

Fourth Hospitality Limited
(formerly The Restaurantgame.com Limited)

Financial statements

For the year ended 31 August 2005

Grant Thornton 



Company No. 3887115

Company information

Company registration number	3887115
Registered office	1st Floor Royal Liver Building Liverpool L3 1PS
Directors	D Lilley S E Lilley B Hood
Secretary	A R Lovelady
Bankers	Bank of Scotland 117 Foregate Street Chester CH1 2NX
Auditors	Grant Thornton UK LLP 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 August 2005.

Principal activities

The principal activity of the company is that of offering services to the restaurant industry. On 20 October 2005, the company changed its name to Fourth Hospitality Limited.

Directors

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

D Lilley
S E Lilley
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

United Kingdom 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
- 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

Grant Thornton UK LLP offer themselves for reappointment as auditors 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
~~12 June 2006~~ 

Grant Thornton 

Report of the independent auditors to the members of Fourth Hospitality Limited (formerly The Restaurantgame.com Limited)

We have audited the financial statements of Fourth Hospitality Limited (formerly The Restaurantgame.com Limited) for the year ended 31 August 2005 on pages 9 to 16. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors 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 report of the directors 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.

Report of the independent auditors to the members of Fourth Hospitality Limited (formerly The Restaurantgame.com Limited) (continued)

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 August 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK Ltd
GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LIVERPOOL
15 June 2006

Principal accounting policies

Basis of accounting

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

The principal accounting policies of the company are set out below, they remain unchanged from the prior year.

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 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 1996) 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, with the exception of Magazine subscriptions which are deferred and released to turnover over the length of the subscription.

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 and fittings	- 25% straight line
Motor vehicles	- 25% straight line
Equipment	- 25% straight line

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 on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Research and development costs

Research and development expenditure is written off in the year in which it is incurred.

Software 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	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Turnover			
Continuing operations		821,161	1,492,408
Discontinued operations		1,620,917	–
		<u>2,442,078</u>	<u>1,492,408</u>
Cost of sales	1	(1,707,271)	(1,076,577)
Gross profit		<u>734,807</u>	<u>415,831</u>
Other operating charges	1	<u>2,903,565</u>	<u>2,082,065</u>
Operating loss:	3		
Continuing operations		(1,465,320)	(1,666,234)
Discontinued operations		(703,438)	–
		<u>(2,168,758)</u>	<u>(1,666,234)</u>
Profit on disposal of discontinued operations	5	<u>1,510,623</u>	<u>–</u>
		<u>(658,135)</u>	<u>(1,666,234)</u>
Interest receivable		7,602	–
Interest payable and similar charges	6	(87,197)	(31,715)
Loss on ordinary activities before taxation		<u>(737,730)</u>	<u>(1,697,949)</u>
Tax on loss on ordinary activities	7	–	(341,014)
Loss for the financial year	19	<u>(737,730)</u>	<u>(1,356,935)</u>

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

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	8	225,285	109,518
Investments	9	125	—
		<u>225,410</u>	<u>109,518</u>
Current assets			
Debtors	10	154,591	842,894
Cash at bank		200,694	—
		<u>355,285</u>	<u>842,894</u>
Creditors: amounts falling due within one year	11	<u>655,941</u>	<u>1,989,214</u>
Net current liabilities		<u>(300,656)</u>	<u>(1,146,320)</u>
Total assets less current liabilities		<u>(75,246)</u>	<u>(1,036,802)</u>
Creditors: amounts falling due after more than one year	12	<u>8,944,971</u>	<u>7,245,685</u>
		<u>(9,020,217)</u>	<u>(8,282,487)</u>
Capital and reserves			
Called-up equity share capital	18	1,345,300	1,345,300
Profit and loss account	19	(10,365,517)	(9,627,787)
Deficit	20	<u>(9,020,217)</u>	<u>(8,282,487)</u>

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 15 June 2006 and are signed on their behalf by:

S E Lilley
Director



Notes to the financial statements

1 Analysis of cost of sales and net operating expenses

	Continuing Operations £	Discontinued Operations £	Total £
Year ended 31 August 2005			
Cost of sales	<u>187,230</u>	<u>1,520,041</u>	<u>1,707,271</u>
Administrative expenses	<u>2,099,251</u>	<u>804,314</u>	<u>2,903,565</u>
Net operating expenses	<u>2,099,251</u>	<u>804,314</u>	<u>2,903,565</u>
Period from 1 January 2004 To 31 August 2004			
Cost of sales	<u>1,076,577</u>	<u>-</u>	<u>1,076,577</u>
Administrative expenses	<u>2,082,065</u>	<u>-</u>	<u>2,082,065</u>
Net operating expenses	<u>2,082,065</u>	<u>-</u>	<u>2,082,065</u>

2 Other operating charges

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Administrative expenses	<u>2,903,565</u>	<u>2,082,065</u>

3 Operating loss

Operating loss is stated after charging/(crediting):

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Depreciation of owned fixed assets	53,469	54,321
Depreciation of assets held under finance leases and hire purchase agreements	48,387	9,117
Profit on disposal of fixed assets	(10,377)	-
Auditors' fees	9,750	11,000
Operating lease costs:		
Land and buildings	<u>44,641</u>	<u>-</u>

4 Directors

Remuneration in respect of directors was as follows:

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Emoluments	<u>68,334</u>	<u>52,500</u>

5 Profit on disposal of discontinued operations

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Disposal of discontinued operations: Profit on sale of magazine operation	<u>1,510,623</u>	<u>—</u>

6 Interest payable and similar charges

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Finance charges	8,228	355
Other interest and similar charges	<u>78,969</u>	<u>31,360</u>
	<u>87,197</u>	<u>31,715</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	<u>-</u>	<u>(341,014)</u>
Total current tax	<u>-</u>	<u>(341,014)</u>

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Loss on ordinary activities before taxation	(737,730)	(1,697,949)
Profit/(loss) on ordinary activities by rate of tax	(221,319)	(509,385)
Unrelieved tax losses	221,319	509,385
Adjustments to tax charge in respect of previous periods	-	(341,014)
Total current tax (note 7(a))	-	(341,014)

8 Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost				
At 1 September 2004	59,885	53,680	264,312	377,877
Additions	-	-	271,055	271,055
Disposals	(8,400)	(27,350)	(55,590)	(91,340)
At 31 August 2005	<u>51,485</u>	<u>26,330</u>	<u>479,777</u>	<u>557,592</u>
Depreciation				
At 1 September 2004	54,338	28,522	185,499	268,359
Charge for the year	1,347	5,668	94,841	101,856
On disposals	(4,200)	(10,826)	(22,882)	(37,908)
At 31 August 2005	<u>51,485</u>	<u>23,364</u>	<u>257,458</u>	<u>332,307</u>
Net book value				
At 31 August 2005	<u>-</u>	<u>2,966</u>	<u>222,319</u>	<u>225,285</u>
At 31 August 2004	<u>5,547</u>	<u>25,158</u>	<u>78,813</u>	<u>109,518</u>

Included within the net book value of £225,285 (2004 £109,518) is £202,863 (2004 - £18,232) 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 £48,387 (2004 - £9,117).

9 Investments

	Unlisted investments
	£
Cost	
Additions	125
At 31 August 2005	<u>125</u>
Net book value	
At 31 August 2005	<u>125</u>

10 Debtors

	2005	2004
	£	£
Trade debtors	125,773	321,119
Taxation recoverable	–	341,014
VAT recoverable	2,058	–
Other debtors	26,760	180,761
	<u>154,591</u>	<u>842,894</u>

11 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	87,795	565,108
Trade creditors	93,263	404,127
Other taxation and social security	250,668	574,235
Amounts due under finance leases and hire purchase agreements	83,189	9,497
Other creditors	141,026	436,247
	<u>655,941</u>	<u>1,989,214</u>

The amounts shown above for bank overdraft is secured by a debenture from all group companies.
D & SE Lilley who are directors, have also personally guaranteed this overdraft.

12 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Amounts owed to group undertakings	8,493,315	6,623,315
Amounts due under finance leases and hire purchase agreements	58,853	–
Other creditors	392,803	622,370
	<u>8,944,971</u>	<u>7,245,685</u>

13 Commitments under finance leases and hire purchase agreements

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

	2005	2004
	£	£
Amounts payable within 1 year	83,189	9,497
Amounts payable between 1 and 2 years	51,098	-
Amounts payable between 3 and 5 years	7,755	-
	<u>142,042</u>	<u>9,497</u>

14 Leasing commitments

At 31 August 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 1 year	-	7,125
Within 2 to 5 years	69,300	-
	<u>69,300</u>	<u>7,125</u>

15 Capital commitments

The company had no capital commitments at 31 August 2005 and 31 August 2004.

16 Contingent liabilities

The company had no contingent liabilities at 31 August 2005 or at 31 August 2004.

17 Related party transactions

Included within other creditors in Note 12 is £200,859 (2004: £158,573) owing to D Lilley and S E Lilley, directors of the company. In addition the company owed £8,493,315 (2004: £6,623,315) to its parent undertaking, The Restaurant Game Plc.

18 Share capital

Authorised share capital:

	2005 £	2004 £
500,000,000 Ordinary shares of £0.01 each	<u>5,000,000</u>	<u>5,000,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £0.01 each	<u>134,530,000</u>	<u>1,345,300</u>	<u>134,530,000</u>	<u>1,345,300</u>

19 Profit and loss account

	Year to 31 Aug 05 £	Period from 1 Jan 04 to 31 Aug 04 £
Balance brought forward	(9,627,787)	(8,270,852)
Accumulated loss for the financial year	(737,730)	(1,356,935)
Balance carried forward	<u>(10,365,517)</u>	<u>(9,627,787)</u>

20 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Loss for the financial year	(737,730)	(1,356,935)
Opening shareholders' equity deficit	<u>(8,282,487)</u>	<u>(6,925,552)</u>
Closing shareholders' equity deficit	<u>(9,020,217)</u>	<u>(8,282,487)</u>

21 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 and D Lilley who control the share capital of The Restaurant Game Plc.