SARS

Having had to report on the effects of the company of the 9/11 terrorism attack in my first annual report last year and the uncertainty of a then looming Gulf War, in the last year we have indeed suffered the industry wide consequences of the war, closely followed by the SARS epidemic. These factors depressed the airline travel market, which was still slowly recovering, by as much as 40% during the first half of 2003.

These events reduced operational profitability by some £250,000 in the period. Although this has not been treated as exceptional (exceptional losses relate to settled lease litigation and the 9/11 reorganisation reported last year – there will be no related exceptional costs in future), such unusual events are outside the normal realm of business expectation and should not recur. Our BPO business model has minimised the effect of such a significant downturn and allowed us to benefit from the current upturn.

### Service levels rise to 99% - industry-leading excellence

Although difficult trading conditions continued to prevail in the international market throughout 2002 and the early part of 2003, the actions we took to streamline the business previously enabled us to deliver continued serve excellence to our customers. With support from our blue chip third party logistical service providers our industry leading service levels of 98% last year have improved to 99% this year outing us further ahead of any competitor in our sector.

### Trading and profitability upturn

I am pleased to note that business since May 2003 has shown a marked upturn and led to an encouraging improvement in operational profitability.

This is partly due to a more rapid than expected recovery in the international travel sector following the Gulf War, with many carriers achieving high load factors and an increased number of flights. Although US international traffic is still presently some 4% below pre 9/11 levels, it has recovered strongly in recent months. European airline traffic is now generally above pre 9/11 levels overall, with a shift in mix towards low cost carriers and with growth in "buy on board' catering initiatives. Pourshins has benefited from all of these factors.

Demand for Business Process Outsourcing is increasing as airlines seek to reduce internal overheads. Airlines need the cost reduction benefits of aggregating volumes from many participants in the supply chain, coupled with Pourshins advanced technology solutions to managing complex cross border, multi currency product and equipment flows.

Pourshins is the industry leader in providing this logistics service in the UK and Europe, and our ability to offer off balance sheet inventory solutions for food, beverages and equipment, together with guaranteed service excellence and innovative products gives cause for future optimism.

**New contracts add to sales post year end**

Towards the end of the period Pourshins was delighted to sign a rolling distribution contract with Alpha Flight Services, one of the UK's largest airline caterers and service providers. A number of other similar contracts were also entered into during the summer of 2003.

**Systems developments – continued leading edge investment**

Our life © brand ***"logistics ~ integration ~ forecasting ~ e-business"*** embodies the fundamentals of Pourshins' approach that delivers the benefits to customers of the substantial investment we have made in e-business technology throughout the period and subsequently.

As business process outsourcing (BPO) specialists Pourshins provides a number of customer services that require considerable IT expertise. We have continued to invest substantially in leading edge technology that enable us to have fully integrated web based ordering, forecasting, inventory and equipment management tools enabling us accurately to predict caterer demand and ensure that products nominated by airlines are correctly and consistently purchased by caterers. Caterers and airlines can also benefit from our ability to control and minimise their own inventory, whether it be food products, rotables, liquor or equipment, leading to space and working capital savings, reduced wastage and greater operational efficiency.

**Strengthened executive team**

Our team has been strengthened with Jacques Delport being appointed to the main Board as Finance Director on 13 August 2003. Anne Newton joined our Operational Board as Director of Sales shortly after the year end. We look forward to growing our International sales and customer service capability.

**Outlook**

Economic forecasts continue to predict significant medium and long-term growth in passenger numbers and as airlines need to streamline financially, opportunities for Pourshins increase.

Early trading in the period to 31 May 2004 is positive and that plus new contracts and new tendering opportunities expected enables me to be cautiously optimistic looking forward that we can re-establish balance street strength and appropriate profitability.

A Barnwell

Adrian Barnwell
**Chief Executive Officer**

17 September 2003

# Directors' Report

The directors present their 23rd report and audited financial statements for the year ended 31 May 2003.

## PRINCIPAL ACTIVITIES

The principal activities of the company are provided mainly to the airline travel market, including airline caterers, airlines, brokers, food and equipment manufacturers and other suppliers to the airline and travel sector. Pourshins principal business activities include:

- Business Process Outsourcing (BPO) and Fourth Party Logistics (4PL) services and solutions to any customer problem
- Local customer service and management capability in several time zones
- Supplying a range of bespoke and generic multi temperature food and beverage products internationally
- Supplying and managing equipment, disposable and rotable goods
- Off balance sheet inventory ownership and supply on demand facilities for customers
- Flexible multi temperature warehousing and trucking solutions, via some owned but mainly outsourced facilities
- Outsourcing - "***Rubber Walls ~ Rubber Wheels***" - enabling Pourshins' customers flexibility to pay only for the warehouse space and vehicles space that they need, with no subsidy of idle resources
- A low cost multi temperature distribution route throughout Europe for simpler supply requirements
- Advanced IT capabilities for push/pull supply and forecasting easily linked with customers

## BUSINESS REVIEW

### Outlook for 2003/4

During June and July, 2003 there has been a strong resurgence of demand for international air travel and this has benefited the early part of the year to 31 May 2004.

The company is presently engaged in various tenders for new business, and having weathered a difficult trading period with a number of material external events and significant costs of exceptional items, Pourshins is now well placed to enter a new period of growth.

With sustained operational profitability and positive cash generation, the directors are focussed on rebuilding balance sheet strength and expanding the business.

### Overview of 2002/3

The prudent actions taken in the previous period to constrain costs without detriment to service enabled the company to remain operationally profitable at £25,000 (before exceptional items) and strongly cash generative in the year. However, exceptional items, which were expected because they emanated from and were reported in previous periods, amounted to £345,000 resulting in a net loss of £0.5 million overall, substantially down from a loss of £0.9 million in the prior period. There are no further exceptional charges for future periods relating to these items and no other exceptional items of which the directors are presently aware.

### Operating profit

The company has performed satisfactorily considering the external factors that it has had to address:

- residual adverse effects on trade of 9/11 terrorism, first reported in the period to 31 May 2002
- Gulf War in March 2003, the lead up to which had further depressed international air traffic, which showed an overall fall of some 40%

**BUSINESS REVIEW (Continued)**

- SARS epidemic, towards the end of the Gulf War. This largely affected different airlines and routes to and from the Far East and Australasian regions, and also resulted in a fall of at least 40% in airline passenger demand

The large falls in passenger numbers resulting from these events, caused a significant fall in demand for Pourshins products and services. This loss of business has not been treated as exceptional, although the events concerned are very unusual.

The loss of profit from terrorism, war and SARS in the period is substantial and the directors are hopeful that similar events will not recur.

**Turnover**

Turnover in the year was £29 million. The previous period was for 18 months and included two summer peak seasons in recording a total of £48 million. For a comparable 12 month prior period which includes 9/11, turnover was approaching £32 million. The £3 million difference takes account of a post 9/11 recovery in volumes followed by a material sharp reduction caused by the Gulf War and SARS.

No significant contract losses occurred in the period as all longstanding customers remained loyal. In addition some new major customers were added towards the end of the period.

Since the period end, international airline traffic has recovered much more strongly and rapidly than we or the market generally expected. By August 2003, international volumes had recovered to within 4% of pre 9/11 levels. European traffic at the same time was above pre 9/11 levels. This recovery has benefited Pourshins 2003/4 current trading period.

**Cash generation**

The company has generated £1.1 million of cash from operating activities, on turnover of £29 million. This compares favourably with the previous period when £0.6 million of cash was generated from 18 months turnover of £47.5 million.

Substantial funds of £416,000 were invested in core IT systems during the period, underpinning the company's investment in its future.

Overall there was a £0.3 million increase in cash during the year, representing an improvement of over £0.6 million form the preceding period.

**Technology**

Pourshins is a leader in developing electronic business methods and industry leading tools for forecasting demand, managing the supply chain and processing orders via the web. Pourshins continues to invest in this area, developing industry leading software systems and supply chain solutions.

The "***e-pix***" web based ordering and inventory management system is a fundamental platform for electronic business that now dominates order processing. It is combined with inventory control and sales. and integrated with proprietary industry leading forecasting technology that, using flight information and other data, enables prediction of demand for food and equipment at all points within the supply chain.

**Customer service**

Pourshins took a lead last year in publishing its service statistics and making them transparent and auditable to customers.

## BUSINESS REVIEW (Continued)

Service overall – *"delivery of the right product to the right place at the right temperature on time"* - has risen to **99%** from 98% and is again the **industry leading performance** in the sector.

Pourshins coverage is:

| | |
|---|---|
| Geography | **35 countries** serviced |
| Customers | over **80 airlines** and **380 caterers,** plus many **international brokers** and **manufacturers** |
| Outsourcing | availability of outsourced warehouses in any country and access to over **300** multi temperature **vehicles** and outsourced service teams with some **450 staff** |
| Deliveries | more than **2 million cases** annually |
| Products | any ambient, chilled or frozen food, wine, liquor, disposables, rotables, tickets and equipment **to any customer, anywhere** |
| Presence | staff and facilities in the UK, Netherlands and United States |

## DIVIDEND

The directors do not recommend the payment of a dividend *(2002 £nil)*.

## DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during and after the period were:

Current directors:

| | | |
|---|---|---|
| RD Yeomans | Non-executive Chairman | |
| A Barnwell | Chief Executive Officer | |
| MF Diviney | Managing Director | |
| RU Moëd | Director Customers | |
| JP Delport | Finance Director | (appointed 13 August 2003) |

Former directors:

| | | |
|---|---|---|
| BM Green | Finance Director | (resigned 30 June 2002) |

The directors who held office at the end of the period had the following interests in the ordinary shares of the company, as recorded in the register of directors' interests:

| **Director** | **Class of share** | **Interest at** *End of period* | **Interest at** *Start of period* |
|---|---|---|---|
| RU Moëd | 'A' ordinary shares of 10p each | 870,000 | 870,000 |
| RU Moëd | 'B' ordinary shares of EURO 15 cent each | 6,840,000 | 6,840,000 |
| MF Diviney | 'A' ordinary shares of 10p each | 47,500 | - |
| MF Diviney | 'B' ordinary shares of EURO 15 cent each | 380,000 | - |

No other directors held any interests in shares of the company during the period.

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no charitable contributions during the year *(2002 £1,571)*. The company supports a number of charities in a non-monetary manner. No political contributions were made *(2002 £nil)*.

**BUSINESS REVIEW (Continued)**

**EMPLOYEES**

The company's policy is to provide a working environment that complies with health and safety legislation. The directors value the involvement of employees and recognise the importance of communicating effectively on matters that affect employees' interests. This is achieved through regular group and individual meetings at the local operating level and through informal briefing sessions.

The company continues to give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If an employee becomes disabled, the company endeavours to continue his or her own employment if this is practicable and, in appropriate cases, special training may be given.

**WORKING CAPITAL - POLICY AND PRACTICE**

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| Stock Days | 15 | 20 |
| Trade Debtor Days | 43 | 48 |
| Trade Creditor Days | 54 | 48 |

The company follows a just in time stock purchasing policy based on sophisticated demand forecasting models developed to optimise efficiency and provide customers with stock when and where they require. Increasingly efficient working capital management has led to a further reduction in stock days.

Period end debtor days vary according to the various factors including the mix and location of customers, and the timing of supplies to them during the month. Customers purchases goods and services on standard terms which include retention of title and interest charges for overdue payments.

The company's policy for suppliers is to fix terms of payment when agreeing the terms of each contract or business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The terms can take account of seasonal factors, the source of products (some of which have a 42 day delivery lead time), the distribution method and may be adjusted when special circumstances prevail. At 31 May 2003 trade creditors represented 54 days (*2002: 48 days*) of purchases. Creditor days can be subject to seasonal variation of both supplier and product mix.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

### Annual General Meeting

In order to comply with the companies act requirement to have an AGM each calendar year, Pourshins held its last AGM on 11 December 2002. The accounts for the period to 31 May 2003, will be considered at the next annual general meeting, which will be held before 31 December 2003. Shareholders will be notified of the date in due course in accordance with companies act requirements.

On behalf of the board

Mark Diviney

M Diviney
**Managing Director**

The Lodge
Harmondsworth
West Drayton
UB7 0AB

17 September 2003

KPMG

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

# Report of the independent auditors to the members of Pourshins Plc

We have audited the financial statements on pages 10 to 26.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the impact on the company's ability to continue to operate because of the uncertainty in the airline industry arising from the outbreak of SARS and the continued impact of the war in Iraq. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

**KPMG LLP**
*Chartered Accountants*
*Registered Auditor*

17 September 2003

# Profit and loss account

for the year ended 31 May 2003

| | Note | 12 Months ended 31 May 2003 | | | 18 Months ended 31 May 2002 | | |
|---|---|---|---|---|---|---|---|
| | | Ordinary Activities | Exceptional Items (Note 7) | **Total Activities** | Ordinary Activities | Exceptional Items (Note 7) | **Total Activities** |
| | | £000 | £000 | **£000** | £000 | £000 | **£000** |
| **Turnover** | 2 | 28,882 | - | **28,882** | 47,440 | - | **47,440** |
| Cost of sales | | (24,292) | - | **(24,292)** | (39,389) | (222) | **(39,611)** |
| **Gross profit** | | 4,590 | - | **4,590** | 8,051 | (222) | **7,829** |
| Distribution expenses | | (1,979) | - | **(1,979)** | (3,103) | (174) | **(3,277)** |
| Administrative expenses | | (2,679) | (345) | **(3,024)** | (4,771) | (698) | **(5,469)** |
| Other operating income | | 93 | - | **93** | 342 | - | **342** |
| **Operating profit / (loss)** | 3 | 25 | (345) | **(320)** | 519 | (1,094) | **(575)** |
| Interest payable | 6 | (194) | - | **(194)** | (312) | - | **(312)** |
| **(Loss) / profit on ordinary activities before taxation** | | (169) | (345) | **(514)** | 207 | (1,094) | **(887)** |
| Tax on profit | 8 | | | **7** | | | **-** |
| **Retained loss for the year** | 17 | | | **(507)** | | | **(887)** |

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account. There is no difference between the company's historical cost profit and loss and the results shown in the financial statements.

# Balance sheet

*at 31 May 2003*

| | Note | 31 May 2003 | | 31 May 2002 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | 9 | | 960 | | 1,089 |
| Investments | 10 | | 13 | | - |
| | | | 973 | | 1,089 |
| **Current assets** | | | | | |
| Stocks | 11 | 1,025 | | 1,485 | |
| Debtors | 12 | 4,347 | | 5,204 | |
| | | 5,372 | | 6,689 | |
| **Creditors:** amounts falling due within one year | 13 | (6,251) | | (7,070) | |
| **Net current assets** | | | (879) | | (381) |
| **Total assets less current liabilities** | | | 94 | | 708 |
| **Creditors:** amounts falling due after more than one year | 14 | | (66) | | (208) |
| | | | 28 | | 500 |
| **Capital and reserves** | | | | | |
| Called up share capital | 16 | | 849 | | 814 |
| Share premium | 17 | | 6 | | 6 |
| Capital redemption reserve | 17 | | 5 | | 5 |
| Profit and loss account | 17 | | (832) | | (325) |
| **Equity shareholders' funds** | 16,17 | | 28 | | 500 |

These financial statements were approved by the board of directors on 17 September 2003 and were signed on its behalf by:

RU Moëd
**Director**

## Cash flow statement

*for the year ended 31 May 2003*

| | Note | 12 months ended 31 May 2003 | | 18 months ended 31 May 2002 | |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Net cash inflow from operating activities** | *19* | | 1,106 | | 598 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest paid | | (169) | | (245) | |
| Interest element of finance lease | | (25) | | (42) | |
| | | | (194) | | (287) |
| ***Taxation*** | | | | | |
| UK corporation tax received | | | 5 | | 85 |
| **Capital expenditure and financial investment** | | | | | |
| Purchase of tangible fixed assets | | (416) | | (439) | |
| Proceeds on disposal of fixed assets | | 27 | | 16 | |
| Payments to acquire an investment | | (13) | | - | |
| | | | (402) | | (423) |
| **Net cash inflow / (outflow) before financing** | | | 515 | | (27) |
| **Financing activities** | | | | | |
| Repayment of loan | | (99) | | (140) | |
| Capital element of finance lease rental payments | | (117) | | (170) | |
| **Net cash outflow from financing** | | | (216) | | (310) |
| **Increase /(decrease) in cash in the year** | *20,21* | | 299 | | (337) |

## Statement of total recognised gains and losses
*for the year ended 31 May 2003*

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| **Loss for the financial year** | (507) | (887) |
| **Total recognised gains and losses since last annual report** | (507) | (887) |

## Reconciliation of movements in shareholders' funds
*for the year ended 31 May 2003*

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| **Loss for the financial year** | (507) | (887) |
| **Net reduction in shareholders' funds** | (507) | (887) |
| Opening shareholders' funds | 500 | 1,387 |
| Share Issue | 35 | - |
| **Closing shareholders' funds** | 28 | 500 |

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

***Going concern***

The recent war in Iraq and the outbreak of SARS caused considerable uncertainty within the airline and airline catering industries on which Pourshins Plc currently relies for its major trading relationships. These factors caused the directors to adopt prudent forecasts for the 2003 summer seasonal peak and beyond. In practice the markets have recovered more strongly than expected and summer trading has been above expectation. This has led to a more optimistic but still prudent forecast revision.

Based on these revised forecasts the directors consider it is appropriate for the financial statements to be prepared on the going concern basis. The financial statements do not include any adjustments that would result, should the going concern basis of preparation not be appropriate. In the event that this basis is not appropriate provisions may be required and assets may need to be written down to their recoverable amount.

***Fixed assets and depreciation***

Tangible fixed assets are stated at their cost price, together with any incidental expense of acquisition. Depreciation is provided to write off the cost of tangible fixed assets on a straight line basis over their expected useful economic lives at the following annual rates:

| | | |
|---|---|---|
| Leasehold improvements | - | 10% |
| Motor vehicles | - | 25% to 33 1/3% |
| Plant and machinery | - | 10% to 20% |
| Office equipment, fixture and fittings | - | 10% to 20% |
| Computers and software | - | 20% to 33 1/3% |

***Leases and hire purchase contracts***

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future lease and hire purchase obligations are shown in creditors.

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

## Notes *(continued)*

### 1 Accounting policies (continued)

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and loses on translation are included in the profit and loss account.

***Pension costs***

Contributions to the defined contribution pension schemes operated by the company are charged to the profit and loss account in the period in which they become payable. The assets of the schemes are held separately from those of the company in an independently administered fund.

***Stock***

Stock is stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks. There is no work in progress.

***Taxation***

The average charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

***Turnover***

Turnover represents the amounts (excluding valued added tax) derived from the provision of goods and services to third party customers. Turnover is recognised on despatch of goods and services.

***Cash***

Cash, for the purposes of the cash flow statement, comprise cash in hand and deposits repayable on demand, less overdrafts payable on demand.

# Notes *(continued)*

## 2 Analysis of Turnover

All of the turnover and pre-tax loss arose from the principal activity of the company.

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| **Geographical analysis of turnover:** | | |
| Europe (including United Kingdom) | 22,092 | 38,057 |
| The Americas | 3,378 | 5,604 |
| Far East and Middle East | 3,412 | 3,779 |
| | 28,882 | 47,440 |

Turnover originates from airline, caterer and broker customer relationships, principally in the United Kingdom, United States, mainland Europe, the Middle East and Far East. Pourshins has global service capability.

## 3 Operating loss

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| **Operating loss is stated after charging** | | |
| Auditors' remuneration: | | |
| Audit (Current year includes £10,000 under provision in 2002) | 51 | 39 |
| Other services | 10 | 38 |
| Depreciation of tangible fixed assets: | | |
| Own assets | 375 | 410 |
| Impaired Assets | 130 | - |
| Assets held under finance lease | 14 | 153 |
| Directors' emoluments (note 5) | 308 | 477 |
| Bad debt | 52 | - |
| Operating lease rentals for land and buildings | 424 | 554 |
| Profit on disposal of fixed assets | 2 | - |

# Notes *(continued)*

## 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the accounting period was as follows:

| | Number of employees 12 months ended 31 May 2003 | 18 months ended 31 May 2002 |
|---|---|---|
| Selling and operational | 23 | 57 |
| Administration | 9 | 10 |
| | 32 | 67 |

In line with the strategic restructuring of the company the average number of employees reduced over the last 2 years to the current optimum level.

The aggregate payroll costs of these persons were as follows:

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| Wages and salaries | 1,077 | 2,306 |
| Social security costs | 114 | 218 |
| Other pension costs | 42 | 78 |
| | 1,233 | 2,602 |

## 5 Remuneration of directors

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| Director's emoluments | 297 | 448 |
| Pension contributions | 11 | 29 |
| | 308 | 477 |
| Highest paid director: | | |
| Emoluments (12 months 2003, 18 months 2002) | 133 | 178 |

There was 1 director in the company's defined contribution pension scheme during the accounting period *(2002: 2)*. During the period emoluments paid to director were reduced as part of the company's strategic cost reduction programme.

# Notes *(continued)*

## 6 Interest payable and similar charges

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| *On bank loans and overdrafts* | 169 | 245 |
| Finance charges in respect of finance leases and hire purchase contracts | 25 | 67 |
| | 194 | 312 |

## 7 Exceptional Items

During the year the company incurred exceptional costs as analysed below and set out in the profit and loss account.

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| **Fire damaged property:** | | |
| Under recovery of rent and legal fees | 215 | 599 |
| Impairment loss on fixed assets | 130 | - |
| | 345 | 599 |
| 11th September 2001 | - | 321 |
| Foot and Mouth epidemic | - | 174 |
| | 345 | 1,094 |

During the accounting period the company incurred costs relating to the under recovery of rent and legal fees following fire damage to a subleased property. As a result of the settlement of litigation relating to the property during the year, certain fixed assets were subject to an impairment adjustment.

The settlement of legal action and the sublease of the property brought to an end these exceptional expenses during the current year.

In the previous period the impact of 11th September 2001 and the Foot and Mouth epidemic In the UK was charged to the profit and loss account as an exceptional item.

## Notes *(continued)*

### 8 Tax on profit on ordinary activities

Analysis of charges in the period

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on income for the period | - | - |
| Adjustments in respect of prior periods | (7) | - |
| Tax on profit on ordinary activities | (7) | - |

*Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2000:lower) than the standard rate of corporation tax in the UK (20%, 2002: 20%). The differences are explained below.

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| *Current tax reconciliation* | | |
| Profit on ordinary activities before tax | (507) | (887) |
| Current tax at 20% (2002: 20%) | (101) | (177) |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | 2 | 16 |
| Depreciation in excess of capital allowance | 101 | 75 |
| Prior year adjustment | (7) | - |
| Unrelieved losses for the year | - | 86 |
| Utilised losses in the year | (2) | - |
| Total current tax charge (see above) | (7) | - |

*Factors that may affect future tax charges*

There is no charge for the year since the company made a net operating loss. The company has tax losses to be carried forward amounting to £437,000 *(2002: £308,000)*

A deferred tax asset of £112,000 *(2002: £74,000)* has not been recognised due to the loss in the current year. This will only be recognised in the future if it can be regarded as more likely than not there will be suitable profits from which the future reversal of the timing difference can be deducted.

# Notes *(continued)*

## 9 Tangible fixed assets

| | Leasehold improvements | Motor vehicles, plant and machinery | IT & office equipment, fixtures and fittings | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| ***Cost*** | | | | |
| At the beginning of the year | 1,439 | 99 | 1,977 | 3,515 |
| Additions | - | - | 416 | 416 |
| Disposals | - | (64) | - | (64) |
| At the end of the year | 1,439 | 35 | 2,393 | 3,867 |
| ***Depreciation*** | | | | |
| At the beginning of the year | 1,109 | 65 | 1,252 | 2,426 |
| Charge for the year | 188 | 5 | 327 | 520 |
| On disposals during the year | - | (39) | - | (39) |
| At the end of the year | 1,297 | 31 | 1,579 | 2,907 |
| ***Net book value*** | | | | |
| **At 31 May 2003** | **142** | **4** | **814** | **960** |
| At 31 May 2002 | 330 | 34 | 725 | 1,089 |

The depreciation charge against Leasehold improvements includes an impairment adjustment of £130,000 as set out in Note 7 - exceptional Items.

The net book value of assets held under hire purchase and finance leases at 31 May 2003 was £27,000 *(2002: £97,000)*. The depreciation charge for the year on these assets amounted to £13,000 *(2002: £153,000)*

## 10 Investments

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| **Investments held at Cost** | | |
| Pourshins Logistics Limited | 13 | - |

Pourshins Logistics Limited is a 100% subsidiary of the company. During the year Pourshins Logistics limited did not trade.

Consolidated accounts has not been prepared due to the fact that Pourshins Logistics Limited did not commence trading during the year.

# Notes *(continued)*

## 11 Stocks

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| Finished goods for resale | 1,025 | 1,485 |

## 12 Debtors

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| Trade debtors | 3,460 | 4,160 |
| Other debtors | 651 | 648 |
| Prepayments and accrued income | 201 | 396 |
| Unpaid Share Capital | 35 | - |
| | 4,347 | 5,204 |

All debtors are due within one year. *(2002:£478,000* relates to debtors due after more than one year.)

## 13 Creditors: amounts falling due within one year

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| Trade creditors | 3,651 | 3,925 |
| Bank loans and overdrafts | 2,198 | 2,483 |
| Hire purchase and finance leases | 47 | 114 |
| Corporation tax | - | 2 |
| Other taxes and social security | 35 | 59 |
| Other creditors | 208 | 233 |
| Accruals and deferred income | 112 | 254 |
| | 6,251 | 7,070 |

## 14 Creditors: amounts falling due after more than one year

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| Bank loans | 56 | 148 |
| Hire purchase and finance leases | 10 | 60 |
| | 66 | 208 |

# Notes *(continued)*

**Creditors: amounts falling due after more than one year** *(continued)*

**Analysis of bank loans and overdrafts:**

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| Debt is analysed as falling due: | | |
| In one year or less on demand | 2,198 | 2,483 |
| Between one and two years | 56 | 99 |
| Between two and five years | - | 49 |
| | 2,292 | 2,631 |

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company. Interest on bank loans and overdrafts is payable at various rates depending on the individual contracts.

## 15 Obligations under hire purchase and finance leases

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| These comprise: | | |
| Due within one year | 51 | 127 |
| Due in second to fifth years | 11 | 65 |
| | 62 | 192 |
| Less: Finance charges allocated to future years | (5) | (18) |
| | 57 | 174 |

All amounts due under hire purchase contracts are repayable by instalments within two years of the balance sheet date. Interest on these contracts is payable at various rates depending on the respective finance company and when the contract was first entered into.

## Notes *(continued)*

### 16 Called up share capital

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| ***Authorised:*** | | |
| 20,000,000 'A' ordinary shares of 10p each | 2,000 | 2,000 |
| 7,220,000 'B' ordinary shares of EURO 15 cent each | 722 | 722 |
| | 2,722 | 2,722 |
| ***Allotted, called up and fully paid*** | | |
| 917,500 'A' ordinary shares of 10p each | 92 | 92 |
| 7,220,000 'B' ordinary shares of EURO 15 cent each | 722 | 722 |
| ***Allotted, called up and unpaid*** | | |
| 350,000 'A' ordinary shares of 10p each | 35 | - |
| | 849 | 814 |

Each 'B' ordinary share of EURO 15 cent has the same rights, privileges and restrictions as each 'A' ordinary share of 10p each to the intent that each 'A' ordinary shares and each 'B' ordinary share shall rank pari passu in all respects notwithstanding any change in exchange rates between Sterling and the EURO or any other factor.

The 'B' ordinary shares of EURO 15 cent each were previously denominated in French Francs and were re-denominated upon the introduction of the single currency in participating countries.

### 17 Share premium and reserves

| | Share Premium account £000 | Capital Redemption Reserve £000 | Profit and Loss account £000 |
|---|---|---|---|
| At 31 May 2002 | 6 | 5 | (325) |
| Retained loss for the period | - | - | (507) |
| At 31 May 2003 | 6 | 5 | (832) |

# Notes *(continued)*

## 18 Commitments under operating leases

As at 31 May 2003, the company's annual commitments under operating leases were as follows:

| | 31 May 2003 | 31 May 2002 |
|---|---|---|
| | Land and Buildings | Land and Buildings |
| | £000 | £000 |
| Operating leases which expire: | | |
| Within one year | 250 | - |
| In the second to fifth years inclusive | - | 430 |
| Over five years | 218 | 224 |
| | 468 | 654 |

In terms of a settlement agreement reached with a tenant, relating to the fire damaged property, the tenant will pay rent to the company of £250,000 until the expiry of the lease in December 2003 or earlier assignment of the lease to the tenant.

## 19 Reconciliation of operating profit to net cash inflow from operating activities

| | 12 months ended 31 May 2003 | 18 months ended 31 May 2002 |
|---|---|---|
| | £000 | £000 |
| Operating loss | (320) | (575) |
| Depreciation charges and impairment of fixed assets | 520 | 563 |
| Foreign exchange loss on bank loans | 21 | - |
| Loss on disposal of fixed assets | (2) | - |
| Decrease in stocks | 460 | 486 |
| Decrease in debtors | 892 | 453 |
| Decrease in creditors | (465) | (329) |
| Net cash inflow from operating activities | 1,106 | 598 |

# Notes *(continued)*

## 20 Reconciliation of net cash inflow to movement in net debt

| | 12 months ended 31 May 2003 £000 | 18 months ended 31 May 2002 £000 |
|---|---|---|
| Increase / (decrease) in cash in the year | 299 | (337) |
| Cash outflow from financing | 216 | 310 |
| Change in net debt resulting from cash flows | 515 | (27) |
| New finance leases | - | (37) |
| Translation differences | (21) | (2) |
| Movement in net debt in the year | 494 | (66) |
| Opening net debt | (2,805) | (2,739) |
| Closing net debt | (2,311) | (2,805) |

## 21 Analysis of net debt

| | At 31 May 2002 £000 | Cash flow £000 | Non Cash £000 | Foreign exchange £000 | At 31May 2003 £000 |
|---|---|---|---|---|---|
| Overdrafts | (2,384) | 299 | - | - | (2,085) |
| Debt due within 1 year | (99) | 99 | (92) | (21) | (113) |
| Debt due after 1 year | (148) | - | 92 | - | (56) |
| Finance leases | (174) | 117 | - | - | (57) |
| Total | (2,805) | 515 | - | (21) | (2,311) |

## 22 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £77,000 *(2002: £49,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the accounting period.

# Notes *(continued)*

## 23 Related party disclosures

a) Executive Lounge Services plc is considered a related party due to family relationships between RU Moëd, a director of Pourshins Plc and Y Conn a directors of Executive Lounge Services plc. Y Conn resigned as director of Executive Lounge Services plc during the year. During the accounting period transactions between Pourshins and Executive Lounge Services plc were purchases of £157,000 *(2002: £372,000)* and no sales *(2002: £402,000)*. At 31 May 2003 an amount of £588,000 *(2002: £643,000)* was due from Executive Lounge Services plc.

b) During the accounting period the company made purchases from Dekan2 Limited for £23,000 *(2002: £74,000)*. Dekan2 stopped trading during the year. A bad debt provision of £51,000 was made during the year leaving a balance at 31 May 2003 due to Pourshins of £3,000 *(2002: £32,000)*. Dekan2 Limited and Pourshins plc have some common directors: RU Moëd, MF Diviney and BM Green (the latter 2 having resigned on 30 June 2002).

c) During the accounting period the company made payments of £82,000 (*2002: £86,000*) to Temple Developments Limited for consulting services. A Barnwell is a director of both companies.

## 24 Ultimate controlling party

The company is controlled by RU Moëd by virtue of his shareholdings.