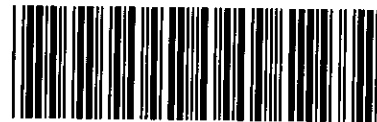


Registered number: 03310603

BY WORD OF MOUTH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019

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COMPANIES HOUSE

BY WORD OF MOUTH LIMITED

COMPANY INFORMATION

Directors	Sir F H Mackay B H C Watson R C L Perry
Company secretary	B H C Watson
Registered number	03310603
Registered office	Devon House Anchor Street Chelmsford Essex CM2 0GD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Priory Place New London Road Chelmsford Essex CM2 0PP

BY WORD OF MOUTH LIMITED

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BY WORD OF MOUTH LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 29 DECEMBER 2019**

Operational review

Led by Rick Perry, By Word of Mouth continues to be one of the UK's most admired party design and event catering companies and has been a leader in its industry for over 30 years.

It provides exceptional quality and operates in a wide variety of stunning, high profile and historic venues with both corporate entities and private individuals as its clients.

The results for year shows another very good performance consistent with previous years and which delivers a significant level of sustainable profitability.

Despite the ongoing challenges presented by COVID-19 and an uncertain political and economic environment, the directors believe that the strength of the By Word of Mouth brand coupled with the resilience and adaptability that the company has shown over more than 30 years will allow By Word of Mouth to continue to trade profitably in the medium and longer term whilst developing new offers to capture new opportunities in a rapidly changing environment.

Principal risks and uncertainties

Whilst the company is fortunate enough to be listed on a significant number of high profile venues in and around London, ultimately there are no contracts that grant absolute exclusivity to catering and events in a particular location. As such the company attains its business through a combination of its client relationships and its long standing reputation in the market, driven by its long established ability to deliver high quality and bespoke service, with its corporate clients operating across a wide variety of sectors. As such sales levels are not certain but the long trading history, client diversity and the ability demonstrated over recent years to grow significantly during periods of economic uncertainty mitigates the risk.

In respect of Brexit, the potential risks for Graysons are around the Labour Market and the Supply Chain. The Board have considered the potential risks and do not believe that there are any major threats arising from these risks and where risks do exist, steps are being and have been taken to mitigate any adverse impact.

COVID 19 pandemic

The worldwide pandemic resulting from the spread of the COVID-19 virus has inevitably caused a significant interruption to the company's business, beginning in March 2020. The situation continues to evolve but whilst the spread of the virus and the restrictions mandated by the UK Government to mitigate this are beyond the company's control, the company has taken all steps possible to safeguard the health & safety of its employees, develop COVID secure operating guidelines, minimise its costs where possible and utilise Government support schemes including the Job Retention Scheme, CBILS loans and tax deferrals, whilst adapting the operating model and developing and providing new offers to its clients including virtual events.

The impact of the pandemic will undoubtedly continue in 2021 with Government restrictions and social distancing expected to be in place until the end of June based on the Government's roadmap announcements but there is good reason for optimism following the very successful vaccination programme over the last 3 months and this provides considerable comfort that revenues will recover during the second half of 2021. Crucially the company has maintained its core capacity in terms of the key management team and client base and this will allow the company the ability to return to more normal levels of trading. Strong existing client relationships and strong relationships with the venues at which the company is listed together with a strong market position puts the Company in a good position to continue to endure the impact in the short term and return to more normal levels of trade and re-establish growth in the second half of 2021.

BY WORD OF MOUTH LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2019**

Financial key performance indicators

The directors consider the key performance indicators of the business aside from turnover and profit to be the percentages of gross profit and profit before tax against turnover. These can be affected by the sales mix and the impact of fixed costs.

The turnover for the year is £6,436,566 (2018: £7,052,000). Profit is discussed in the Business Review.

Gross profit margin in the year has increased to 54% and the profit before tax percentage has changed from 12.3% to 9% (ignoring group management fees – see note 5) reflecting a slightly lower sales volume experienced during the year but with Administrative Expenses largely fixed.

Based on the above, the directors are pleased with the performance of the company overall.

Going concern

The financial statements show the company with positive net current assets and net assets. The financial statements have been prepared on a going concern basis, which assumes that the company has sufficient resources to enable it to continue operating and to meet its liabilities as they fall due. The directors believe the going concern assumption to be appropriate for the reasons set out below.

As part of the Graysons Hospitality Limited group of companies and this group's banking arrangements, the company has entered into multi-lateral guarantee with the other companies in the group and as such the ultimate parent undertaking has pledged, in the ordinary course of business, to continue to offer financial support for the foreseeable future and confirmed this in writing in a letter of support.

The group directors have prepared cash flow forecasts for 15 months from the date of signing these financial statements. The directors believe the forecasts to be prudent and have undertaken extensive sensitivity analysis to take account of known and potential risks including the recent and ongoing impact of the COVID-19 pandemic. Given the significant impact that COVID-19 is expected to have on the wider UK economy a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, the underlying assumption for the purposes of these forecasts is prudent in that it assumes the Group will continue to be impacted by the pandemic throughout 2021 and given the contractual and diverse nature of the group's business coupled with the recent extension of government initiatives such as the extension of the furlough scheme and the reduced rate of VAT for the hospitality sector there is a significant ability to mitigate this uncertainty. Further mitigating factors include funding secured through the government backed CBILS scheme in addition to the other government support. The group also continues to enjoy the support of its major shareholder, Sir Francis Mackay, who has provided working capital for the group's development over many years.

Further to this the group continues to be very active in tendering for new contracts and as a result of that activity reasonably expects to gain further new business following recent contract additions and consolidation of competitors in the marketplace in recent years but is not reliant upon this to support the basis of preparation of the forecasts.

Given all of these factors and the fact that the forecasts demonstrate the ability of the group to operate within its existing facilities the Board has a reasonable expectation that the Group has adequate resources to continue the Group's operations for the foreseeable future.

For the reasons laid out above the Board continues to adopt the going concern basis in preparing these financial statements.

BY WORD OF MOUTH LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2019

This report was approved by the board on 29 March 2021 and signed on its behalf.

Sir Francis Mackay

Sir F H Mackay
Director

BY WORD OF MOUTH LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 29 DECEMBER 2019**

The directors present their report and the financial statements for the year ended 29 December 2019.

Directors

The directors who served during the year were:

Sir F H Mackay
B H C Watson
R C L Perry
J M P Tinne (Resigned 5 October 2020)

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic report, the Directors' 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, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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 judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

BY WORD OF MOUTH LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 DECEMBER 2019**

Post balance sheet events

Since the year end there has been significant economic uncertainty regarding the global Covid-19 pandemic. The directors have been closely monitoring the situation with all the stakeholders of the company and taking all actions necessary to mitigate the effect on the business in both the short and long term.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 29 March 2021 and signed on its behalf.

Francis Mackay

Sir F H Mackay
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY WORD OF MOUTH LIMITED

Opinion

We have audited the financial statements of By Word of Mouth Limited (the 'company') for the year ended 29 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are among the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY WORD OF MOUTH LIMITED
(CONTINUED)**

Material uncertainty related to going concern

We draw attention to the going concern accounting policy contained within note 2.3 in the financial statements, which indicates the effect that the conditions caused by the current global Covid-19 pandemic may have on the business. As stated in note 2.3, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY WORD OF MOUTH LIMITED
(CONTINUED)**

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' report.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY WORD OF MOUTH LIMITED
(CONTINUED)**

Use of our report

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.

Grant Thornton UK LLP

James Brown
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Chelmsford

30 March 2021

BY WORD OF MOUTH LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 DECEMBER 2019**

	Note	2019 £	2018 £000
Turnover	4	6,437	7,052
Cost of sales		(2,976)	(3,514)
Gross profit		3,461	3,538
Administrative expenses		(2,990)	(2,773)
Operating profit	5	471	765
Tax on profit	9	(7)	2
Profit for the financial year		464	767

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 13 to 26 form part of these financial statements.

BY WORD OF MOUTH LIMITED
REGISTERED NUMBER:03310603

STATEMENT OF FINANCIAL POSITION
AS AT 29 DECEMBER 2019

		29 December 2019 £000	30 December 2018 £000
	Note		
Fixed assets			
Tangible assets	10	70	67
		<u>70</u>	<u>67</u>
Current assets			
Stocks	11	60	62
Debtors: amounts falling due within one year	12	4,893	4,133
Cash at bank and in hand	13	454	601
		<u>5,407</u>	<u>4,796</u>
Creditors: amounts falling due within one year	14	(1,897)	(1,747)
Net current assets		<u>3,510</u>	<u>3,049</u>
Total assets less current liabilities		<u>3,580</u>	<u>3,116</u>
Net assets		<u><u>3,580</u></u>	<u><u>3,116</u></u>
Capital and reserves			
Called up share capital	16	18	18
Profit and loss account	17	3,562	3,098
		<u>3,580</u>	<u>3,116</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 March 2021.

Sir Francis Mackay

Sir F H Mackay
 Director

The notes on pages 13 to 26 form part of these financial statements.

BY WORD OF MOUTH LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 DECEMBER 2019**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2018	18	2,331	2,349
Profit for the period	-	767	767
At 30 December 2018	18	3,098	3,116
Profit for the year	-	464	464
At 29 December 2019	18	3,562	3,580

The notes on pages 13 to 26 form part of these financial statements.

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

1. General information

By Word of Mouth Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Devon House, Anchor Street, Chelmsford, Essex, CM2 0GD.

The principal activity was the provision of catering services.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in British Pounds Sterling (GBP) and have been rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Graysons Hospitality Limited as at 29 December 2019 and these financial statements may be obtained from Companies House.

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Going concern

The financial statements show the company with positive net current assets and net assets. The financial statements have been prepared on a going concern basis, which assumes that the company has sufficient resources to enable it to continue operating and to meet its liabilities as they fall due. The directors believe the going concern assumption to be appropriate for the reasons set out below.

As part of the Graysons Hospitality Limited group of companies and this group's banking arrangements, the company has entered into multi-lateral guarantee with the other companies in the group and as such the ultimate parent undertaking has pledged, in the ordinary course of business, to continue to offer financial support for the foreseeable future and confirmed this in writing in a letter of support.

The group directors have prepared cash flow forecasts for 15 months from the date of signing these financial statements. The directors believe the forecasts to be prudent and have undertaken extensive sensitivity analysis to take account of known and potential risks including the recent and ongoing impact of the COVID-19 pandemic. Given the significant impact that COVID-19 is expected to have on the wider UK economy a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, the underlying assumption for the purposes of these forecasts is prudent in that it assumes the Group will continue to be impacted by the pandemic throughout 2021 and given the contractual and diverse nature of the group's business coupled with the recent extension of government initiatives such as the extension of the furlough scheme and the reduced rate of VAT for the hospitality sector there is a significant ability to mitigate this uncertainty. Further mitigating factors include funding secured through the government backed CBILS scheme in addition to the other government support. The group also continues to enjoy the support of its major shareholder, Sir Francis Mackay, who has provided working capital for the group's development over many years.

Further to this the group continues to be very active in tendering for new contracts and as a result of that activity reasonably expects to gain further new business following recent contract additions and consolidation of competitors in the marketplace in recent years but is not reliant upon this to support the basis of preparation of the forecasts.

Given all of these factors and the fact that the forecasts demonstrate the ability of the group to operate within its existing facilities the Board has a reasonable expectation that the Group has adequate resources to continue the Group's operations for the foreseeable future.

For the reasons laid out above the Board continues to adopt the going concern basis in preparing these financial statements.

BY WORD OF MOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

2. Accounting policies (continued)**2.5 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- over the life of the lease
Kitchen equipment	- 25% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 25% straight line
Office equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

2.11 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Due to the nature of the Company's activities, management consider that there are no significant judgements or key sources of estimation uncertainty.

4. Turnover

All turnover arose within the United Kingdom and related to the principal activity of the business.

5. Operating profit

The operating profit is stated after charging:

	2019	<i>2018</i>
	£000	<i>£000</i>
Depreciation of tangible fixed assets	31	35
Other operating lease rentals	41	39
Defined contribution pension cost	31	24
Management fees	100	100
	<u>103</u>	<u>108</u>

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

6. Auditor's remuneration

Audit fees were borne by a fellow group company. The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

7. Employees

	2019	<i>2018</i>
	£000	<i>£000</i>
Wages and salaries	1,977	<i>1,972</i>
Social security costs	214	<i>193</i>
Cost of defined contribution scheme	31	<i>29</i>
	<u>2,222</u>	<u><i>2,194</i></u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019	<i>2018</i>
	No.	<i>No.</i>
Administrative staff	9	<i>8</i>
Management staff	20	<i>20</i>
Catering staff	96	<i>96</i>
	<u>125</u>	<u><i>124</i></u>

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

8. Directors' remuneration

	29 December 2019 £000	<i>30 December 2018 £000</i>
Directors' emoluments	419	412
Company contributions to defined contribution pension schemes	6	5
	425	417

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £223,000 (2018: £221,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,200 (2018: £1,000).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

9. Taxation

	2019	2018
	£000	£000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	7	(2)
Total deferred tax	<u>7</u>	<u>(2)</u>
Taxation on profit/(loss) on ordinary activities	<u>7</u>	<u>(2)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	<u>471</u>	<u>765</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	89	145
Effects of:		
Group relief claimed	(82)	(147)
Total tax charge for the year	<u>7</u>	<u>(2)</u>

BY WORD OF MOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 DECEMBER 2019

10. Tangible fixed assets

	Leasehold property £000	Kitchen equipment £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation						
At 31 December 2018	174	289	32	36	139	670
Additions	19	4	-	-	11	34
At 29 December 2019	193	293	32	36	150	704
Depreciation						
At 31 December 2018	173	254	22	31	123	603
Charge for the year on owned assets	1	14	4	3	9	31
At 29 December 2019	174	268	26	34	132	634
Net book value						
At 29 December 2019	19	25	6	2	18	70
At 30 December 2018	1	35	10	5	16	67

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

11. Stocks

	29	<i>30</i>
	December	<i>December</i>
	2019	<i>2018</i>
	£000	<i>£000</i>
Raw materials and consumables	60	<i>62</i>

Stock recognised in cost of sales during the period as an expense was £792,377 (2018: £924,000).

12. Debtors

	29	<i>30</i>
	December	<i>December</i>
	2019	<i>2018</i>
	£000	<i>£000</i>
Trade debtors	462	<i>366</i>
Amounts owed by group undertakings	4,294	<i>3,656</i>
Other debtors	4	<i>2</i>
Prepayments and accrued income	131	<i>100</i>
Deferred taxation	2	<i>9</i>
	4,893	<i>4,133</i>

13. Cash and cash equivalents

	29	<i>30</i>
	December	<i>December</i>
	2019	<i>2018</i>
	£000	<i>£000</i>
Cash at bank and in hand	454	<i>601</i>

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

14. Creditors: Amounts falling due within one year

	29 December 2019 £000	<i>30 December 2018 £000</i>
Payments received on account	293	182
Trade creditors	251	375
Amounts owed to group undertakings	932	733
Other taxation and social security	223	258
Other creditors	2	3
Accruals and deferred income	196	196
	<u>1,897</u>	<u>1,747</u>

15. Deferred taxation

	2019 £000	<i>2018 £000</i>
At beginning of year	9	7
Charged to profit or loss	(7)	2
At end of year	<u>2</u>	<u>9</u>

The deferred tax asset is made up as follows:

	29 December 2019 £000	<i>30 December 2018 £000</i>
Accelerated capital allowances	<u>2</u>	<u>9</u>

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

16. Share capital

	29 December 2019 £000	<i>30 December 2018 £000</i>
Allotted, called up and fully paid		
18,401 (2018: 18,401) Ordinary shares of £1 each	18	<i>18</i>

All ordinary shares carry equal ordinary voting and dividend rights.

Share capital represents the nominal amount paid for shares.

17. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses less any dividends paid.

18. Contingent liabilities

The company has entered into a multi-lateral guarantee with other members of the group headed by the company's parent undertaking, Graysons Hospitality Limited. The potential group liability as at 29 December 2019 in respect of this guarantee was £530,783 (2018: £348,702).

19. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £31,000 (2018: £29,000). Contributions totalling £2,000 (2018: £3,000) were payable to the fund at the statement of financial position date and are included in creditors.

BY WORD OF MOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 DECEMBER 2019**

20. Commitments under operating leases

At 29 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	29 December 2019 £000	<i>30 December 2018 £000</i>
Land and Buildings		
Not later than 1 year	136	136
Later than 1 year and not later than 5 years	192	259
	<u>328</u>	<u>395</u>
	29 December 2019 £000	<i>30 December 2018 £000</i>
Other leases		
Not later than 1 year	33	57
Later than 1 year and not later than 5 years	56	14
	<u>89</u>	<u>71</u>

21. Related party transactions

The company is a wholly owned subsidiary of Graysons Hospitality Limited, the group accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 102 from disclosing transactions with members of the Graysons Hospitality Limited group.

22. Post balance sheet events

Since the year end, the World Health Organisation has declared a global pandemic in relation to the Covid-19 virus. Whilst estimating the financial impact on the business has challenges, the directors have performed scenario planning in order to consider the potential impact of Covid-19 on the company's results. The pandemic did not have any impact on the measurement of assets and liabilities as at 29 December 2019 as it is a non adjusting event.

23. Controlling party

The directors consider the immediate and ultimate parent company to be Graysons Hospitality Limited, a company incorporated in England and whose financial statements are publicly available. The smallest and largest group for which consolidated financial statements are prepared is that headed by Graysons Hospitality Limited. Financial statements can be obtained from Companies House. Sir F H Mackay is considered to be the ultimate controlling party by virtue of his shareholding in Graysons Hospitality Limited.