

By Word of Mouth Limited
Financial statements
For the year ended 30 April 2004

Grant Thornton 



Company No. 3310603

Company information

Company registration number	3310603
Registered office	Counties House Keswick Road Putney SW15 2HZ
Directors	M Lloyd Owen J Lloyd Owen J Tinné S Hawkins R Perry H Miller-Brown A A Roestenburg N D Brewster
Secretary	N D Brewster
Bankers	Barclays Bank plc 50 Pall Mall London SW1A 1QB
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Enterprise House 115 Edmund Street Birmingham 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 2004.

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 year after taxation amounting to £148,659 (2003: loss of £73,302).

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
J Lloyd Owen
J Tinné
S Hawkins
R Perry
H Miller-Brown
A A Roostenburg
N D Brewster

The company is a wholly owned subsidiary and the interests of A A Roostenburg and N D Brewster, who are directors of the parent undertaking, are disclosed in the financial statements of the parent company. No other director has an interest in the parent undertaking.

Directors' responsibilities

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

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



N D Brewster
Secretary

Date: 26 JULY 2004

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 2004 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 21. 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 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 other information contained in the Directors' Report 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.

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 2004 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
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM**

26 July 2004

Principal accounting policies

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

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	-	reducing balance on remaining period of lease
Kitchen equipment	-	25% reducing balance
Motor vehicles	-	25% reducing balance
Office equipment	-	25% reducing balance

Stocks

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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	2004 £	2003 £
Turnover	1	4,256,065	3,761,920
Cost of sales		3,189,628	3,637,093
Gross profit		<u>1,066,437</u>	<u>124,827</u>
Other operating charges	2	1,214,632	198,854
Operating loss	3	<u>(148,195)</u>	<u>(74,027)</u>
Interest receivable		780	868
Interest payable	6	(1,244)	(143)
Loss on ordinary activities before taxation		<u>(148,659)</u>	<u>(73,302)</u>
Tax on loss on ordinary activities	7	—	—
Loss for the financial year		<u><u>(148,659)</u></u>	<u><u>(73,302)</u></u>

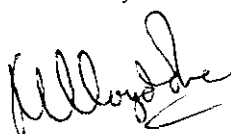
All of the activities of the company are classed as continuing.

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

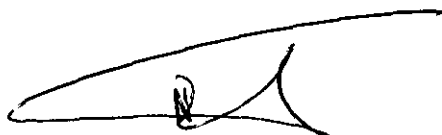
Balance sheet

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	<u>104,038</u>	<u>130,540</u>
Current assets			
Stocks	9	52,281	44,158
Debtors	10	633,050	252,010
Cash at bank and in hand		364,248	259
		<u>1,049,579</u>	<u>296,427</u>
Creditors: amounts falling due within one year	11	<u>912,309</u>	<u>467,000</u>
Net current assets/(liabilities)		<u>137,270</u>	<u>(170,573)</u>
Total assets less current liabilities		<u>241,308</u>	<u>(40,033)</u>
Creditors: amounts falling due after more than one year	12	<u>444,837</u>	<u>14,837</u>
		<u>(203,529)</u>	<u>(54,870)</u>
Capital and reserves			
Called-up share capital	18	18,401	18,401
Profit and loss account	19	(221,930)	(73,271)
Deficiency (including non-equity interests)	20	<u>(203,529)</u>	<u>(54,870)</u>

These financial statements were approved by the directors on 26 JULY 2004 and are signed on their behalf by:



M Lloyd Owen
Director



N D Brewster
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:

	2004 £	2003 £
United Kingdom	<u>4,256,065</u>	<u>3,761,920</u>

2 Other operating charges

	2004 £	2003 £
Administrative expenses	<u>1,214,632</u>	<u>198,854</u>

3 Operating loss

Operating loss is stated after charging:

	2004 £	2003 £
Directors' emoluments	297,368	44,724
Management charges from parent undertaking	440,000	-
Depreciation of owned fixed assets	20,664	3,797
Depreciation of assets held under hire purchase agreements	11,317	2,142
Loss on disposal of fixed assets	1,050	-
Auditors' remuneration:		
Audit fees	6,000	6,000
Taxation fees	1,750	1,500
Operating lease costs:		
Vehicles	<u>14,279</u>	<u>1,752</u>

4 Directors and employees

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

	2004 No	2003 No
Number of administrative staff	4	3
Number of management staff	7	8
Number of catering staff	42	38
	<u>53</u>	<u>49</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	1,051,421	160,223
Social security costs	107,915	11,499
Other pension costs	10,115	9,469
	<u>1,169,451</u>	<u>181,191</u>

5 Directors

Remuneration in respect of directors was as follows:

	2004 £	2003 £
Emoluments receivable (including benefits in kind)	306,216	44,724
Value of company pension contributions to money purchase schemes	2,730	199
	<u>308,946</u>	<u>44,923</u>

Emoluments of highest paid director:

	2004 £	2003 £
Total emoluments (excluding pension contributions):	<u>80,000</u>	<u>—</u>

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

	2004 No	2003 No
Money purchase schemes	<u>3</u>	<u>3</u>

6 Interest payable

	2004 £	2003 £
Interest payable on bank borrowing	44	2
Finance charges	1,200	141
	<u>1,244</u>	<u>143</u>

7 Taxation on ordinary activities

Factors affecting current tax charge

	2004 £	2003 £
Loss on ordinary activities before taxation	<u>(148,659)</u>	<u>(73,302)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(28,245)	(13,927)
Expenses not deductible for tax purposes	122	-
Depreciation in excess of capital allowances	205	(2,526)
Tax losses carried forward	<u>27,918</u>	<u>16,453</u>
Total current tax	<u>-</u>	<u>-</u>

The company has unrelieved tax losses of approximately £234,000 available to carry forward and offset against future taxable trading profits.

8 Tangible fixed assets

	Leasehold property £	Kitchen equipment £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 May 2003	68,052	103,671	115,422	10,009	297,154
Additions	-	8,225	-	3,305	11,530
Disposals	-	-	(18,436)	-	(18,436)
At 30 April 2004	<u>68,052</u>	<u>111,896</u>	<u>96,986</u>	<u>13,314</u>	<u>290,248</u>
Depreciation					
At 1 May 2003	47,096	73,985	41,210	4,323	166,614
Charge for the year	4,491	7,606	18,014	1,870	31,981
On disposals	-	-	(12,385)	-	(12,385)
At 30 April 2004	<u>51,587</u>	<u>81,591</u>	<u>46,839</u>	<u>6,193</u>	<u>186,210</u>
Net book value					
At 30 April 2004	<u>16,465</u>	<u>30,305</u>	<u>50,147</u>	<u>7,121</u>	<u>104,038</u>
At 30 April 2003	<u>20,956</u>	<u>29,686</u>	<u>74,212</u>	<u>5,686</u>	<u>130,540</u>

Included within the net book value of £104,038 is £33,947 (2003 - £45,264) 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 £11,317 (2003 - £2,142).

9 Stocks

	2004	2003
	£	£
Goods for resale	<u>52,281</u>	<u>44,158</u>

10 Debtors

	2004	2003
	£	£
Trade debtors	589,953	206,525
Amounts owed by group undertakings	3,033	—
Other debtors	1,217	1,891
Prepayments and accrued income	38,847	43,594
	<u>633,050</u>	<u>252,010</u>

11 Creditors: amounts falling due within one year

	2004	2003
	£	£
Bank loans and overdrafts	—	25,246
Payments received on account	109,500	144,635
Trade creditors	566,393	100,024
PAYE and social security	26,815	23,875
VAT	80,446	46,764
Amounts due under hire purchase agreements	10,063	10,063
Other creditors	71,014	89,163
Accruals and deferred income	48,078	27,230
	<u>912,309</u>	<u>467,000</u>

12 Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Amounts owed to group undertakings	440,000	—
Amounts due under hire purchase agreements	4,837	14,837
	<u>444,837</u>	<u>14,837</u>

It is the intention of the directors of the parent undertaking to capitalise the amounts owed from group undertakings in the year ending 30 April 2005. This will result in the above amounts owed to group undertakings being reclassified as share capital in this company.

13 Commitments under finance leases and hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2004 £	2003 £
Amounts payable within 1 year	10,063	10,063
Amounts payable between 1 and 2 years	4,837	10,063
Amounts payable between 3 and 5 years	—	4,774
	<u>14,900</u>	<u>24,900</u>

14 Leasing commitments

At 30 April 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2004 £	2003 £
Operating leases which expire:		
Within 1 year	8,222	2,689
Within 2 to 5 years	—	7,286
	<u>8,222</u>	<u>9,975</u>

15 Capital Commitments

There were no capital commitments at 30 April 2004 or 30 April 2003.

16 Contingent assets/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 2004 and 30 April 2003 there was a maximum contingent liability under this guarantee amounting to £5,041,391.

17 Related party transactions

During the year the company purchased goods and services amounting to £nil (2003: £3,460,220) from By Word Of Mouth, a partnership controlled by the directors M Lloyd Owen, J Lloyd Owen and J Tinne. At 30 April 2004 the company owed the partnership £nil (2003 £87,251).

18 Share capital

Authorised share capital:

	2004 £	2003 £
18,401 Ordinary shares of £1 each	18,401	—
8,500 A Ordinary shares of £1 each	—	8,500
1,500 B Ordinary shares of £1 each	—	1,500
8,401 7% Preference shares of £1 each	—	8,401
	<u>18,401</u>	<u>18,401</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	18,401	18,401	—	—
A Ordinary shares of £1 each	—	—	8,500	8,500
B Ordinary shares of £1 each	—	—	1,500	1,500
7% Preference shares of £1 each	—	—	8,401	8,401
	<u>18,401</u>	<u>18,401</u>	<u>18,401</u>	<u>18,401</u>

By written resolution of the Company dated 29 March 2004 all of the non-cumulative non-participating preference shares were reclassified as Ordinary Shares to rank pari passu in all respects with the existing Ordinary Shares in the Company; and all of the A Ordinary Shares and B Ordinary Shares were reclassified as Ordinary Shares to rank pari passu in all respects with each other.

19 Profit and loss account

	2004 £	2003 £
Balance brought forward	(73,271)	31
Accumulated loss for the financial year	(148,659)	(73,302)
Balance carried forward	<u>(221,930)</u>	<u>(73,271)</u>

20 Reconciliation of movements in shareholders' funds

Equity shareholders' funds

	2004 £	2003 £
Loss for the financial year	(148,659)	(73,302)
Reclassified from non-equity shareholders' funds	8,401	—
Net reduction to funds	<u>(140,258)</u>	<u>(73,302)</u>
Opening shareholders' equity (deficit)/funds	(63,271)	10,031
Closing shareholders' equity deficit	<u>(203,529)</u>	<u>(63,271)</u>

20 Reconciliation of movements in shareholders' funds (continued)

Non-equity shareholders' funds

Opening shareholders' non-equity funds	8,401	—
New non-equity share capital subscribed	—	8,401
Reclassification to equity shareholders' funds	(8,401)	—
Closing shareholders' non-equity funds	<u>—</u>	<u>8,401</u>
Total shareholders' deficit	<u>(203,529)</u>	<u>(54,870)</u>

21 Parent undertaking and controlling party

The company's immediate and ultimate 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.