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**SANDS CATERING COMPANY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2003**



SANDS CATERING COMPANY LIMITED

COMPANY INFORMATION

Directors

R Rapacioli
Mrs R Rapacioli
D J Rapacioli
M U Rapacioli

Secretary

Mrs R Rapacioli

Company number

1272521

Registered office

353 City Road
London
EC1V 1LR

Auditors

Nunn Hayward
66/70 Coombe Road
New Malden
Surrey
KT3 4QW

Business address

353 City Road
London
EC1V 1LR

SANDS CATERING COMPANY LIMITED

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SANDS CATERING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2003

The directors present their report and financial statements for the year ended 31 August 2003.

Principal activities

The principal activity of the company continued to be that of a management company.

Directors

The following directors have held office since 1 September 2002:

R Rapacioli
Mrs R Rapacioli
D J Rapacioli
M U Rapacioli

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 August 2003	1 September 2002
R Rapacioli	12,950	12,950
Mrs R Rapacioli	4,550	4,550
D J Rapacioli	-	-
M U Rapacioli	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Nunn Hayward be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

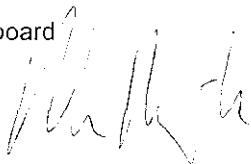
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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 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.

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

On behalf of the board



Mrs R Rapacioli

Director

21 January 2004

SANDS CATERING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SANDS CATERING COMPANY LIMITED

We have audited the financial statements of Sands Catering Company Limited on pages 3 to 10 for the year ended 31 August 2003. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and 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 the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

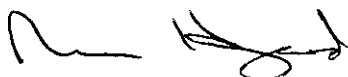
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Nunn Hayward

21 January 2004

Chartered Accountants
Registered Auditor

66/70 Coombe Road
New Malden
Surrey
KT3 4QW

SANDS CATERING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2003

	Notes	2003 £	2002 £
Turnover		553,354	383,994
Administrative expenses		(421,338)	(347,214)
Exceptional item	2	(320,000)	-
Operating (loss)/profit	3	(187,984)	36,780
Other interest receivable and similar income		22	-
Interest payable and similar charges		(8,574)	(6,838)
(Loss)/profit on ordinary activities before taxation		(196,536)	29,942
Tax on (loss)/profit on ordinary activities	4	-	(6,199)
(Loss)/profit on ordinary activities after taxation	12	(196,536)	23,743

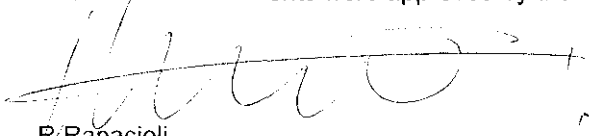
SANDS CATERING COMPANY LIMITED

BALANCE SHEET AS AT 31 AUGUST 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	5		7,070		8,318
Investments	6		14,617		14,617
			<u>21,687</u>		<u>22,935</u>
Current assets					
Debtors	7	448,643		207,107	
Cash at bank and in hand		100		24,992	
		<u>448,743</u>		<u>232,099</u>	
Creditors: amounts falling due within one year	8	(504,449)		(91,128)	
Net current (liabilities)/assets			<u>(55,706)</u>		<u>140,971</u>
Total assets less current liabilities			<u>(34,019)</u>		<u>163,906</u>
Creditors: amounts falling due after more than one year	9		-		(1,389)
			<u>(34,019)</u>		<u>162,517</u>
Capital and reserves					
Called up share capital	11		17,500		17,500
Profit and loss account	12		(51,519)		145,017
Shareholders' funds			<u>(34,019)</u>		<u>162,517</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 21 January 2004


R. Rapacioli
Director

SANDS CATERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the *Financial Reporting Standard for Smaller Entities* (effective June 2002).

Going concern

In the opinion of the directors the company's existing bank overdraft facility together with the new loan facility as set out in note 16 are sufficient to enable the company and its subsidiaries to trade for at least 12 months from the date of approval of the financial statements. Accordingly the financial statements have been prepared on a going concern basis.

1.2 Compliance with and departure from accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

Consolidation

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	15% reducing balance
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1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17.

2 Exceptional item

	2003	2002
	£	£
Pension payment	320,000	-

3 Operating (loss)/profit

	2003	2002
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	1,248	1,468
Auditors' remuneration	1,500	1,000
Directors' emoluments	230,155	189,400

SANDS CATERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

4	Taxation	2003	2002
		£	£
	Current year taxation		
	U.K. corporation tax	-	6,199
		<u></u>	<u></u>
5	Tangible fixed assets		
			Fixtures, fittings and equipment
			£
	Cost		
	At 1 September 2002 & at 31 August 2003		18,935
			<u></u>
	Depreciation		
	At 1 September 2002		10,617
	Charge for the year		1,248
			<u></u>
	At 31 August 2003		11,865
			<u></u>
	Net book value		
	At 31 August 2003		7,070
			<u></u>
	At 31 August 2002		8,318
			<u></u>

SANDS CATERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

6 Fixed asset investments

	Unlisted investments £
Cost	
At 1 September 2002 & at 31 August 2003	264,734
Provisions for diminution in value	
At 1 September 2002 & at 31 August 2003	250,117
Net book value	
At 31 August 2003	14,617
At 31 August 2002	14,617

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Supernote Limited	UK	Ordinary	100
Sands Investments Limited	UK	Ordinary *	100
Goldnew Limited	UK	Ordinary *	76
Yearnminster Limited	UK	Ordinary	76
Paramart Limited	UK	Ordinary	76
Shirepond Limited	UK	Ordinary *	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2003 £	Profit for the year 2003 £
Supernote Limited	(30,823)	(54,667)
Sands Investments Limited	(147,377)	-
Goldnew Limited	20,000	-
Yearnminster Limited	(353,779)	-
Paramart Limited	(247,820)	67,966
Shirepond Limited	(290,832)	(65,866)

* - denotes held directly by Sands Catering Company Limited

SANDS CATERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

7 Debtors	2003 £	2002 £
Amounts owed by group undertakings	447,827	200,044
Other debtors	304	1,223
Prepayments and accrued income	512	5,840
	<u>448,643</u>	<u>207,107</u>

The amounts owed by group undertakings have no fixed repayment terms. The company does not intend to seek repayment of the intercompany debt of £311,570 within one year.

8 Creditors: amounts falling due within one year	2003 £	2002 £
Bank loans and overdrafts	228,060	-
Trade creditors	1,489	1,164
Amounts owed to parent and fellow subsidiary undertakings	132,225	26,370
Other creditors	8,000	-
Corporation tax	-	6,199
Other taxes and social security costs	28,219	6,606
Directors' loan accounts	96,405	17,225
Loan	1,389	16,667
Accruals and deferred income	8,662	16,897
	<u>504,449</u>	<u>91,128</u>

Bank overdrafts are secured by a fixed and floating charge on all the assets of the company.

9 Creditors: amounts falling due after more than one year	2003 £	2002 £
Loan	-	1,389
	<u>-</u>	<u>1,389</u>
Analysis of loans		
Wholly repayable within five years	1,389	18,056
Included in current liabilities	(1,389)	(16,667)
	<u>-</u>	<u>1,389</u>
Loan maturity analysis		
In more than one year but not more than two years	-	1,389
	<u>-</u>	<u>1,389</u>

SANDS CATERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

10 Pension costs

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 cost charge represents contributions payable by the company to the fund.

11 Share capital	2003 £	2002 £
Authorised		
50,000 Ordinary shares of £ 1 each	50,000	50,000
Allotted, called up and fully paid		
17,500 Ordinary shares of £ 1 each	17,500	17,500

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 September 2002	145,017
Retained loss for the year	(196,536)
Balance at 31 August 2003	(51,519)

13 Contingent liabilities

The company has contingent liabilities in respect of guarantees given to secure the bank borrowings of certain companies.

The aggregate amount of these borrowings at 31 August 2003 was £267,529 (2002 - £214,334).

14 Financial commitments

At 31 August 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Expiry date:		
In over five years	80,500	80,500

15 Controlling party

The company was controlled throughout the current and previous year by the directors by virtue of their shareholding.

SANDS CATERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2003

16 Post balance sheet events

Since the year end the company has completed a new loan facility of £320,000 with Sands Catering Company Limited Pension Scheme to refinance existing borrowing. This loan is repayable on 1 December 2011.