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**Executive Lounge Services Plc**

Report and Financial Statements

Year Ended

28 February 2003



**Executive Lounge Services Plc**

**Annual report and financial statements for the year ended 28 February 2003**

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**Directors**

D D Moëd  
Y Conn

**Secretary and registered office**

C Boundy , 25 North Row, London W1K 6DJ

**Company number**

3669797

**Auditors**

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

## Executive Lounge Services Plc

### Report of the directors for the year ended 28 February 2003

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The directors present their report together with the audited financial statements for the year ended 28 February 2003.

#### Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend for the year.

#### Principal activities, review of business and future developments

The principal activity of the company is the supply of catering and ancillary products and services to the airline industry.

Over the last two years the airline industry and many businesses associated with it, including Executive Lounge Services, experienced substantial adverse effects from the act of terrorism in the United States on 11th September 2001. Executive Lounge Services had to reposition itself within the marketplace to provide production and distribution services in addition to its core lounge service business.

Due to a industry wide reduction in demand and resulting loss of sales in the current year, the directors introduced cost cutting measures to ensure the company remains competitive. The directors believe that appropriate steps were taken during the year, and subsequently to ensure the company is correctly positioned for the challenges within its industry.

There have been no significant events after the balance sheet date which materially affect the position of the company.

#### Policy and practice on the payment of creditors

It is the policy of the company to settle the terms of payments with all suppliers when agreeing the terms of each transaction.

The number of average days purchases of the company represented by trade creditors at 28 February 2003 was 50 (2002 - 66).

#### Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary shares of £100 each	
	28 February 2003	1 March 2002
D D Moëd	500	200
Y Conn	-	300
I Raj Guru (resigned 28 February 2003)	-	-

## Executive Lounge Services Plc

### Report of the directors for the year ended 28 February 2003 (*Continued*)

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#### 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 and of the profit or loss of the company for that year. 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; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

#### Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### On behalf of the board

D D Moëd



#### Director

Date: 27th JUNE 2003

## **Executive Lounge Services Plc**

### **Report of the independent auditors**

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#### **To the shareholders of Executive Lounge Services Plc**

We have audited the financial statements of Executive Lounge Services Plc for the year ended 28 February 2003 on pages 5 to 17 which have been prepared under the accounting policies set out on pages 8 to 9.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit 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

**Executive Lounge Services Plc**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD**  
*Chartered Accountants*  
*and Registered Auditors*  
London

27 June 2003

**Executive Lounge Services Plc****Profit and loss account for the year ended 28 February 2003**

	Note	2003 £	2002 £
Turnover	2	2,135,316	2,792,887
Cost of sales		1,511,391	2,185,561
<b>Gross profit</b>		<b>623,925</b>	<b>607,326</b>
Distribution costs		240,226	224,186
Administrative expenses		379,130	537,562
		4,569	(154,422)
Other operating income		39,000	32,133
<b>Operating profit/(loss)</b>	3	<b>43,569</b>	<b>(122,289)</b>
Other interest receivable and similar income		2,520	11,445
Interest payable and similar charges	6	(15,833)	(17,635)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>30,256</b>	<b>(128,479)</b>
Taxation on profit/(loss) on ordinary activities	7	(18,820)	(6,042)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>11,436</b>	<b>(134,521)</b>
(Accumulated loss)/retained profit brought forward		(55,949)	78,572
<b>Accumulated loss carried forward</b>		<b>(44,513)</b>	<b>(55,949)</b>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

**Executive Lounge Services Plc**

**Balance sheet at 28 February 2003**

	Note	2003 £	2003 £	2002 £	2002 £
<b>Fixed assets</b>					
Intangible assets	8		595,549		650,949
Tangible assets	9		5,620		13,058
			<u>601,169</u>		<u>664,007</u>
<b>Current assets</b>					
Stocks	10	44,583		56,106	
Debtors-due within one year	11	329,102		397,065	
Debtors-due after more than one year	11	84,020		84,020	
		<u>413,122</u>		<u>481,085</u>	
Cash at bank and in hand		146		-	
		<u>457,851</u>		<u>537,191</u>	
<b>Creditors: amounts falling due within one year</b>	12	<b>882,283</b>		<b>974,647</b>	
<b>Net current liabilities</b>			<b>(424,432)</b>		<b>(437,456)</b>
<b>Total assets less current liabilities</b>			<b>176,737</b>		<b>226,551</b>
<b>Creditors: amounts falling due after more than one year</b>	13		<b>171,250</b>		<b>232,500</b>
<b>Capital and reserves</b>					
Called up share capital	15	50,000		50,000	
Profit and loss account		(44,513)		(55,949)	
		<u>5,487</u>		<u>(5,949)</u>	
<b>Equity shareholders' funds</b>			<b>5,487</b>		<b>(5,949)</b>
			<u>176,737</u>		<u>226,551</u>

The financial statements were approved by the Board on **27TH JUNE 2003**

D D Moëd  
Director



The notes on pages 8 to 17 form part of these financial statements.

**Executive Lounge Services Plc****Cash flow statement for the year ended 28 February 2003**

	Note	2003 £	2003 £	2002 £	2002 £
<b>Net cash inflow from operating activities</b>	19		<b>72,577</b>		<b>87,115</b>
<b>Returns on investments and servicing of finance</b>					
Interest received		2,520		11,445	
Interest paid: other		(15,833)		(17,635)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(13,313)</b>		<b>(6,190)</b>
<b>Taxation</b>					
Corporation tax paid			(2,581)		(14,749)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		-		(1,190)	
Receipts from sale of intangible fixed assets		3,000		-	
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>			<b>3,000</b>		<b>(1,190)</b>
<b>Acquisitions and disposals</b>					
Purchase of business operations			(61,250)		(110,500)
<b>Decrease in cash</b>	20		<b>(1,567)</b>		<b>(45,514)</b>

The notes on pages 8 to 17 form part of these financial statements.

## 1 Accounting policies

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

The following principal accounting policies have been applied:

### *Goodwill*

Goodwill arising on an acquisition of a business or undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is currently 15 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax.

### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Short leasehold	- 20% straight line
Motor vehicles	- 20% straight line
Office Equipment	- 25% straight line

### *Stocks*

Stocks are valued at the lower of cost and net realisable value.

### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

**1 Accounting policies (continued)**

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

**2 Turnover**

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

**3 Operating profit/(loss)**

	2003 £	2002 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	6,688	7,261
Amortisation of positive goodwill	55,400	55,400
Profit on disposal of tangible fixed assets	(2,250)	-
Hire of plant and machinery - operating leases	14,430	17,315
Hire of other assets - operating leases	84,020	84,020
Audit services	10,000	10,000
Exceptional item - bad debt	-	58,874
	<u>          </u>	<u>          </u>

**Executive Lounge Services Plc**Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)**4 Employees**

Staff costs (including directors) consist of:

	2003 £	2002 £
Wages and salaries	346,983	408,712
Social security costs	8,153	21,910
Other pension costs	2,390	4,582
	<u>357,526</u>	<u>435,204</u>

The average number of employees (including directors) during the year was 13 (2002 - 18).

**5 Directors' remuneration**

	2003 £	2002 £
Directors' emoluments	<u>63,447</u>	<u>73,495</u>

**6 Interest payable and similar charges**

	2003 £	2002 £
Bank loans and overdrafts	<u>15,833</u>	<u>17,635</u>

**7 Taxation on profit/(loss) on ordinary activities**

	2003 £	2002 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	3,417	-
Adjustment in respect of previous periods	-	21,445
<i>Deferred tax</i>		
Origination and reversal of timing differences	<u>15,403</u>	<u>(15,403)</u>
Taxation on profit/(loss) on ordinary activities	<u>18,820</u>	<u>6,042</u>

## Executive Lounge Services Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

### 7 Taxation on profit/(loss) on ordinary activities (*continued*)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	30,256	(128,479)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20% (2002 - 30%)	6,051	(38,544)
Effect of:		
Expenses not deductible for tax purposes	1,670	213
Capital allowances for period in excess of depreciation	522	(1,393)
Adjustment to tax charge in respect of previous periods	-	21,445
Goodwill amortisation	11,080	16,620
Losses (utilised)/not utilised against corporation tax	(15,403)	23,104
Difference in tax rates	(503)	-
Current tax charge for period	3,417	21,445

### 8 Intangible assets

	Goodwill £
<i>Cost</i>	
At 1 March 2002 and 28 February 2003	830,999
<i>Amortisation</i>	
At 1 March 2002	180,050
Provided for the year	55,400
At 28 February 2003	235,450
<i>Net book value</i>	
At 28 February 2003	595,549
At 28 February 2002	650,949

The goodwill arose upon the acquisition of the Executive Lounge Services' business and is being amortised over 15 years.

## 9 Tangible fixed assets

	Leasehold land and buildings £	Motor vehicles £	Office equipment £	Total £
<i>Cost</i>				
At 1 March 2002	5,519	4,000	22,431	31,950
Disposals	-	(4,000)	-	(4,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2003	<b>5,519</b>	-	<b>22,431</b>	<b>27,950</b>
<i>Depreciation</i>				
At 1 March 2002	2,988	3,250	12,654	18,892
Provided for the year	1,142	-	5,546	6,688
Disposals	-	(3,250)	-	(3,250)
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2003	<b>4,130</b>	-	<b>18,200</b>	<b>22,330</b>
<i>Net book value</i>				
At 28 February 2003	<b>1,389</b>	-	<b>4,231</b>	<b>5,620</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2002	2,531	750	9,777	13,058
	<hr/>	<hr/>	<hr/>	<hr/>

## 10 Stocks

	2003 £	2002 £
Finished goods and goods for resale	44,583	56,106
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

**Executive Lounge Services Plc**Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)**11 Debtors**

	2003 £	2002 £
Amounts receivable within one year		
Trade debtors	224,709	305,498
Other debtors	-	1,404
Prepayments and accrued income	81,893	52,260
Uncalled share capital	22,500	22,500
Deferred taxation (see note 14)	-	15,403
	<hr/>	<hr/>
	329,102	397,065
Amounts receivable after more than one year		
Other debtors	84,020	84,020
	<hr/>	<hr/>
Total debtors	413,122	481,085
	<hr/>	<hr/>

**12 Creditors: amounts falling due within one year**

	2003 £	2002 £
Bank overdrafts (secured)	115,042	113,329
Trade creditors	294,512	388,374
Corporation tax	42,408	41,572
Other taxation and social security	50,571	9,590
Other creditors	276,630	272,123
Accruals and deferred income	103,120	149,659
	<hr/>	<hr/>
	882,283	974,647
	<hr/>	<hr/>

The bank overdrafts are secured by means of an all asset debenture in favour of the company's bankers.

Included within other creditors is £231,020 (2002: £231,020) due to Pourshins plc, a related party, further details of which are set out in note 18.

Executive Lounge Services Plc

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

13 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Other creditors	171,250	232,500
	<u>          </u>	<u>          </u>

Other creditors are due to Pourshins plc, a related party, of which further details of which are set out in note 18.

14 Provision for liabilities and charges

	Deferred taxation £
Transferred from debtors	(15,403)
Charged to profit and loss account	15,403
	<u>          </u>
At 28 February 2003	-
<i>Deferred taxation</i>	
	2003 £
Trading losses carried forward	-
	2002 £
	(15,403)
	<u>          </u>

15 Share capital

	2003 £	Authorised 2002 £	Allotted, called up and partly paid 2003 £	2002 £
<i>Equity share capital</i>				
500 shares of £100 each	50,000	50,000	50,000	50,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Of the 500 allotted shares, 300 have been issued partly paid up at £25 per share. The amount remaining to be called is included in debtors.

**16 Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £2,390 (2002 - £4,582).

**17 Commitments under operating leases**

The company had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and buildings £	2003 Other £	2002 Land and buildings £	2002 Other £
Operating leases which expire:				
Within one year	-	4,011	-	6,130
In two to five years	-	1,779	-	20,165
After five years	84,020	-	84,020	-
	<u>84,020</u>	<u>5,790</u>	<u>84,020</u>	<u>26,295</u>

**18 Related party disclosures***Controlling shareholder*

At the year end the directors consider the controlling shareholder is D D Moëd by virtue of his majority shareholding in the company.

*Related party transactions and balances*

Pourshins Plc is regarded by the directors as a related party due to close family relationships between D D Moëd and Y Conn and R Moëd, a director of Pourshins Plc.

During the period the following transactions took place with Pourshins Plc on an arm's length basis:

- 1) Sales totalling £215,582 (2002: £321,606);
- 2) Purchases totalling £77,356 (2002: £264,866).

At 28 February 2003, the company owed £402,270 (2002: £463,520) to Pourshins Plc.

**19 Reconciliation of operating loss to net cash inflow from operating activities**

	2003 £	2002 £
Operating loss	43,569	(122,289)
Amortisation of intangible fixed assets	55,400	55,400
Depreciation of tangible fixed assets	6,688	7,261
Profit on sale of tangible fixed assets	(2,250)	-
Decrease/(increase) in stocks	11,523	(16,039)
Decrease in debtors	52,560	81,746
Decrease/(increase) in creditors	(94,913)	81,036
	<hr/>	<hr/>
Net cash inflow from operating activities	72,577	87,115
	<hr/>	<hr/>

**20 Reconciliation of net cash flow to movement in net debt**

	2003 £	2002 £
Decrease in cash	(1,567)	(45,514)
Cash outflow from changes in debt	61,250	110,500
	<hr/>	<hr/>
Movement in net debt	59,683	64,986
Opening net debt	(576,849)	(641,835)
	<hr/>	<hr/>
Closing net debt	(517,166)	(576,849)
	<hr/>	<hr/>

**Executive Lounge Services Plc**Notes forming part of the financial statements for the year ended 28 February 2003 *(Continued)***21 Analysis of net debt**

	At 1 March 2002 £	Cash flow £	At 28 February 2003 £
Cash at bank and in hand	-	146	146
Bank overdrafts	(113,329)	(1,713)	(115,042)
		<u>(1,567)</u>	
Debt due within one year	(231,020)	-	(231,020)
Debt due after one year	(232,500)	61,250	(171,250)
	<u>(576,849)</u>	<u>59,683</u>	<u>(517,166)</u>