# By Word of Mouth Limited

Financial statements

For the year ended 30 April 2005

Grant Thornton

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COMPANIES HOUSE 672
07/02/2006

Company No. 3310603

# Company information

| | |
|---|---|
| **Company registration number** | 3310603 |
| **Registered office** | Counties House<br>Keswick Road<br>Putney<br>SW15 2HZ |
| **Directors** | J Tinne<br>R Perry<br>A Roestenburg<br>M Connolly |
| **Secretary** | B Watson |
| **Bankers** | Barclays Bank plc<br>7th Floor<br>United Kingdom House<br>180 Oxford Street<br>London<br>W1D 1EA |
| **Auditors** | Grant Thornton UK LLP<br>Chartered Accountants<br>Registered Auditors<br>Enterprise House<br>115 Edmund Street<br>Birmingham<br>B3 2HJ |

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# Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 April 2005.

### Principal activities and business review

The principal activity of the company during the year was the provision of catering services.

There was a loss for the after taxation amounting to £301,278 (2004: loss of £148,659).

### Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### Directors

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

M Lloyd Owen (resigned 31 July 2005)
J Lloyd Owen (resigned 31 July 2005)
J Tinne
S Hawkins (resigned 27 September 2004)
R Perry
H Miller-Brown(resigned 30 September 2005)
A Roestenburg
N Brewster (resigned 31 July 2005)
M Connolly (appointed 10 January 2005)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

### Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. 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
- 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A A Roestenburg
Director
Date 4/11/05

Grant Thornton

# Report of the independent auditors to the members of By Word of Mouth Limited

We have audited the financial statements of By Word of Mouth Limited for the year ended 30 April 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 report of the directors 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 other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of opinion

We conducted our audit in accordance with United Kingdom 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.

# Report of the independent auditors to the members of By Word of Mouth Limited (continued)

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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 April 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

**BIRMINGHAM**

4 November 2005

# Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis as the parent undertaking has pledged to continue to offer financial support for the foreseeable future. The Group directors have prepared cashflow forecasts which make certain assumptions regarding trading and that the payment of loan notes due by the parent company in January 2006 is deferred for at least twelve months from the date of approval of these financial statements. On the basis of these assumptions the forecasts demonstrate that the group has sufficient finance facilities available to allow the business to continue for the foreseeable future.

### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

### Related parties transactions

The company is a wholly owned subsidiary of The Simply Smart Group Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of The Simply Smart Group Limited group.

### Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

### Fixed assets and depreciation

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Leasehold property | - | over the life of the lease |
| Motor vehicles | - | 4 years |
| Kitchen equipment | - | 4 years |
| Office equipment | - | 4 years |

### Stocks

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

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

# Profit and loss account

| | Note | 2005 £ | 2004 £ |
|---|---|---|---|
| Turnover | 1 | **3,788,772** | 4,256,065 |
| Cost of sales | | **2,879,211** | 3,189,628 |
| Gross profit | | **909,561** | 1,066,437 |
| Other operating charges | 2 | **1,209,639** | 1,214,632 |
| **Operating loss** | 3 | **(300,078)** | (148,195) |
| Interest receivable | | **–** | 780 |
| Interest payable and similar charges | 6 | **(1,200)** | (1,244) |
| **Loss on ordinary activities before taxation** | | **(301,278)** | (148,659) |
| Tax on loss on ordinary activities | 7 | **–** | – |
| **Loss for the financial year** | 18 | **(301,278)** | (148,659) |

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

# Balance sheet

| | Note | 2005<br>£ | 2004<br>£ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | **95,177** | 104,038 |
| **Current assets** | | | |
| Stocks | 9 | **44,976** | 52,281 |
| Debtors | 10 | **407,923** | 633,050 |
| Cash at bank and in hand | | **512,415** | 364,248 |
| | | **965,314** | 1,049,579 |
| **Creditors: amounts falling due within one year** | 11 | **1,565,298** | 912,309 |
| **Net current (liabilities)/assets** | | **(599,984)** | 137,270 |
| **Total assets less current liabilities** | | **(504,807)** | 241,308 |
| **Creditors: amounts falling due after more than one year** | 12 | – | 444,837 |
| | | **(504,807)** | (203,529) |
| **Capital and reserves** | | | |
| Called-up equity share capital | 17 | **18,401** | 18,401 |
| Profit and loss account | 18 | **(523,208)** | (221,930) |
| **Deficiency** | 19 | **(504,807)** | (203,529) |

These financial statements were approved by the directors on 4/11/05 and are signed on their behalf by:

J Tinne
Director

A A Roestenburg
Director

# Notes to the financial statements

## 1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| United Kingdom | **3,788,772** | 4,256,065 |

## 2 Other operating income and charges

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Administrative expenses | **1,209,639** | 1,214,632 |

## 3 Operating loss

Operating loss is stated after charging/(crediting):

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Management charges from parent undertaking | **400,000** | 440,000 |
| Depreciation of owned fixed assets | **20,756** | 20,664 |
| Depreciation of assets held under hire purchase agreements | **8,486** | 11,317 |
| (Profit)/loss on disposal of fixed assets | **(2,337)** | 1,050 |
| Auditors' remuneration: | | |
| Audit fees | **6,000** | 6,000 |
| Taxation fees | **1,500** | 1,500 |
| Operating lease costs: | | |
| Vehicles | **20,508** | 14,279 |

## 4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

| | 2005 No | 2004 No |
|---|---|---|
| Number of administrative staff | 6 | 4 |
| Number of management staff | 7 | 7 |
| Number of catering staff | 40 | 42 |
| | 53 | 53 |

The aggregate payroll costs of the above were:

| | 2005 £ | 2004 £ |
|---|---|---|
| Wages and salaries | 1,083,439 | 1,051,421 |
| Social security costs | 113,927 | 107,915 |
| Other pension costs | 10,544 | 10,115 |
| | 1,207,910 | 1,169,451 |

## 5 Directors

Remuneration in respect of directors was as follows:

| | 2005 £ | 2004 £ |
|---|---|---|
| Emoluments receivable | 288,571 | 306,216 |
| Value of company pension contributions to money purchase schemes | 2,273 | 2,730 |
| | 290,844 | 308,946 |

Emoluments of highest paid director:

| | 2005 £ | 2004 £ |
|---|---|---|
| Total emoluments (excluding pension contributions) | 80,000 | 80,000 |

The number of directors who accrued benefits under company pension schemes was as follows:

| | 2005 No | 2004 No |
|---|---|---|
| Money purchase schemes | 3 | 3 |

## 6 Interest payable and similar charges

| | 2005 £ | 2004 £ |
|---|---|---|
| Interest payable on bank borrowing | – | 44 |
| Finance charges | **1,200** | 1,200 |
| | **1,200** | 1,244 |

## 7 Taxation on ordinary activities

There is no tax charge for the year.

Unrelieved tax losses of approximately £519,000 (2004: £213,000) remain available to offset against future taxable trading profits. The deferred tax asset not provided in connection with these losses amounts to approximately £99,000 (2004: £40,000).

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2004 - 19%).

| | 2005 £ | 2004 £ |
|---|---|---|
| Loss on ordinary activities before taxation | **(301,278)** | (148,659) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% | **(57,243)** | (28,245) |
| Capital allowances in excess of depreciation | **(1,427)** | 205 |
| Expenses not deductible for tax purposes | **529** | 122 |
| Tax losses carried forward | **58,141** | 27,918 |
| Total current tax | – | – |

## 8 Tangible fixed assets

| | Leasehold property £ | Kitchen equipment £ | Motor vehicles £ | Office equipment £ | Total £ |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 May 2004 | 68,052 | 111,896 | 96,986 | 13,314 | 290,248 |
| Additions | – | 15,269 | 3,404 | 10,119 | 28,792 |
| Disposals | – | – | (24,664) | – | (24,664) |
| At 30 April 2005 | 68,052 | 127,165 | 75,726 | 23,433 | 294,376 |
| Depreciation | | | | | |
| At 1 May 2004 | 51,587 | 81,591 | 46,839 | 6,193 | 186,210 |
| Charge for the year | 4,491 | 10,369 | 11,289 | 3,093 | 29,242 |
| On disposals | – | – | (16,253) | – | (16,253) |
| At 30 April 2005 | 56,078 | 91,960 | 41,875 | 9,286 | 199,199 |
| Net book value | | | | | |
| At 30 April 2005 | **11,974** | **35,205** | **33,851** | **14,147** | **95,177** |
| At 30 April 2004 | 16,465 | 30,305 | 50,147 | 7,121 | 104,038 |

Included within the net book value of £95,177 is £25,461 (2004 - £33,947) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £8,486 (2004 - £11,317).

## 9 Stocks

| | **2005** £ | 2004 £ |
|---|---|---|
| Goods for resale | **44,976** | 52,281 |

## 10 Debtors

| | **2005** £ | 2004 £ |
|---|---|---|
| Trade debtors | **330,521** | 589,953 |
| Amounts owed by group undertakings | **–** | 3,033 |
| Other debtors | **1,200** | 1,217 |
| Prepayments and accrued income | **76,202** | 38,847 |
| | **407,923** | 633,050 |

## 11 Creditors: amounts falling due within one year

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Payments received on account | **311,980** | 109,500 |
| Trade creditors | **203,259** | 566,393 |
| Amounts owed to group undertakings | **842,911** | – |
| PAYE and social security | **26,765** | 26,815 |
| VAT | **98,065** | 80,446 |
| Amounts due under hire purchase agreements | **4,900** | 10,063 |
| Other creditors | **20,949** | 71,014 |
| Accruals and deferred income | **56,469** | 48,078 |
| | **1,565,298** | 912,309 |

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

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Amounts owed to group undertakings | – | 440,000 |
| Amounts due under hire purchase agreements | – | 4,837 |
| | – | 444,837 |

## 13 Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Amounts payable within 1 year | **4,900** | 10,063 |
| Amounts payable between 1 and 2 years | – | 4,837 |
| | **4,900** | 14,900 |

## 14 Leasing commitments

At 30 April 2005 the company had annual commitments under non-cancellable operating leases as set out below.

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within 1 year | **11,500** | - | – | 8,222 |
| Within 2 to 5 years | **45,159** | 56,659 | **12,861** | – |
| | **56,659** | 56,659 | **12,861** | 8,222 |

## 15 Capital Commitments

There were no capital commitments at 30 April 2005 or 30 April 2004.

## 16 Contingent liabilities

The company is party to a multi-lateral guarantee given to the group's bankers and providers of finance to secure all monies due or to become due from members of the group headed by The Simply Smart Group Limited. At 30 April 2005 there was a maximum contingent liability under this guarantee amounting to £6,617,897 (2004: £5,041,391).

## 17 Share capital

Authorised share capital:

| | 2005 £ | 2004 £ |
|---|---|---|
| 18,401 Ordinary shares of £1 each | **18,401** | 18,401 |

Allotted, called up and fully paid:

| | 2005 No | 2005 £ | 2004 No | 2004 £ |
|---|---|---|---|---|
| Ordinary shares of £1 each | **18,401** | **18,401** | 18,401 | 18,401 |

## 18 Profit and loss account

| | 2005 £ | 2004 £ |
|---|---|---|
| Balance brought forward | **(221,930)** | (73,271) |
| Accumulated loss for the financial year | **(301,278)** | (148,659) |
| Balance carried forward | **(523,208)** | (221,930) |

## 19 Reconciliation of movements in shareholders' funds

| | 2005 £ | 2004 £ |
|---|---|---|
| Loss for the financial year | **(301,278)** | (148,659) |
| Opening shareholders' equity deficit | **(203,529)** | (54,870) |
| Closing shareholders' equity deficit | **(504,807)** | (203,529) |

## 20 Parent undertaking and controlling party

The company's controlling party is The Simply Smart Group Limited, by virtue of its 100% shareholding. The company's ultimate controlling party is Sand Aire Private Equity Limited.