

3310603

By Word of Mouth Limited

Report and Financial Statements

30 June 2012

THURSDAY



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28/03/2013

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COMPANIES HOUSE

Directors

Sir F H Mackay

N E H Thomas

J Tinne

R Perry

Secretary

R Morley

Auditors

Ernst & Young LLP

Bridgewater Place

Water Lane

Leeds LS11 5QR

Bankers

Barclays Bank plc

Level 6

1 Churchill Place

London E14 5HP

Registered Office

Suite 7 Fountain House

4 South Parade

Leeds

LS1 5QX

Registered No 3310603

Directors' report

The directors present their report and financial statements for the year ended 30 June 2012

Future developments

The directors consider that future periods will show further growth in sales and gross margin

Results and dividends

The result for the year after taxation amounted to £463,000 (14 months ended 30 June 2011 – profit of £316,992) The directors do not recommend a final dividend (14 months ended 30 June 2011 – £nil)

Principal activities and review of the business

The principal activity of the company during the period was the provision of catering services During the year the company changed its year end to 30 June

The directors are satisfied with the performance of the business during the year

Financial risk management objectives and policies

The company's principal financial instruments comprise intra group borrowings, cash and short-term deposits The main purpose of these financial instruments is to raise finance for the company's operations The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations The company does not enter into derivative transactions

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken The main risks arising from the company's financial instruments are liquidity risk, and credit risk The board reviews and agrees policies for managing each of these risks and they are summarised below

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably The group directors prepare detailed cashflow forecasts incorporating all companies within the group and funds are transferred around the group to ensure sufficient liquidity is maintained at all times

Credit risk

The company trades with only recognised, creditworthy third parties It is company policy that all customers who wish to trade on credit terms are subject to credit vetting procedures In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant

Directors

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

Sir F H Mackay

A A Roestenburg (Resigned 29th May 2012)

N E H Thomas (Appointed 29th May 2012)

J Tinne

R Perry

Directors' report (continued)

Disclosure of information to the auditors

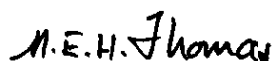
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's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

Auditors

Grant Thornton UK LLP resigned as auditors on 19 July 2012 and Ernst & Young LLP was appointed in their place.

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

By order of the Board



N E H Thomas

Director

15th March 2013

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper 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 By Word of Mouth Limited

We have audited the financial statements of By Word of Mouth Limited for the year ended 30 June 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

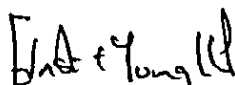
Independent auditors' report (continued)

to the members of By Word of Mouth Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Alistair Denton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Leeds
19th March 2013

Profit and loss account

for the year ended 30 June 2012

| | | <i>Year ended 30 June 2012</i> | <i>14 months ended 30 June 2011</i> |
|--|--------------|--|---|
| | <i>Notes</i> | <i>£000</i> | <i>£000</i> |
| Turnover | 2 | 4,926 | 5,049 |
| Cost of sales | | (2,482) | (3,167) |
| Gross profit | | 2,444 | 1,882 |
| Other operating charges | 3 | (1,999) | (1,541) |
| Operating profit | 4 | 445 | 341 |
| Exceptional item | 3 | (20) | – |
| Interest payable and similar charges | 7 | – | (24) |
| Profit on ordinary activities before taxation | | 425 | 317 |
| Tax | 8 | 38 | – |
| Profit for the financial year | 14 | 463 | 317 |

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 30 June 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £463,000 in the year ended 30 June 2012 (14 months ended 30 June 2011 – profit of £316,992)

Balance sheet

at 30 June 2012

| | Notes | 2012 £000 | 2011 £000 |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Tangible assets | 9 | 176 | 176 |
| Current assets | | | |
| Stocks | 10 | 36 | 52 |
| Debtors | 11 | 1,416 | 833 |
| Deferred tax asset | 8 | 38 | - |
| Cash at bank and in hand | | 533 | 536 |
| | | 2,023 | 1,422 |
| Creditors' amounts falling due within one year | 12 | (1,484) | (1,345) |
| Net current assets | | 539 | 76 |
| Total assets less current liabilities | | 715 | 252 |
| Capital and reserves | | | |
| Called up share capital | 13 | 18 | 18 |
| Profit and loss account | 14 | 697 | 234 |
| Shareholders' funds | 15 | 715 | 252 |

The financial statements were approved and authorised for issue by the Board on 15th March 2013 and signed on its behalf by

N. E. H. Thomas

N E H Thomas

Director

Notes to the financial statements

at 30 June 2012

1. Accounting policies

Basis of preparation

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

Going concern

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 for 12 months from the date of signing these financial statements, which make certain assumptions regarding trading. On the basis of these assumptions the forecasts demonstrate that the group has sufficient finance facilities available to allow it to continue for the foreseeable future.

Statement of cash flows

The directors have taken advantage of the exemption in FRS 1 (Revised 1996) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any required impairment.

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 |
| Kitchen equipment | – | 25% reducing balance per annum |
| Motor vehicles | – | 25% reducing balance per annum |
| Office equipment | – | 25% reducing balance per annum |
| Fixtures and fittings | – | 25% reducing balance per annum |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 30 June 2012

1. Accounting policies (continued)

Operating leases

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

Pensions

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

| | <i>Year ended 30 June 2012 £000</i> | <i>14 months ended 30 June 2011 £000</i> |
|----------------|---|--|
| United Kingdom | 4,926 | 5,049 |

3. Other operating charges

| | <i>Year ended 30 June 2012 £000</i> | <i>14 months ended 30 June 2011 £000</i> |
|-------------------------|---|--|
| Administrative expenses | 1,999 | 1,541 |

Notes to the financial statements

at 30 June 2012

4. Operating profit

This is stated after charging/(crediting)

| | | <i>Year ended 30 June 2012</i> | <i>14 months ended 30 June 2011</i> |
|------------------------------------|--------------------|--|---|
| | | <i>£000</i> | <i>£000</i> |
| Auditors' remuneration | — | | |
| | — | | |
| | Audit fees | 3 | 3 |
| | Taxation | 7 | 8 |
| | | <u>7</u> | <u>8</u> |
| Management charge | | — | 200 |
| Depreciation of owned fixed assets | | 61 | 25 |
| Loss on sale of fixed assets | | (1) | (1) |
| | | <u>(1)</u> | <u>(1)</u> |
| Operating lease rentals | — | | |
| | — | | |
| | Land and buildings | 84 | 73 |
| | Other | 42 | 46 |
| | | <u>42</u> | <u>46</u> |

5. Directors' remuneration

Remuneration in respect of directors was as follows

| | <i>Year ended 30 June 2012</i> | <i>14 months ended 30 June 2011</i> |
|--|--|---|
| | <i>£000</i> | <i>£000</i> |
| Remuneration receivable | 309 | 276 |
| Value of company pension contributions to money purchase schemes | 3 | 3 |
| | <u>312</u> | <u>279</u> |

Remuneration of highest paid director

| | <i>Year ended 30 June 2012</i> | <i>14 months ended 30 June 2011</i> |
|--|--|---|
| | <i>£000</i> | <i>£000</i> |
| Total remuneration (excluding pension contributions) | <u>180</u> | <u>161</u> |

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

| | <i>No</i> | <i>No</i> |
|------------------------|-----------|-----------|
| Money purchase schemes | <u>1</u> | <u>1</u> |

Notes to the financial statements

at 30 June 2012

6. Staff costs

| | <i>Year ended 30 June 2012</i> | <i>14 months ended 30 June 2011</i> |
|-----------------------|--|---|
| | <i>£000</i> | <i>£000</i> |
| Wages and salaries | 1,401 | 1,444 |
| Social security costs | 132 | 149 |
| Other pension costs | 3 | 14 |
| | <u>1,536</u> | <u>1,607</u> |

The average monthly number of employees during the year was made up as follows

| | <i>No</i> | <i>No</i> |
|----------------------|-----------|-----------|
| Administrative staff | 4 | 4 |
| Management staff | 12 | 11 |
| Catering staff | 54 | 41 |
| | <u>70</u> | <u>56</u> |

7. Interest payable and similar charges

| | <i>Year ended 30 June 2012</i> | <i>14 months ended 30 June 2011</i> |
|-------------------------------|--|---|
| | <i>£000</i> | <i>£000</i> |
| Other similar charges payable | <u>—</u> | <u>24</u> |

Notes to the financial statements

at 30 June 2012

8. Tax

(a) Tax on profit on ordinary activities

The tax credit is made up as follows

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax on profit for the year | – | – |
| Adjustment in respect of previous periods | – | – |
| Total current tax (note 8(b)) | – | – |
| Deferred tax | | |
| Origination and reversal of timing differences | 38 | – |
| Tax on credit on ordinary activities (note 8(b)) | 38 | – |

(b) Factors affecting tax charge for the year

The tax assessed for the year/period differs from the standard rate of corporation tax in the UK of 24% (14 months ended 30 June 2011 – 27.57%). The differences are explained below

| | Year ended 30 June 2012 £000 | 14 months ended 30 June 2011 £000 |
|--|---------------------------------------|--|
| Profit on ordinary activities before tax | 425 | 317 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25.50% (14 months ended 30 June 2011 – 27.57%) | 108 | 87 |
| <i>Effects of</i> | | |
| Depreciation in excess of capital allowances | 14 | 3 |
| Group relief received | (127) | (56) |
| Expenses not deductible for tax purposes | 5 | 6 |
| Utilisation of tax losses | – | (40) |
| Current tax for the year (note 8(a)) | – | – |

Notes to the financial statements

at 30 June 2012

8. Tax (continued)

(c) Factors that may affect future tax charges

The Finance Bill 2012 announced a reduction in the main rate of corporation tax from 26% to 24% effective from 1 April 2012 and a further reduction in the main rate of corporation tax to 23% effective from 1 April 2013

A proposed further reduction in the main rate of corporation tax to 21% effective from 1 April 2014 was announced in the Autumn Statement in December 2012. As of 30 June 2012 only the previously announced reduction to 24% had been substantively enacted so this is the rate at which deferred tax has been calculated

Tax losses of £nil (14 months ended 30 June 2011 – £nil) are available to offset against future trading profits of the same trade. The deferred tax asset not provided in connection with these losses, due to the uncertainty of when they will be recovered, amounts to £nil (2011 – £nil)

(d) Deferred tax

| Provision of deferred tax asset | £'000 |
|---------------------------------|-------------|
| At 1 July 2011 | - |
| Profit and loss account | (38) |
| At 30 June 2012 | (38) |

The deferred tax consists of

| | 2012 £'000 |
|----------------------------------|---------------|
| Decelerated capital allowances | (38) |
| Total deferred tax assets | (38) |

The company has a deferred tax asset of £38,373 at 30 June 2012 (£nil at 30 June 2011) mainly in respect of capital allowances and other short term timing differences

If the reduction in tax rates to 21% had been substantively enacted at the balance sheet date, the deferred tax asset would reduce by approximately £5,000

9. Tangible fixed assets

| | <i>Leasehold property</i> £000 | <i>Kitchen equipment</i> £000 | <i>Motor vehicles</i> £000 | <i>Office equipment</i> £000 | <i>Fixtures and fittings</i> £000 | <i>Total</i> £000 |
|------------------------|---------------------------------------|--------------------------------------|-----------------------------------|-------------------------------------|--|----------------------|
| Cost | | | | | | |
| At 1 July 2011 | 197 | 194 | 9 | 44 | 6 | 450 |
| Additions | 36 | 22 | - | 4 | - | 62 |
| Impairment | (70) | - | - | (8) | - | (78) |
| Disposals | - | - | (3) | - | - | (3) |
| At 30 June 2012 | 163 | 216 | 6 | 40 | 6 | 431 |
| Depreciation | | | | | | |
| At 1 July 2011 | 70 | 159 | 7 | 37 | 1 | 274 |

Notes to the financial statements

at 30 June 2012

| | | | | | | |
|---------------------|------|-----|-----|-----|---|------|
| Charge for the year | 36 | 17 | 1 | 5 | 2 | 61 |
| Impairment | (70) | – | – | (7) | – | (77) |
| Disposals | – | – | (3) | – | – | (3) |
| At 30 June 2012 | 36 | 176 | 5 | 35 | 3 | 255 |
| Net book value | | | | | | |
| At 30 June 2012 | 127 | 40 | 1 | 5 | 3 | 176 |
| At 1 July 2011 | 127 | 34 | 2 | 6 | 5 | 176 |

10. Stocks

| | 2012 £000 | 2011 £000 |
|------------------|--------------|--------------|
| Goods for resale | 36 | 52 |

11. Debtors

| | 2012 £000 | 2011 £000 |
|-------------------------------------|--------------|--------------|
| Trade debtors | 652 | 554 |
| Other debtors | 1 | – |
| Prepayments and accrued income | 114 | 109 |
| Amounts owed from group undertaking | 649 | 170 |
| | <u>1,416</u> | <u>833</u> |

12. Creditors: amounts falling due within one year

| | 2012 £000 | 2011 £000 |
|------------------------------------|--------------|--------------|
| Payments received on account | 404 | 342 |
| Trade creditors | 604 | 311 |
| Amounts owed to group undertakings | 24 | 234 |
| PAYE and social security | 61 | 44 |
| VAT | 143 | 202 |
| Other creditors | 3 | 7 |
| Accruals and deferred income | 245 | 205 |
| | <u>1,484</u> | <u>1,345</u> |

13. Issued share capital

| | No | 2012 £000 | No | 2011 £000 |
|---|----|--------------|----|--------------|
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of £1 each | 18 | <u>18</u> | 18 | <u>18</u> |

Notes to the financial statements

at 30 June 2012

14. Movements on reserves

| | <i>Profit and loss account £000</i> |
|-------------------------------|---|
| At 1 July 2011 | 234 |
| Profit for the financial year | 425 |
| At 30 June 2012 | <u>659</u> |

15. Reconciliation of shareholders' funds

| | <i>2012 £000</i> | <i>2011 £000</i> |
|-------------------------------|----------------------|----------------------|
| Profit for the financial year | 425 | 317 |
| Opening shareholders' funds | <u>252</u> | <u>(65)</u> |
| Closing shareholders' funds | <u>677</u> | <u>252</u> |

16. Capital commitments

There were no capital commitments at 30 June 2012 or 30 June 2011

Notes to the financial statements

at 30 June 2012

17. Other financial commitments

At 30 June 2012 the company had annual commitments under non-cancellable operating leases as set out below

| | 2012 | | 2011 | |
|-------------------------------|-------------------------------|--------------------|-------------------------------|--------------------|
| | <i>Land and buildings</i> | <i>Other items</i> | <i>Land and buildings</i> | <i>Other items</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Operating leases which expire | | | | |
| Within one year | – | – | – | 4 |
| In two to five years | 100 | 40 | 66 | 28 |

18. 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 June 2012 there was a maximum contingent liability under this guarantee amounting to £180,871 (2011 – £442,449)

19. Related party transactions

The company is a wholly owned subsidiary of Graysons Hospitality Associates Limited, the group financial statements 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 Graysons Hospitality Associates Limited group.

20. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is The Simply Smart Group Limited

The company's ultimate parent undertaking is Graysons Hospitality Associates Limited

The parent undertaking of the largest and smallest group for which group financial statements are prepared is Graysons Hospitality Associates Limited. Copies of Graysons Hospitality Associates Group's financial statements are available from Companies House

The director's consider Sir Francis Mackay to be the controlling party