



Grant Thornton

Financial Statements

Fourth Hospitality Limited

For the Year Ended 31 August 2007

FRIDAY



A44
28/03/2008
COMPANIES HOUSE

278

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
Solicitors	Fladgate Fielder Solicitors 25 North Row London W1K 6DJ Hill Dickinson LLP No 1 St Paul's Square Liverpool L3 9SL
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 1st Floor Royal Liver Building Liverpool L3 1PS

Index

Report of the directors	3 - 6
Report of the independent auditor	7 - 8
Principal accounting policies	9 - 11
Profit and loss account	12
Balance sheet	13
Notes to the financial statements	14 - 20

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 August 2007

Principal activity and business review

The principal activity of the company is that of offering software and services to the hospitality industry.

Financial overview

Turnover for continuing operations in the year ended 31 August 2007 was £2.36 million - a rise of 211% on last year (2006 £1.12 million). Operating losses before interest and tax on continued operations were £0.6 million, an improvement of 37% from the prior year (2006 operating loss £1.0 million).

The financial performance during the year has again closely tracked the internal business model of high sales growth and limited cost increases. Fourth Hospitality Limited has exited the year making operating profits. The business continues to expand its market share and is generating profits and positive cash flows.

Turnover

Sales have generated growth over the year of 111%. The company's leading edge products have achieved further market penetration, more and more hospitality businesses are now using the services provided by the business. Customers are generating the associated commercial efficiencies and are benefiting from the tangible reductions in operating costs.

Gross profit

The software based product range has a low level of direct costs. Gross profit for the year equated to 56% (2006 54%). As market penetration and turnover increase, the gross profit margins will show further improvement.

Operating costs / income

Fixed costs continue to be tightly controlled and have been limited to the levels needed to support the expanding product range and sales growth. Total operating costs increased by just 6% in the year.

Research and development

The company's product offerings are at the leading edge of internet based computer technology. The company continues to devote significant resources to develop and enhance the products, investing in the latest available technologies. Where appropriate the company will undertake research and development in order to enable the software products to maintain their market leadership by utilising the latest technical innovations.

Summary of key performance indicators

The directors have monitored the progress of the overall company strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators

	2007 actual	2006 actual	Method of calculation
Growth in sales (%)	110.7	36.2	Year-on-year sales growth expressed as a percentage
Gross profit margin (%)	56.4	54.5	Gross profit margin is the ratio of gross profit to sales expressed as a percentage

Future Developments

The outlook for the company continues to be positive. The product range is continuously tailored to market needs and generates real cost and commercial benefits for hospitality businesses. The available hospitality market, both in the UK and internationally, is vast and opportunities to grow are substantial.

At times of strong competition for consumers' discretionary expenditure, restaurants and pubs must be able to understand and dynamically control their costs and profitability. The software solutions provided by Fourth meet this critical market requirement.

Sales growth in the new financial year is again increasing and the company will generate significant Operating Profit and Cash Flows.

Results and dividends

The loss for the year amounted to £747,547. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company uses various financial instruments these include loans, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by overdraft facilities.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Directors

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

D Lilley
S E Lilley
B Hood

Directors' responsibilities

The directors are responsible for preparing 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 that 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 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.

In so far as the directors are aware:

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

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'B Hood'.

B Hood
Director

25.03.2008



Report of the independent auditor to the members of Fourth Hospitality Limited

We have audited the financial statements of Fourth Hospitality Limited for the year ended 31 August 2007 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 auditor to the members of Fourth Hospitality 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

Emphasis of matter - Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the principal accounting policies on page 9 concerning the company's ability to continue as a going concern. The company incurred a net loss of £747,547 during the year ended 31 August 2007 and, at that date, the company's liabilities exceeded its total assets by £10,620,849. Details of the circumstances by which the directors consider that it is appropriate to prepare the financial statements on the going concern basis are described within the principal accounting policies on page 9. Our opinion is not qualified in this respect.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LIVERPOOL

25 March 2008

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

Basis of preparation - going concern

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 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 receivable during the year, exclusive of Value Added Tax. Revenue in relation to services to the hospitality industry is recognised in the month the service is provided.

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
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 within 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 group personal 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.

Financial instruments

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

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

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

Research and development costs

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

Development costs, where they can be identified with a specific product anticipated to produce future benefits, are capitalised within intangible fixed assets and are amortised on a straight line basis over the anticipated life of the benefits arising from the completed product

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment

Profit and loss account

	Note	2007 £	2006 £
Turnover	1	2,357,598	1,119,031
Cost of sales		1,026,207	509,275
Gross profit		<u>1,331,391</u>	<u>609,756</u>
Other operating charges	2	1,945,017	1,828,406
Other operating income	3	-	(245,741)
Operating loss	4	<u>(613,626)</u>	<u>(972,909)</u>
Interest receivable		15,492	-
Interest payable and similar charges	7	(149,413)	(29,490)
Loss on ordinary activities before taxation		<u>(747,547)</u>	<u>(1,002,399)</u>
Tax on loss on ordinary activities	8	-	(149,314)
Loss for the financial year	21	<u>(747,547)</u>	<u>(853,085)</u>

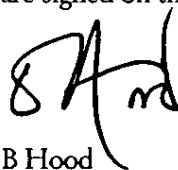
All of the activities of the company are classed as continuing

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

Balance sheet

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	9	49,000	–
Tangible assets	10	100,255	154,761
Investments	11	125	125
		<u>149,380</u>	<u>154,886</u>
Current assets			
Stocks	12	–	1,399
Debtors	13	460,448	285,926
Cash at bank		203,305	1,381
		<u>663,753</u>	<u>288,706</u>
Creditors: amounts falling due within one year	14	<u>1,757,893</u>	<u>1,415,964</u>
Net current liabilities		<u>(1,094,140)</u>	<u>(1,127,258)</u>
Total assets less current liabilities		<u>(944,760)</u>	<u>(972,372)</u>
Creditors: amounts falling due after more than one year	15	<u>9,676,089</u>	<u>8,900,930</u>
		<u>(10,620,849)</u>	<u>(9,873,302)</u>
Capital and reserves			
Called-up equity share capital	20	1,345,300	1,345,300
Profit and loss account	21	(11,966,149)	(11,218,602)
Deficit	22	<u>(10,620,849)</u>	<u>(9,873,302)</u>

These financial statements were approved by the directors and authorised for issue on 25.03.08, and are signed on their behalf by



B Hood
Director

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2007 £	2006 £
United Kingdom	<u>2,357,598</u>	<u>1,119,031</u>

2 Other operating charges

	2007 £	2006 £
Administrative expenses	<u>1,945,017</u>	<u>1,908,696</u>

3 Other operating income

	2007 £	2006 £
Other income	<u>-</u>	<u>245,741</u>

4 Operating loss

Operating loss is stated after charging

	2007 £	2006 £
Depreciation of owned fixed assets	14,707	18,118
Depreciation of assets held under hire purchase agreements	62,812	62,812
Auditor's remuneration		
Audit fees	11,750	11,830
Non-audit fees	6,550	14,040
Operating lease costs		
Other	<u>73,139</u>	<u>82,084</u>

5 Directors and employees

The average number of staff employed by the company during the financial year amounted to

	2007 No	2006 No
Number of administrative staff	46	32
Number of management staff	4	4
	<u>50</u>	<u>36</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	1,499,472	1,074,150
Social security costs	174,708	160,273
Other pension costs	1,931	2,426
	<u>1,676,111</u>	<u>1,236,849</u>

6 Directors

Remuneration in respect of directors was as follows

	2007 £	2006 £
Emoluments receivable	<u>77,000</u>	<u>70,000</u>

7 Interest payable and similar charges

	2007 £	2006 £
Interest payable on bank borrowing	55,828	23,915
Finance charges payable under hire purchase agreements	8,438	8,438
Other similar charges payable	85,147	(2,863)
	<u>149,413</u>	<u>29,490</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax.		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	-	(149,314)
Total current tax	<u>-</u>	<u>(149,314)</u>

8 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% (2006 - 30%)

	2007 £	2006 £
Loss on ordinary activities before taxation	<u>(747,547)</u>	<u>(1,002,399)</u>
Loss on ordinary activities by rate of tax	(224,264)	(300,719)
Expenses not deductible for tax purposes	1,275	39,529
Capital allowances for period in excess of depreciation	(22,719)	-
Research and development tax credits received	-	(149,314)
Unrelieved tax losses	<u>245,708</u>	<u>261,190</u>
Total current tax (note 8(a))	<u>-</u>	<u>(149,314)</u>

9 Intangible fixed assets

	Software development £
Cost	
Additions	49,000
At 31 August 2007	<u>49,000</u>
Amortisation	
At 31 August 2007	<u>-</u>
Net book value	
At 31 August 2007	<u>49,000</u>

10 Tangible fixed assets

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 September 2006	51,485	490,183	541,668
Additions	-	23,013	23,013
At 31 August 2007	<u>51,485</u>	<u>513,196</u>	<u>564,681</u>
Depreciation			
At 1 September 2006	51,485	335,422	386,907
Charge for the year	-	77,519	77,519
At 31 August 2007	<u>51,485</u>	<u>412,941</u>	<u>464,426</u>
Net book value			
At 31 August 2007	-	<u>100,255</u>	<u>100,255</u>
At 31 August 2006	-	<u>154,761</u>	<u>154,761</u>

Included within the net book value of £100,255 is £77,239 (2006 - £140,051) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £62,812 (2006 - £62,812).

11 Investments

	Unlisted investments £
Cost	
At 1 September 2006 and 31 August 2007	<u>125</u>
Net book value	
At 31 August 2007	<u>125</u>
At 31 August 2006	<u>125</u>

12 Stocks

	2007 £	2006 £
Raw materials	<u>-</u>	<u>1,399</u>

13 Debtors

	2007 £	2006 £
Trade debtors	387,162	162,300
Other debtors	32,629	72,887
Prepayments and accrued income	40,657	50,739
	<u>460,448</u>	<u>285,926</u>

14 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	866,335	873,567
Trade creditors	204,602	162,676
PAYE and social security	56,374	68,369
VAT	81,067	24,440
Amounts due under hire purchase agreements	7,756	51,097
Other loan	314,668	–
Accruals and deferred income	227,091	235,815
	<u>1,757,893</u>	<u>1,415,964</u>

The amounts shown above for bank overdraft is secured by a debenture from all group companies and by a charge on all assets of the company D and S E Lilley who are directors, have also personally guaranteed this overdraft

After the balance sheet date the company has restructured its bank finance. The current overdraft limit of £950,000 has been reduced to a £350,000 limit. A loan has also be taken out for £600,000, which is repayable over 5 years. Interest is payable at 2% over bank base rate. The security detailed above is still in place.

The other loan represents a loan from Total Asset Limited. The loan is repayable by monthly instalments of £33,520 and bears interest at a rate of 12.6% per annum. The loan is secured on certain service contracts that the company has with its customers.

15 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Amount owed to group undertaking	8,664,762	8,573,315
Amounts due under hire purchase agreements	–	7,756
Other loan	518,546	–
Directors' loan accounts	492,781	319,859
	<u>9,676,089</u>	<u>8,900,930</u>

16 Creditors - other loan

Creditors include a loan which is due for repayment as follows:

	2007 £	2006 £
Amounts repayable:		
In one year or less or on demand	314,668	-
In more than one year but not more than two years	356,820	-
In more than two years but not more than five years	161,726	-
	<u>833,214</u>	<u>-</u>

17 Commitments under hire purchase agreements

Future commitments under hire purchase agreements net of future finance lease charges are as follows

	2007 £	2006 £
Amounts payable within 1 year	7,756	51,097
Amounts payable between 1 and 2 years	-	7,756
	<u>7,756</u>	<u>58,853</u>

18 Leasing commitments

At 31 August 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & buildings	
	2007 £	2006 £
Operating leases which expire		
Within 1 year	26,240	13,600
Within 2 to 5 years	69,300	69,300
	<u>95,540</u>	<u>82,900</u>

19 Related party transactions

Included within creditors due after more than one year is £492,781 (2006 £319,859) owing to D Lilley and S E Lilley, directors of the company. This directors loan is unsecured and interest is charged at 2% above bank base rate. For year ended 31 August 2007 £16,602 was payable (2006 £nil).

During the year Fourth Hospitality Limited provided services to Amplepaint Limited, a company of which D Lilley is also a director. Accounting services amounted to £24,969 (2006 £nil) while bureau services amounted to £170 (2006 £nil). At 31 August 2007 £3,012 (2006 £nil) was due from Amplepaint Limited, which is included within trade debtors.

In addition the company owed £8,664,762 (2006 £8,573,315) to its parent undertaking, The Restaurant Game Plc.

20 Share capital

Authorised share capital

	2007 £	2006 £
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.

	2007 No	£	2006 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>

21 Profit and loss account

	2007 £	2006 £
Balance brought forward	(11,218,602)	(10,365,517)
Loss for the financial year	<u>(747,547)</u>	<u>(853,085)</u>
Balance carried forward	<u>(11,966,149)</u>	<u>(11,218,602)</u>

22 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Loss for the financial year	(747,547)	(853,085)
Opening shareholders' deficit	<u>(9,873,302)</u>	<u>(9,020,217)</u>
Closing shareholders' deficit	<u>(10,620,849)</u>	<u>(9,873,302)</u>

23 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 August 2007 or 31 August 2006

24 Capital commitments

The directors have confirmed that there were no capital commitments at 31 August 2007 or 31 August 2006

25 Ultimate parent company

The company is a wholly owned subsidiary of The Restaurant Game Plc, a company incorporated in England and Wales. 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