The Restaurantgame.com Limited

Financial statements

For the year ended 31 December 2002

Grant Thornton

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COMPANIES HOUSE 17/05/04

Company No. 3887115

Company information

Company registration number	3887115
Registered office	St James's Court 30 Brown Street Manchester M2 2JF
Directors	D Lilley S E Lilley S J Garrity B Hood
Secretary	S J Garrity
Bankers	Bank of Scotland 117 Foregate Street Chester CH1 2NX
Auditors	Grant Thornton Chartered Accountants Registered Auditors 1st Floor Royal Liver Building Liverpool L3 1PS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

Principal activities

The principal activity of the company is that of offering services to the restaurant industry.

Directors

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

D Lilley
S E Lilley
S J Garrity
B Hood

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

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

ON BEHALF OF THE BOARD

S E Lilley
Director
14 May 2004 S E Lilley

Grant Thornton

Report of the independent auditors to the members of The Restaurantgame.com Limited

We have audited the financial statements of The Restaurantgame.com Limited for the year ended 31 December 2002 on pages 10 to 16. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LIVERPOOL
14 May 2004

Principal accounting policies

Basis of accounting

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

The principal accounting policies of the company have remained unchanged from the prior year and are set out below.

The directors have prepared trading and cash flow forecasts which show that the company can trade within its agreed finance facilities. Therefore the directors are of the opinion that because of this, in conjunction with the continued support of the parent undertaking and its shareholders, it is appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

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

Turnover

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

Amortisation

Amortisation 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:

Software licence	-	33% Straight line

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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:

Fixtures & Fittings	-	25% straight line
Motor Vehicles	-	25% straight line
Computer Equipment	-	25% straight line

Stocks

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

Hire purchase agreements

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

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

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

Pension costs

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

Deferred taxation

Deferred tax is recognised 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 a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

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.

Research and development costs

Development costs are capitalised and amortised over the estimated useful life of the asset.

Website development costs

All costs relating to the development of the web site are written off to the profit and loss account as they are incurred.

Profit and loss account

	Note	2002 £	2001 £
Turnover		1,353,797	424,569
Cost of sales		1,534,056	913,166
Gross loss		(180,259)	(488,597)
Other operating charges	1	1,791,100	1,674,414
Operating loss	2	(1,971,359)	(2,163,011)
Interest payable		25,062	7,704
Loss on ordinary activities before taxation		(1,996,421)	(2,170,715)
Tax on loss on ordinary activities		–	–
Loss for the financial year		(1,996,421)	(2,170,715)

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

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

Balance sheet

	Note	2002 £	2001 £
Fixed assets			
Intangible assets	4	264,224	101,970
Tangible assets	5	197,700	240,938
		461,924	342,908
Current assets			
Debtors	6	347,901	285,615
Cash in hand		580	80
		348,481	285,695
Creditors: amounts falling due within one year	7	1,360,043	809,902
Net current liabilities		(1,011,562)	(524,207)
Total assets less current liabilities		(549,638)	(181,299)
Creditors: amounts falling due after more than one year	8	3,927,359	2,299,277
		(4,476,997)	(2,480,576)
Capital and reserves			
Called-up equity share capital	13	1,345,300	1,345,300
Profit and loss account	14	(5,822,297)	(3,825,876)
Deficiency	14	(4,476,997)	(2,480,576)

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on 14 May 2004 and are signed on their behalf by:

S E Lilley
Director

Notes to the financial statements

1 Other operating income and charges

	2002 £	2001 £
Administrative expenses	1,791,100	1,674,414

2 Operating loss

Operating loss is stated after charging:

	2002 £	2001 £
Directors' emoluments	128,750	185,000
Staff pension contributions	24,096	27,410
Amortisation	33,145	10,243
Depreciation of owned fixed assets	82,452	41,802
Depreciation of assets held under finance leases and hire purchase agreements	-	21,190
Auditors' fees	9,632	10,065

3 Directors

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	128,750	185,000
Value of company pension contributions to money purchase schemes	3,365	7,375
	132,115	192,375

4 Intangible fixed assets

	Software development £
Cost	
At 1 January 2002	112,213
Additions	195,399
At 31 December 2002	307,612
Amortisation	
At 1 January 2002	10,243
Charge for the year	33,145
At 31 December 2002	43,388
Net book value	
At 31 December 2002	264,224
At 31 December 2001	101,970

5 Tangible fixed assets

	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
Cost				
At 1 January 2002	52,951	92,261	180,956	326,168
Additions	6,934	15,830	33,948	56,712
Disposals	-	(38,606)	-	(38,606)
At 31 December 2002	59,885	69,485	214,904	344,274
Depreciation				
At 1 January 2002	16,051	31,610	37,569	85,230
Charge for the year	14,096	19,918	48,438	82,452
On disposals	-	(21,108)	-	(21,108)
At 31 December 2002	30,147	30,420	86,007	146,574
Net book value				
At 31 December 2002	29,738	39,065	128,897	197,700
At 31 December 2001	36,900	60,651	143,387	240,938

Included within the net book value of £197,700 is £Nil (2001 - £58,278) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2001 - £21,190).

6 Debtors

	2002	2001
	£	£
Trade debtors	314,887	97,828
Other debtors	33,014	187,787
	347,901	285,615

7 Creditors: amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	599,385	233,292
Trade creditors	395,331	303,432
Other taxation and social security	233,599	146,867
Amounts due under finance leases and hire purchase agreements	13,875	21,142
Other creditors	117,853	105,169
	1,360,043	809,902

The amounts shown above for bank overdraft are secured.

8 Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Amounts owed to group undertakings	3,927,359	2,285,123
Amounts due under finance leases and hire purchase agreements	-	14,154
	3,927,359	2,299,277

9 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2002	2001
	£	£
Amounts payable within 1 year	13,875	21,142
Amounts payable between 2 to 5 years	-	14,154
	13,875	35,296

10 Leasing commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within 1 year	20,804	83,273
Within 2 to 5 years	44,920	15,535
	65,724	98,808

11 Contingent liability

A former supplier is currently entering into litigation against the company, claiming breach of contract. The amount of the claim is expected to be approximately £400,000. This legal action is in its early stages and the directors are of the opinion that the company will be successful in defending the claim.

12 Related party transactions

One of the directors of the holding company, The Restaurant Game Plc, is Chris Sheffield who is also a director of Eunite Limited. Eunite Limited is a supplier to The Restaurantgame.com Limited and during the period goods and services valued at £nil (2001: £107,635) (gross) were purchased from Eunite Limited. The amount owing to Eunite Limited at the year end, and included in trade creditors, is £nil (2001: £8,604).

13 Share capital

Authorised share capital:

	2002	2001
	£	£
500,000,000 Ordinary shares of £0.01 each	5,000,000	5,000,000

Allotted, called up and fully paid:

	2002		2001	
	No	£	No	£
Ordinary shares of £0.01 each	134,530,000	1,345,300	134,530,000	1,345,300

14 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2001	1,345,300	(1,655,161)	(309,861)
Loss for the year	-	(2,170,715)	(2,170,715)
At 31 December 2001	1,345,300	(3,825,876)	(2,480,576)
Loss for the year	-	(1,996,421)	(1,996,421)
At 31 December 2002	1,345,300	(5,822,297)	(4,476,997)

15 Ultimate parent company

The company is a wholly owned subsidiary of The Restaurant Game Plc, a company incorporated in England. The company is deemed to be under the control of S E Lilley, the majority shareholder of The Restaurant Game Plc.