



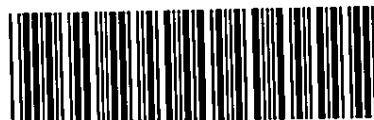
# Financial statements

## Fourth Hospitality Limited

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**For the year ended 31 August 2009**

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**Company No. 3887115**

## Company information

<b>Company registration number</b>	3887115
<b>Registered office</b>	90 Long Acre Covent Garden London WC2E 9RA
<b>Directors</b>	D Lilley S E Lilley B Hood A R Lovelady A O'Shaughnessy C Berthelsen S G Bocca
<b>Secretary</b>	A R Lovelady
<b>Bankers</b>	Bank of Scotland 117 Foregate Street Chester CH1 2NX
<b>Solicitors</b>	Fladgate LLP 25 North Row London W1K 6DJ  Hill Dickinson LLP No 1 St Paul's Square Liverpool L3 9SL
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants Registered Auditors 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 2009

### **Principal activity**

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

### **Directors**

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

D Lilley  
S E Lilley  
B Hood  
A R Lovelady  
A O'Shaughnessy  
C Berthelsen  
S G Bocca

### **Directors' responsibilities**

The directors are responsible for preparing the Report of the directors 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 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 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.

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.

## Report of the directors

### **Auditor**

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006

### **Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'B Hood', with a small dot at the end.

B Hood  
Director  
9 March 2010



## 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 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2009 and of the 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Report of the independent auditor to the members of Fourth Hospitality Limited (continued)

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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

*Grant Thornton UK LLP*

Carl Williams  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Liverpool  
15 March 2010

## Principal accounting policies

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards

The principal accounting policies of the company are set out below and remain unchanged from the previous year

### **Basis of preparation - going concern**

The directors have prepared trading and cash flow forecasts which, taking into account reasonably possible changes in trading performance, show that the company can trade within its agreed finance facilities. The company has a bank overdraft facility amounting to £500,000 which is due for renewal on 30 September 2010. The company will open renewal negotiations with the bank in due course, but at this stage no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. Therefore the directors are of the opinion that because of this, in conjunction with the continued support of the parent undertaking and 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 recorded at cost, less depreciation and any provision for impairment.

### **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

### **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.



## Principal accounting policies

### **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.

### **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. Deferred tax is not subject to discounting.

### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

### **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.

## Profit and loss account

	Note	2009 £	2008 £
Turnover	1	5,842,240	4,092,395
Cost of sales		<u>1,488,912</u>	<u>1,232,215</u>
Gross profit		4,353,328	2,860,180
Other operating charges	2	2,892,123	2,396,985
Other operating income	3	<u>(740,000)</u>	<u>(600,000)</u>
<b>Operating profit</b>	4	<b>2,201,205</b>	<b>1,063,195</b>
Interest receivable		26	5,161
Interest payable and similar charges	7	<u>(226,535)</u>	<u>(275,046)</u>
<b>Profit on ordinary activities before taxation</b>		<b>1,974,696</b>	<b>793,310</b>
Tax on profit on ordinary activities	8	<u>(950,917)</u>	<u>(104,824)</u>
<b>Profit for the financial year</b>	20	<b><u>2,925,613</u></b>	<b><u>898,134</u></b>

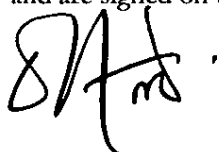
All of the activities of the company are classed as continuing

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

## Balance sheet

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Intangible assets	9	983,990	472,885
Tangible assets	10	55,322	68,759
Investments	11	—	125
		<u>1,039,312</u>	<u>541,769</u>
<b>Current assets</b>			
Debtors	12	1,782,098	984,382
Cash at bank		202,163	—
		<u>1,984,261</u>	<u>984,382</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>2,290,603</u>	<u>1,978,993</u>
<b>Net current liabilities</b>		<u>(306,342)</u>	<u>(994,611)</u>
<b>Total assets less current liabilities</b>		<u>732,970</u>	<u>(452,842)</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>7,530,072</u>	<u>9,269,873</u>
		<u>(6,797,102)</u>	<u>(9,722,715)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	19	1,345,300	1,345,300
Profit and loss account	20	(8,142,402)	(11,068,015)
<b>Deficit</b>	21	<u>(6,797,102)</u>	<u>(9,722,715)</u>

These financial statements were approved by the directors and authorised for issue on 9 March 2010, and are signed on their behalf by



B Hood  
Director

Company number 3887115

## Notes to the financial statements

### **1 Turnover**

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover and profit before tax by geographical market has not been disclosed, as in the opinion of the directors it would be seriously prejudicial to the interests of the company.

### **2 Other operating charges**

	2009 £	2008 £
Administrative expenses	<u>2,892,123</u>	<u>2,396,985</u>

### **3 Other operating income**

	2009 £	2008 £
Management charges receivable	<u>740,000</u>	<u>600,000</u>

### **4 Operating profit**

Operating profit is stated after charging/(crediting)

	2009 £	2008 £
Depreciation of owned fixed assets	31,340	73,172
Profit on disposal of investments	(30,000)	—
Auditor's remuneration		
Audit fees	15,950	19,000
Non-audit fees	2,400	3,500
Operating lease costs		
Land and buildings	<u>128,409</u>	<u>84,541</u>

## Notes to the financial statements

### **5 Directors and employees**

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

	2009 No	2008 No
Number of administrative staff	83	62
Number of management staff	4	4
	<u>87</u>	<u>66</u>

The aggregate payroll costs of the above were

	2009 £	2008 £
Wages and salaries	2,757,799	2,062,417
Social security costs	303,760	218,078
Other pension costs	13,083	13,056
	<u>3,074,642</u>	<u>2,293,551</u>

### **6 Directors**

Remuneration in respect of directors was as follows

	2009 £	2008 £
Emoluments receivable	239,870	184,288
Value of company pension contributions to money pension schemes	720	—
Emoluments receivable	<u>240,590</u>	<u>184,288</u>
Emoluments of highest paid director		
	2008 £	2007 £
Total emoluments	<u>91,864</u>	<u>95,555</u>

One director accrued benefits under company pension scheme (2008 none)

## Notes to the financial statements

### **7 Interest payable and similar charges**

	2009	2008
	£	£
Interest payable on bank borrowing	3,067	38,886
Finance charges payable under finance leases and hire purchase agreements	–	1,423
Interest payable on directors' loan accounts	5,011	11,766
Interest on other loan	218,457	222,971
	<u>226,535</u>	<u>275,046</u>

### **8 Taxation on ordinary activities**

#### (a) Analysis of charge in the year

	2009	2008
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2008 - 28%)	-	-
Over provision of tax charge in prior years in respect of research and development allowances	(190,917)	(104,824)
Total current tax	<u>(190,917)</u>	<u>(104,824)</u>
Deferred tax		
Origination and reversal of timing differences (note 13)		
Losses	(760,000)	-
Tax on profit on ordinary activities	<u>(950,917)</u>	<u>(104,824)</u>

Unrelieved tax losses of £2,926,535 (2008 £5,596,771) remain available to offset against future taxable trading profits

## Notes to the financial statements

### **8 Taxation on ordinary activities (continued)**

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 28%)

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>1,974,696</u>	<u>793,310</u>
Profit on ordinary activities by rate of tax	552,915	222,127
Expenses not deductible for tax purposes	11,312	11,209
Capital allowances for year in excess of depreciation	(25,433)	(10,658)
Utilisation of tax losses/Group relief	(545,073)	(222,678)
Adjustments to tax charge in respect of previous periods	(190,917)	(104,824)
Chargeable gains	6,279	-
Total current tax (note 8(a))	<u>(190,917)</u>	<u>(104,824)</u>

### **9 Intangible fixed assets**

	Software development £
Cost	
At 1 September 2008	472,885
Additions	511,105
At 31 August 2009	<u>983,990</u>
Amortisation	
At 1 September 2008 and 31 August 2009	-
Net book value	
At 31 August 2009	<u>983,990</u>
At 31 August 2008	<u>472,885</u>

## Notes to the financial statements

### 10 Tangible fixed assets

	Fixtures and fittings £	Equipment £	Total £
Cost			
At 1 September 2008	51,485	554,872	606,357
Additions	–	17,903	17,903
At 31 August 2009	<u>51,485</u>	<u>572,775</u>	<u>624,260</u>
Depreciation			
At 1 September 2008	51,485	486,113	537,598
Charge for the year	–	31,340	31,340
At 31 August 2009	<u>51,485</u>	<u>517,453</u>	<u>568,938</u>
Net book value			
At 31 August 2009	<u>–</u>	<u>55,322</u>	<u>55,322</u>
At 31 August 2008	<u>–</u>	<u>68,759</u>	<u>68,759</u>

### 11 Investments

	Unlisted investments £
Cost	
At 1 September 2008	125
Disposals	(125)
At 31 August 2009	<u>–</u>
Net book value	
At 31 August 2009	<u>–</u>
At 31 August 2008	<u>125</u>



## Notes to the financial statements

### **12 Debtors**

	2009	2008
	£	£
Trade debtors	437,736	696,030
Amounts owed by group undertakings	267,062	117,500
Amounts owed by related undertaking	12	1,492
Corporation tax repayable	190,943	104,824
Other debtors	24,408	5,910
Prepayments and accrued income	101,937	58,626
Deferred taxation (note 13)	760,000	-
	<u>1,782,098</u>	<u>984,382</u>

### **13 Deferred taxation**

The deferred tax included in the Balance sheet is as follows

	2009	2008
	£	£
Included in debtors (note 12)	<u>760,000</u>	<u>-</u>

The movement in the deferred taxation account during the year was

	2009	2008
	£	£
Profit and loss account movement arising during the year	<u>760,000</u>	<u>-</u>
Balance carried forward	<u>760,000</u>	<u>-</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2009	2008
	£	£
Tax losses available	<u>760,000</u>	<u>-</u>

## Notes to the financial statements

### **14 Creditors: amounts falling due within one year**

	2009	2008
	£	£
Bank overdraft	–	145,028
Bank and other loans	870,663	917,201
Trade creditors	209,430	173,963
Amounts owed to group undertakings	328,959	4,700
PAYE and social security	87,581	71,967
VAT	349,824	198,723
Accruals and deferred income	444,146	467,411
	<u>2,290,603</u>	<u>1,978,993</u>

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

The bank and other loans comprise of four loans as follows:

- 1) A loan with the Bank of Scotland for £600,000, which is repayable over 5 years. Interest is payable at 2% over bank base rate. The loan is secured by a debenture from the company and other group companies, a corporate guarantee by each group company and a personal guarantee from Mr D and Mrs S E Lilley amounting to £350,000.
- 2) Three loans are held with Total Asset Limited, one of which is repayable by monthly instalments of £33,520 and bears interest at a rate of 12.6% per annum. The second loan is repayable by monthly instalments of £49,486 and bears interest at a rate of 12.6% per annum. The third loan is repayable by monthly instalments of £5,200 and bears interest at a rate of 12.6% per annum. All three loans are secured on certain service contracts that the company has with its customers.

In December 2009 a new £2 million loan was obtained with the Bank of Scotland, which is repayable over three years and enabled all four loans above to be repaid in January 2010. Interest is payable at 3%, plus LIBOR, plus regulatory costs. The loan is secured by a debenture from the group, a corporate guarantee by each group company and a personal guarantee from D Lilley and S E Lilley amounting to £350,000.

### **15 Creditors: amounts falling due after more than one year**

	2009	2008
	£	£
Amounts owed to group undertakings	6,503,920	7,463,892
Bank and other loans	640,640	1,380,856
Directors' loan accounts	385,512	425,125
	<u>7,530,072</u>	<u>9,269,873</u>

## Notes to the financial statements

### **16 Creditors - Bank and other loans**

Creditors include a bank loan and other loans which is due for repayment as follows

	2009	2008
	£	£
Amounts repayable		
In one year or less or on demand	870,663	917,201
In more than one year but not more than two years	366,159	870,691
In more than two years but not more than five years	274,481	510,165
	<u>1,511,303</u>	<u>2,298,057</u>

### **17 Leasing commitments**

At 31 August 2009 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire		
Within 1 year	32,900	28,000
Within 2 to 5 years	79,161	69,300
	<u>112,061</u>	<u>97,300</u>

### **18 Related party transactions**

Included within creditors due after more than one year is £385,512 (2008 £425,125) owing to D Lilley and S E Lilley, directors of the company. This directors loan is unsecured and interest is charged at 2% above the Bank of England base rate. For year ended 31 August 2009 £5,011 was payable (2008 £11,766) and is included in accruals and deferred income. Total interest accrued but unpaid at 31 August 2009 amounted to £16,777 (2008 £11,766).

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 £15,000 (2008 £17,621) while bureau services amounted to £108 (2008 £147). At 31 August 2009 £12 (2008 £1,492) was due from Amplepaint Limited.

As a wholly-owned subsidiary of Fourth Holdings Plc, the company is exempt from the requirements of Financial Reporting Standard 8 to disclose transactions with other wholly owned members of the group headed by Fourth Holdings Plc.

## Notes to the financial statements

### **19 Share capital**

Authorised share capital

	2009 £	2008 £
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

	2009 No	£	2008 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>

### **20 Profit and loss account**

	2009 £	2008 £
Balance brought forward	(11,068,015)	(11,966,149)
Profit for the financial year	<u>2,925,613</u>	<u>898,134</u>
Balance carried forward	<u>(8,142,402)</u>	<u>(11,068,015)</u>

### **21 Reconciliation of movements in shareholders' funds**

	2009 £	2008 £
Profit for the financial year	2,925,613	898,134
Opening shareholders' deficit	<u>(9,722,715)</u>	<u>(10,620,849)</u>
Closing shareholders' deficit	<u>(6,797,102)</u>	<u>(9,722,715)</u>

### **22 Contingencies**

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 August 2009 or 31 August 2008

### **23 Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £Nil (2008 - £240,000)

### **24 Ultimate parent company**

The company is a wholly owned subsidiary of Fourth Holdings 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 Fourth Holdings Plc.