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**Capital Management and Investment
PLC**

Report and Financial Statements

Year Ended

31 January 2005



IBDO

BDO Stoy Hayward
Chartered Accountants

2

Capital Management and Investment PLC

Annual report and financial statements for the year ended 31 January 2005

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Directors

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Directors

W A McIntosh*
C C Nasser *
H E M Osmond*
E A C Spencer-Churchill *
M N Jonas *
T D Woodcock

* Non Executive

Secretary and registered office

S Moore, 54 Baker Street, London, W1U 1FB.

Nominated broker and nominated adviser

Brewin Dolphin, 36 St Ann Street, Manchester, M60 2EP.

Company number

3214950

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

Registrars

Capita Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA.

Capital Management and Investment PLC

Chairman's statement

Year end results

The results for Capital Management and Investment PLC ("CMI") for the year ended 31 January 2005 show a loss before tax of £1,525,000 (2004 – loss £6,941,000). This loss is stated after accounting for interest income of £880,000 (2004 - £1,277,000).

The group has not yet received dividend or other income from its investment in Ristretto.

Activity during the year

On 16 September 2004 CMI announced that it had completed a €44,358m investment to acquire approximately 28% of the Share Capital of Ristretto Holdings SARL ("Ristretto"). Ristretto owns, via a series of intermediary companies, 100% of Algeco SA, ("Algeco"), Europe's leading modular construction business. Algeco was previously listed on the Seconde Marché in Paris. Further details of our investment are set out in the circular sent to shareholders dated 13 August 2004.

Current situation

CMI is actively involved in monitoring its investment in Ristretto. It has 2 seats on the board of the company and attends monthly operational meetings. Progress since completion has been good and the company is on target to meet its budgets for 2005. Further information is contained in note 10 to the financial statements.

Distribution of shares from Employee Benefit Trust

On 13 August 2004, CMI distributed 15,000,000 shares held by the Employee Benefit Trust to the directors and employees of the company. The shares had a market value at the time of the distribution of £1,650,000. The distribution had no impact on the cash position or Reserves of CMI. However, the monetary value of the distribution is shown in its profit and loss account for disclosure purposes. Following the distribution the Employee Benefit Trust no longer holds shares in CMI.

Post balance sheet events

1) Acquisition of Field Capital Limited

On 25 February 2005, CMI acquired 100% of the share capital of Field Capital Limited ("Field Capital") for £1.8m. The acquisition was formed via issue of CMI shares to the vendors at the market price prevailing at the time.

Field Capital is a cash shell. On completion, it had £1.8m of cash on deposit and no other assets or liabilities.

2) Potential Investment in Elliot Group Limited

On 25 May 2005, CMI announced that TDR Capital, the majority shareholder in Ristretto, had acquired Elliot Group Limited, a UK company specialising in the manufacture and rental of modular construction units for £166m. CMI also announced that it intended to invest approx £15.4m into this transaction in order to maintain its 28% shareholding in the enlarged Ristretto group. The board intends to send a circular detailing how intended investment will be financed shortly.

Capital Management and Investment PLC

Chairman's statement (*Continued*)

Balance sheet

Following the acquisition of Field Capital, CMI has a €44m (£29m) investment in Ristretto and cash balances of £6.4m.

Strategy going forward

CMI continues to monitor its investment in Ristretto. It has cash reserves of £6m which will be used to finance on going expenses and make additional investments in areas where the board feels that shareholder value would be generated.

Dividends

The board is not recommending payment of a dividend for the period under review.

Hugh Osmond
Chairman

22 June 2005

Capital Management and Investment PLC

Report of the directors for the year ended 31 January 2005

The directors present their report together with the audited financial statements for the year ended 31 January 2005.

Results and dividends

The profit and loss account is set out on page 12 and shows the loss for the year. Further commentary is set out in the Chairman's statement.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

A trading review and discussion of recent and future developments is given in the Chairman's statement.

Charitable and political contributions

During the year, the group made charitable donations totalling £164,900. There were no political donations.

Directors

The directors of the company during the year and their beneficial and other interests in the ordinary share capital of the company were:

| | Percentage warrants at | | Warrants at | | Ordinary shares of 1p each | |
|-------------------------|------------------------|----------|-------------|----------|----------------------------|------------|
| | 31.1.2005 | 1.2.2004 | 31.1.2005 | 1.2.2004 | 31.1.2005 | 1.2.2004 |
| W A McIntosh | 21.2 | 21.2 | - | - | 18,651,113 | 14,991,113 |
| H E M Osmond | 21.2 | 21.2 | - | - | 18,876,546 | 15,276,546 |
| C C Nasser | 27.0 | 27.0 | - | - | 17,033,134 | 13,433,134 |
| E A C Spencer-Churchill | 20.6 | 20.6 | - | 800,000 | 6,106,467 | 3,506,467 |
| T D Woodcock | - | - | - | 900,000 | 1,953,333 | 253,333 |
| M N Jonas | - | - | - | - | 9,350,000 | 6,780,000 |

One percentage warrant entitles the holder to subscribe for ordinary shares equivalent to one tenth of a per cent of the company's ordinary share capital at an exercise price of 2.25p per share. Subscription rights on these warrants expire on 31 December 2006.

Charles Nasser's interest includes 11,760,000 ordinary shares held by Bipolar Holdings Limited, a company owned by the Nasser family.

Capital Management and Investment PLC

Report of the directors for the year ended 31 January 2005 (*Continued*)

Substantial equity shareholdings

As at 5 June 2005, the company has been notified by the following (excluding directors) whose interests total 3% or more of the issued ordinary share capital of the company.

| | Ordinary shares of 1p each Number of of shares | Percentage |
|------------------------------|--|------------|
| Mid Ocean Securities Limited | 9,334,358 | 3.0% |
| Riverbay Properties Limited | 32,723,500 | 13.1% |
| J P Morgan Chase & Co | 22,839,067 | 9.1% |
| Fitel Nominees Limited | 13,663,575 | 5.9% |
| Chase Nominees Limited | 8,752,000 | 3.8% |

The company's share price at 31 January 2005 was 15.25p. The high and low prices during the year were 16.75p and 10.75p respectively.

Payment to creditors

The company agrees a variety of terms and conditions for business transactions with its suppliers. Payment is made in accordance with those terms, subject to the terms and conditions being met by the supplier.

The number of days purchases of the company represented by trade creditors at 31 January 2005 was 141 (2004 – 22).

Capital Management and Investment PLC

Report of the directors for the year ended 31 January 2005 (*Continued*)

Corporate governance

The company is quoted on the Alternative Investment Market, so is not required to adopt the requirements of the 2003 FRC Code. Nevertheless, the board recognises that corporate governance is a key concern to shareholders and other users of financial statements. Accordingly, it is committed to high standards of corporate governance but it considers that the expense of full compliance with the Code is not currently appropriate. However, the board intends to ensure that it observes the provisions of the Code, so far as is practicable.

The necessity for full compliance with the provisions of the Code will be reviewed by the Board if acquisitions are made during the forthcoming year.

There is no formal means of communication between the directors and the company's shareholders but directors will make themselves available to answer shareholders' questions at the Annual General Meeting or via correspondence.

Directors

The board consists of a chairman, Hugh Osmond, one executive director and four other independent non-executive directors. The board meets regularly and although it does not have a formal schedule of matters reserved to it for decision, all important business decisions are taken at board level and board meetings are structured.

Directors are authorised to take independent professional advice if necessary and at the company's expense. This is in addition to the access which every director has to the company secretary. The secretary is charged by the board with ensuring that board procedures are followed.

To enable the board to function effectively and for the directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including monthly management accounts, minutes of the last board meeting and discussion documents regarding specific matters.

Any director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek re-election by shareholders at the next annual general meeting. The Articles also require that one third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire are those in office longest since their previous re-election and this means that each director retires at least every three years.

Full details of directors' remuneration and a statement of the company's remuneration policy is set out in the report on remuneration and related matters on pages 8 and 9.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Capital Management and Investment PLC

Report of the directors for the year ended 31 January 2005 (*Continued*)

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 group and company and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


S. Moore

Secretary

22 June 2005

Capital Management and Investment PLC

Report on Remuneration and Related Matters

This report covers the remuneration of the Non-Executive as well as the Executive Directors. It therefore covers issues which are the concern of the Board as a whole in addition to those which are dealt with by the Remuneration Committee.

The Remuneration Committee

The Remuneration Committee reviews, determines and recommends to the Board for approval the remuneration of all Executive Directors. It has established a framework of policies within which it sets the remuneration package for each Executive Director. The Remuneration Committee is made up wholly of Non-Executive Directors in accordance with the 2003 FRC Code recommendation as follows:

H E M Osmond - Chairman
W A McIntosh

Remuneration policies

The objectives of the Remuneration Committee's policies are that Executive Directors should receive compensation which is appropriate to their scale of responsibility and performance, and which will attract, motivate and retain executives of the necessary calibre. The committee also proposes the principles underlying remuneration for other senior executives.

The remuneration package of T D Woodcock consists of annual salary, car allowance, reimbursement of reasonable mobile phone rental and call costs, contributions to a pension scheme and private medical insurance.

T D Woodcock is entitled to participate in the Company's Executive Share Option Scheme and to receive an annual cash bonus.

Summary of remuneration

Salaries of Executive Directors

In setting salary levels, the committee compared the remuneration packages with those for jobs of similar type and seniority in relevant similar companies. In selecting appropriate survey comparators, consideration was given to the level of managerial responsibility, size of company and industry sector.

Bonuses

Annual cash bonuses are currently based on targets linked to financial performance measured by reference to annual profits. Annual cash bonuses do not form part of the pensionable earnings.

Pensions

The Company has contributed to the Executive Director's defined contribution pension scheme at a rate based on basic salary.

Non-Executive Directors' Fees

Non-Executive Directors are entitled to submit invoices to the company in respect of fees for their services.

Capital Management and Investment PLC

Report on Remuneration and Related Matters (Continued)

Summary of remuneration (Continued)

Service Contracts

The services of the Executive Director are provided under a contract which may be terminated on one year's notice or less following an initial term of office as follows:

| | Date initial term expired |
|--------------|------------------------------|
| T D Woodcock | 18 October 1999 |

Non-Executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

Table of Directors' Remuneration

| | Salary | Bonus | Award of shares from EBT | Gain on exercise of warrants | Total 2005 | Total 2004 |
|--------------------------------|--------|-------|--------------------------------|------------------------------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Executive Directors | | | | | | |
| T D Woodcock | 70 | 15 | 66 | 77 | 228 | 88 |
| Non-executive Directors | | | | | | |
| W A McIntosh | - | - | 396 | - | 396 | - |
| C C Nasser | - | - | 396 | - | 396 | - |
| H E M Osmond | - | - | 396 | - | 396 | - |
| E A C Spencer-Churchill | - | - | 198 | 68 | 266 | - |
| M N Jonas | - | - | 99 | - | 99 | - |
| Total | 70 | 15 | 1,551 | 145 | 1,781 | 88 |

Capital Management and Investment PLC

Report on Remuneration and Related Matters *(Continued)*

Summary of remuneration *(Continued)*

Table of Directors' Remuneration *(Continued)*

Related party transactions with directors are disclosed in note 20.

| | Contributions to defined contribution pension | |
|----------------------------|--|---------------|
| | 2005 £'000 | 2004 £'000 |
| Executive Directors | | |
| T D Woodcock | 8 | 8 |

The company makes contributions to the personal pension plan of the current Executive Director.

The company made no pension contributions in respect of any of the other directors in the current or prior year.

Hugh Osmond

**Chairman of the Remuneration Committee on
behalf of the Board of Directors**

22 June 2005

Capital Management and Investment PLC

Report of the independent auditors

Independent auditors' report to the shareholders of Capital Management and Investment PLC

We have audited the financial statements of Capital Management and Investment PLC for the year ended 31 January 2005 on pages 12 to 28 which have been prepared under the accounting policies set out on page 17.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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 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 and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Report on Remuneration and Related Matters. 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 group'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.

Capital Management and Investment PLC

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company as at 31 January 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP.

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

London

22 June 2005

Capital Management and Investment PLC

Consolidated profit and loss account for the year ended 31 January 2005

| | Note | Total 2005 £'000 | Total 2004 £'000 |
|--|------|------------------------|------------------------|
| Exceptional item – issue of EBT shares | 3 | (1,650) | - |
| Exceptional item – aborted acquisition costs | 3 | - | (7,731) |
| Other administrative expenses | | (805) | (504) |
| <hr/> | | | |
| Total administrative expenses | | (2,455) | (8,235) |
| Other operating income | | 50 | 17 |
| <hr/> | | | |
| Operating loss | 4 | (2,405) | (8,218) |
| Interest receivable | 5 | 880 | 1,277 |
| <hr/> | | | |
| Loss on ordinary activities before taxation | | (1,525) | (6,941) |
| Taxation | 6 | - | (8) |
| <hr/> | | | |
| Loss on ordinary activities after taxation and for the financial year | | (1,525) | (6,949) |
| <hr/> | | | |
| Basic loss per share | 7 | (0.65p) | (2.98p) |
| <hr/> | | | |
| Diluted loss per share | 7 | (0.65p) | (2.98p) |
| <hr/> | | | |

All amounts in the current and prior year relate to continuing activities.

All recognised gains and losses are included in the profit and loss account for both accounting periods.

The notes on pages 17 to 28 form part of these financial statements.

Capital Management and Investment PLC

Reconciliation of movements in shareholders' funds for the year ended 31 January 2005

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|--|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Loss for the financial year | (1,525) | (6,949) | (1,509) | (6,949) |
| Premium on exercise of warrants | 61 | - | 61 | - |
| Issue of shares | 41 | - | 41 | - |
| Issue of EBT shares | 1,650 | - | 1,650 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net addition to/(reduction) in shareholders' funds | 227 | (6,949) | 243 | (6,949) |
| Opening shareholders' funds | 34,138 | 41,087 | 34,138 | 41,087 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Closing shareholders' funds | 34,365 | 34,138 | 34,381 | 34,138 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The notes on pages 17 to 28 form part of these financial statements.

Capital Management and Investment PLC

Consolidated balance sheet at 31 January 2005

| | Note | 2005 £'000 | 2005 £'000 | 2004 £'000 | 2004 £'000 |
|---|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 75 | | 35 |
| Investments | 10 | | 29,652 | | - |
| | | | <u>29,727</u> | | <u>35</u> |
| Current assets | | | | | |
| Debtors | 11 | 677 | | 42 | |
| Cash at bank and in hand | | 4,543 | | 34,930 | |
| | | <u>5,220</u> | | <u>34,972</u> | |
| Creditors: amounts falling due within one year | 12 | 582 | | 869 | |
| Net current assets | | | <u>4,638</u> | | <u>34,103</u> |
| Total assets less current liabilities | | | <u>34,365</u> | | <u>34,138</u> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 2,369 | | 2,328 |
| Share premium account | 16 | | 38,109 | | 38,048 |
| Profit and loss account | 16 | | (6,113) | | (6,238) |
| Shareholders' funds - equity | | | <u>34,365</u> | | <u>34,138</u> |

The financial statements were approved by the Board on 22 June 2005

E A C Spencer-Churchill)

T D Woodcock)

Directors

The notes on pages 17 to 28 form part of these financial statements.

Capital Management and Investment PLC

Company balance sheet at 31 January 2005

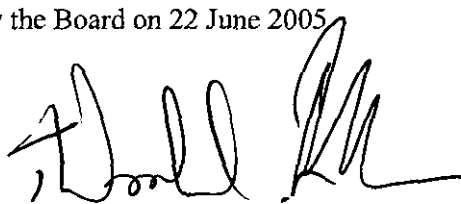
| | Note | 2005 £'000 | 2005 £'000 | 2004 £'000 | 2004 £'000 |
|--|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 75 | | 35 |
| Investments | 10 | | 14,015 | | 14,005 |
| | | | <hr/> | | <hr/> |
| | | | 14,090 | | 14,040 |
| Current assets | | | | | |
| Debtors - due within one year | 11 | 677 | | 42 | |
| - due after more than one year | 11 | 29,658 | | - | |
| | | 30,335 | | 42 | |
| Cash at bank and in hand | | 4,543 | | 34,930 | |
| | | <hr/> | | <hr/> | |
| | | 34,878 | | 34,972 | |
| Creditors: amounts falling due within one year | 12 | 313 | | 500 | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 34,565 | | 34,472 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 48,655 | | 48,512 |
| Creditors: amounts falling due after more than one year | 13 | | 14,274 | | 14,374 |
| | | | <hr/> | | <hr/> |
| | | | 34,381 | | 34,138 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 2,369 | | 2,328 |
| Share premium account | 16 | | 38,109 | | 38,048 |
| Profit and loss account | 16 | | (6,097) | | (6,238) |
| | | | <hr/> | | <hr/> |
| Shareholders' funds - equity | | | 34,381 | | 34,138 |
| | | | <hr/> | | <hr/> |

The financial statements were approved by the Board on 22 June 2005

E A C Spencer-Churchill)

) **Directors**

T D Woodcock)



The notes on pages 17 to 28 form part of these financial statements.

Capital Management and Investment PLC

Consolidated cash flow statement for the year ended 31 January 2005

| | Note | 2005 £'000 | 2004 £'000 |
|---|-------|-----------------|----------------|
| Net cash outflow from operating activities | 17 | (1,643) | (7,413) |
| Returns on investments and servicing of finance | | | |
| Interest received | | 880 | 1,277 |
| Taxation | | | |
| UK corporation tax | | - | (315) |
| Capital expenditure and financial investment | | | |
| Purchase of fixed assets | | (74) | - |
| Purchase of Ristretto investment | | (29,652) | - |
| | | <hr/> | <hr/> |
| Cash outflow before management of liquid resources and financing | | (30,489) | (6,451) |
| Management of liquid resources | | | |
| Increase in short term deposits | | (4,542) | - |
| Financing | | | |
| Exercise of warrants | | 102 | - |
| | | <hr/> | <hr/> |
| Decrease in cash in the year | 18,19 | <u>(34,929)</u> | <u>(6,451)</u> |

The notes on pages 17 to 28 form part of these financial statements.

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of Capital Management and Investment Plc and of its subsidiary undertakings as at 31 January 2005 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of incorporation.

Fixed asset investments

Investments held as fixed assets are valued at cost less any provision for impairment.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings - 25% per annum

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs

The company makes contributions to employees' personal pension schemes. All contributions are charged to the profit and loss account in the year in which they become payable.

Financial instruments

In relation to the disclosures made in note 22:

- short term debtors and creditors are not treated as financial assets or financial liabilities; and
- the company does not hold or issue derivative financial instruments for trading purposes nor does it currently enter into any forward exchange contracts.

Liquid resources

Management of liquid resources in the cash flow statement comprises movements in short term bank deposits.

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (Continued)

2 Directors and employees

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Staff costs (including directors) consist of: | | |
| Wages and salaries | 85 | 88 |
| Award of shares from Employee Benefit Trust | 1,650 | - |
| Social security costs | 217 | 11 |
| Pension costs | 8 | 8 |
| | <u>1,960</u> | <u>107</u> |

The average number of employees, including directors, during the year was 4 (2004 – 1).

The remuneration of directors is set out below:

| | 2005 £'000 | 2004 £'000 |
|---|---------------|---------------|
| Wages and salaries | 85 | 88 |
| Pension costs | 8 | 8 |
| Award of shares from Employee Benefit Trust | 1,551 | - |
| Gains on the exercise of warrants | 145 | - |
| | <u>1,789</u> | <u>96</u> |

Emoluments of the highest paid director:

| | | |
|---|------------|-----------|
| Emoluments | - | 88 |
| Pension costs | - | 8 |
| Award of shares from Employee Benefit Trust | 396 | - |
| | <u>396</u> | <u>96</u> |

Further details of directors' remuneration are included in the Report on Remuneration and Related Matters (pages 7 and 8).

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (Continued)

3 Exceptional items

On 13 August 2004, CMI distributed 15,000,000 shares held by the Employee Benefit Trust to the directors and employees of the company. The shares had a market value at the time of the distribution of £1,650,000. The distribution had no impact on the cash position or Reserves of CMI. However, the monetary value of the distribution is shown in its profit and loss account for disclosure purposes. Following the distribution the Employee Benefit Trust no longer holds shares in CMI.

The aborted acquisition costs of £Nil (2004 - £7,731,000) relate to the legal and professional fees incurred as a result of the aborted takeover of Six Continents PLC.

4 Operating loss

| | 2005 £'000 | 2004 £'000 |
|---|-------------------|-------------------|
| This is arrived at after charging: | | |
| Depreciation | 34 | 34 |
| Auditors' remuneration - audit services | 15 | 10 |
| - non-audit services | 3 | 5 |
| | <u> </u> | <u> </u> |

Included in the group audit fee is an amount of £10,000 (2004 - £10,000) in respect of the company.

5 Interest receivable

| | 2005 £'000 | 2004 £'000 |
|---------------|-------------------|-------------------|
| Bank interest | 880 | 1,277 |
| | <u> </u> | <u> </u> |

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (Continued)

6 Taxation on profit from ordinary activities

| | 2005 £'000 | 2004 £'000 |
|------------------------------|---------------|---------------|
| UK corporation tax | - | - |
| Underprovision in prior year | - | 8 |
| | <u>-</u> | <u>8</u> |
| | - | 8 |
| | <u>-</u> | <u>8</u> |

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

| | 2005 £'000 | 2004 £'000 |
|--|----------------|----------------|
| Loss on ordinary activities before tax | (1,525) | (6,941) |
| | <u>(1,525)</u> | <u>(6,941)</u> |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 – 30%) | (458) | (2,082) |
| Effects of: | | |
| Adjustment to tax charge in respect of prior year | - | 8 |
| Other | 6 | - |
| Losses (utilised)/created in the year | (43) | 2,082 |
| Expenses not deductible | 495 | - |
| | <u>-</u> | <u>8</u> |
| Current tax charge for year | - | 8 |
| | <u>-</u> | <u>8</u> |

7 Loss per share

The basic loss per share of 0.65p (2004 – 2.98p loss per share) is calculated by reference to the loss after taxation of £1,525,000 (2004 – loss £6,949,000) and the weighted average number of ordinary shares in issue during the year of 233,911,093 (2004 – 232,834,988).

The diluted loss per share of 0.65p (2004 – 2.98p loss per share) is based on the above loss. Due to a loss being made in the year there is no dilutive impact from the potential ordinary shares from unexercised warrants as shown below:

| | 2005 Number | 2004 Number |
|------------------------|--------------------|--------------------|
| Basic number of shares | 233,911,093 | 232,834,988 |
| Unexercised warrants | 23,104,395 | 25,379,231 |
| | <u>257,015,488</u> | <u>258,214,219</u> |

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (*Continued*)

8 Loss for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £1,509,000 (2004 - £6,949,000 loss) which is dealt with in the financial statements of the parent company.

9 Tangible assets

| Group and company | Fixtures and fittings £'000 |
|-----------------------|-----------------------------------|
| <i>Cost</i> | |
| At 1 February 2004 | 136 |
| Additions | 74 |
| | <hr/> |
| At 31 January 2005 | 210 |
| | <hr/> |
| <i>Depreciation</i> | |
| At 1 February 2004 | 101 |
| Charge for the year | 34 |
| | <hr/> |
| At 31 January 2005 | 135 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 January 2005 | 75 |
| | <hr/> |
| At 31 January 2004 | 35 |
| | <hr/> |

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (*Continued*)

10 Investments

£'000

Group

Cost and net book value

Additions and at 31 January 2005

29,652

As noted in the Chairman's statement, the group acquired a 28% interest in a Luxembourg registered company, Ristretto Holdings SCA ('Ristretto'), during the year. This percentage interest would normally be regarded as giving rise to the exercise of significant influence over Ristretto and its consequent classification as an associated company in these financial statements in accordance with FRS 9 Associates and Joint Ventures. However, consistent with the principal activity of CMI being that of an investment company, the purpose of CMI's investment in Ristretto is for future capital growth and investment income. Although the shareholders' agreement allows CMI certain restricted rights, they are not sufficient to allow CMI to exercise significant influence over the operating and financial policies of Ristretto. Accordingly, it has been accounted for as an investment in these financial statements.

The shareholders' agreement permits CMI to have 2 seats on the board of Ristretto (which currently has 6 directors in total, but is subject to the appointment of additional directors at any time by the majority shareholder) and to attend monthly operational meetings. This allows CMI to monitor the performance of the group's investment on a regular basis. The directors of CMI consider that the performance of Ristretto since completion of the acquisition of the group's 28% interest have been good, and Ristretto is on target to meet its budgets for 2005.

Company

Group
undertakings
£'000

Cost and net book value

At 1 February 2004

14,005

Additions

10

At 31 January 2005

14,015

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (*Continued*)

10 Investments (*Continued*)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

| | Country of incorporation or registration | Proportion of voting rights and ordinary share capital held | Nature of business |
|--------------------------|--|---|--------------------|
| CMI Investments Limited | England | 100% | Investments |
| CMI Luxembourg SARL * | Luxembourg | 100% | Investments |
| New Sea Limited | England | 100% | Investments |
| Ristretto Holdings SCA * | Luxembourg | 28% | Investments |

* held indirectly

CMI Luxembourg owns ordinary and preference shares in Ristretto Holdings SCA. Ristretto is the holding company for Algeco SA, a European modular construction business.

11 Debtors

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Amounts receivable within one year | | | | |
| Other debtors | 677 | 42 | 677 | 42 |
| Amounts receivable after more than one year | | | | |
| Amount owed by subsidiary undertaking | - | - | 29,658 | - |

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (*Continued*)

12 Creditors: amounts falling due within one year

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| Trade creditors | 313 | 263 | 313 | 263 |
| Creditors for taxation and social security | - | 4 | - | 4 |
| Corporation tax | - | - | - | - |
| Accruals | 269 | 602 | - | 233 |
| | <u>582</u> | <u>869</u> | <u>313</u> | <u>500</u> |

13 Creditors: amounts falling due after more than one year

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|-----------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Amounts owed to group undertaking | - | - | 14,274 | 14,374 |
| | <u>-</u> | <u>-</u> | <u>14,274</u> | <u>14,374</u> |

Amounts owed to the group undertaking have no fixed repayment date.

14 Deferred taxation

Unprovided deferred tax amounts are as follows:

| | Group 2005 £'000 | Group 2004 £'000 | Company 2005 £'000 | Company 2004 £'000 |
|---------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Unrelieved capital losses | (2,192) | (2,192) | (2,192) | (2,192) |
| Unrelieved trading losses | (1,963) | (2,082) | (1,963) | (2,082) |
| | <u>(4,155)</u> | <u>(4,274)</u> | <u>(4,155)</u> | <u>(4,274)</u> |

Amounts in brackets denote a deferred tax asset.

The assets in respect of unrelieved capital and trading losses will be recoverable when the company makes suitable capital gains and trading profits respectively, that can be offset against these losses.

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (Continued)

15 Share capital

| | Authorised | | | |
|------------------------------|------------------------------------|---------------|----------------|---------------|
| | 2005 Number | 2005 £'000 | 2004 Number | 2004 £'000 |
| Ordinary shares of 1p each | 1,000,000,000 | 10,000 | 1,000,000,000 | 10,000 |
| Preference shares of £1 each | 200,000 | 200 | 200,000 | 200 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 1,000,200,000 | 10,200 | 1,000,200,000 | 10,200 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | Called up, allotted and fully paid | | | |
| | 2005 Number | 2005 £'000 | 2004 Number | 2004 £'000 |
| Ordinary shares of 1p each | 236,916,729 | 2,369 | 232,834,988 | 2,328 |

During the year, 4,081,741 (2004 - Nil) ordinary shares of 1p each were allotted for a total consideration of £102,044 (2004 - Nil), which has been paid in full. These shares were issued as a result of the exercise of fixed warrants at an exercise price of 2.5p. A total premium of £61,226 was credited to the share premium account.

At 31 January 2005, there were percentage warrants in issue which, as a class, convert into a total of 12% (2004 – 12%) of the ordinary shares in existence at the date of conversion. The exercise price is 2.25p per share. Subscription rights on these warrants will expire on 31 December 2006.

16 Reserves

| | Group Share premium account £'000 | Group Profit and loss account £'000 | Company Share premium account £'000 | Company Profit and loss account £'000 |
|--------------------------|---|---|---|---|
| At beginning of year | 38,048 | (6,238) | 38,048 | (6,238) |
| Loss for the year | - | (1,525) | - | (1,509) |
| Exercise of warrants | 61 | - | 61 | - |
| Issue of shares from EBT | - | 1,650 | - | 1,650 |
| | <u>38,109</u> | <u>(6,113)</u> | <u>38,109</u> | <u>(6,097)</u> |
| At end of year | 38,109 | (6,113) | 38,109 | (6,097) |

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (*Continued*)

17 Reconciliation of operating loss to net cash outflow from operating activities

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Operating loss | (2,405) | (8,218) |
| Non-cash issue of EBT shares | 1,650 | - |
| (Increase)/decrease in debtors | (635) | 67 |
| (Decrease)/increase in creditors | (287) | 704 |
| Depreciation | 34 | 34 |
| | <hr/> | <hr/> |
| Net cash outflow from operating activities | (1,643) | (7,413) |
| | <hr/> | <hr/> |

18 Reconciliation of net cash to movement in net debt

| | 2005 £'000 | 2004 £'000 |
|--|---------------|---------------|
| Decrease in cash in the year | (34,929) | (6,451) |
| Cash outflow from change in liquid resources | 4,542 | - |
| | <hr/> | <hr/> |
| | (30,387) | 6,451 |
| Net funds at 1 February | 34,930 | 41,381 |
| | <hr/> | <hr/> |
| Net funds at 31 January | 4,543 | 34,930 |
| | <hr/> | <hr/> |

19 Analysis of changes in net funds

| | At 1 February 2004 £'000 | Cash flow £'000 | At 31 January 2005 £'000 |
|--------------------------|-----------------------------------|-----------------------|-----------------------------------|
| Cash in hand and at bank | 34,930 | (34,929) | 1 |
| Treasury deposits | - | 4,542 | 4,542 |
| | <hr/> | <hr/> | <hr/> |
| Net funds | 34,930 | (30,387) | 4,543 |
| | <hr/> | <hr/> | <hr/> |

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (Continued)

20 Commitments under operating leases

As at 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

| | 2005 Land and buildings £'000 | 2004 Land and buildings £'000 |
|--------------------------------|--|--|
| Operating leases which expire: | | |
| Over five years | 173 | - |

21 Related party transactions

Sun Capital Partners Limited is a related party as H E M Osmond, W A McIntosh, M J Jonas and E A Spencer-Churchill were directors of that company. During the year, Capital Management and Investment PLC invoiced Sun Capital Partners Limited the sum of £49,888 (2004 - £Nil) in respect of management services of which £58,618 was outstanding at the year end (2004 - £Nil). Sun Capital Partners Limited invoiced Capital Management and Investment PLC £465,000 (2004 - £254,000) for office accommodation and administrative services provided. The amount outstanding at the year end was £279,063 (2004 - £Nil).

Wellington Pub Company PLC ("Wellington") is a related party in that the companies had some common directors and shareholders. During the year Capital Management and Investment PLC purchased fixed assets amounting to £74,526 from Wellington. No amounts were outstanding at the year end. Wellington also assigned the lease on 4th Floor, 54 Baker Street, London to Capital Management and Investment PLC, for no consideration. The lease expires in August 2011 and annual rentals are £173,000.

22 Financial instruments

The only significant financial assets the group has are its investment in Ristretto, cash at bank and treasury deposits. Cash and treasury deposits are held on short term deposit at floating rates of interest determined by reference to LIBOR.

The group had no committed borrowing facilities available at 31 January 2005.

There is no material difference between the book values of the group's financial assets and liabilities and their fair values.

Treasury policy

As explained in the chairman's statement on page 1, the board is currently assessing ways to maximise shareholder value and does not currently hold any significant financial assets or liabilities other than cash of £6.4m (2004 - £34.9m).

Capital Management and Investment PLC

Notes forming part of the financial statements for the year ended 31 January 2005 (*Continued*)

22 Financial instruments (*Continued*)

The board agrees and reviews policies and financial instruments for risk management. The group holds or issues financial instruments to finance its operations and to manage interest rate risks arising from those operations and from its sources of finance. As noted below, the group does not currently hedge its foreign currency exposure.

The group's financial instruments comprise cash and liquid resources. The main risks arising from these financial instruments are interest rate risk, liquidity risk and foreign currency exchange rate risk. The policies for managing each of these risks are as follows:

Interest rate risk - The group is cash positive and places its balances on short-term deposits with highly regarded financial institutions. Changes in interest rates will affect the return on cash balances. The group does not hold or issue derivative financial instruments.

Liquidity risk - The group is cash positive and has a policy of ensuring sufficient funds are always available for its operating activities. While the need for borrowing facilities are not required at present, the Board continually monitors the group's cash requirements.

Foreign currency exchange risks - The group has foreign currency exposure through its investment in Ristretto (and its subsidiaries) and £3,262,000 of its bank deposits, which are denominated in Euros. The group does not currently hedge these exposures, although this will be kept under review.

It is expected that future operations will be financed by a mixture of cash, bank borrowings and long term loans at fixed or floating rates. In planning the maturity of debt, the group's policy is to ensure a balance between continuity of funding and flexibility. Working capital requirements will continue to be met out of cash or floating rate overdrafts.

The group does not trade in financial instruments.

23 Post balance sheet events

On 25 February 2005, the group purchased the entire issued share capital of Field Capital Limited for £1.823m. The consideration was satisfied by the issue of 13,021,429 new ordinary shares in Capital Management & Investment Plc. This purchase is a related party transaction as Field Capital Limited was wholly owned by W A McIntosh and H E M Osmond who are directors of Capital Management & Investment PLC.

On 25 May 2005, CMI announced its intention of wishing to invest a further £15.4m in a company set up to acquire Elliot Group Limited.