

# **RentSmart Limited**

## **Annual Report and Financial Statements**

**For the Year ended 31 December 2005**

*Company Number: 3689086*



**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2005**  
**CONTENTS**

Report of the Directors	1 – 2
Independent Auditor's Report	3
Profit and Loss Account	4
Balance Sheet	6
Cash Flow Statement	7 - 8
Notes to the Accounts	9 - 20

**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2005**  
**REPORT OF THE DIRECTORS**

The Directors hereby submit their Report and the accounts for the year ended 31 December 2005.

**Principal Activities**

The principal activities of the company are that of financial intermediary, arranging and subsequently managing finance for the renting of equipment to business.

**Review of Business and future developments**

Both the level of business and the financial position at the end of the year were satisfactory. The company's policy is one of expansion and this is expected to be reflected in future results.

**Results and Dividends**

The profit and loss account is set out on page 4 and shows the loss for the year. The loss for the year of £373,605 has been transferred to reserves (2004 £818,164).

There were no Dividends proposed at the year end (2004 £Nil).

**Directors**

The Directors of the company during the year to 31 December 2005 were:

N. Montarello

S. Penglis

L. Town

P. Ross

Chairman

resigned 6 December 2005

**Directors and Directors' Interests in Shares**

None of the directors who held office during the year had any interest in the shares of the company.

**Auditors**

Our auditor, KPMG Audit Plc, has expressed its willingness to continue in office and a resolution for their re-appointment will be proposed to the members of the Company.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## REPORT OF THE DIRECTORS (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year.

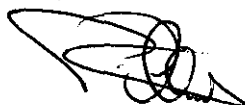
The financial statements are required by law to present fairly the financial position and performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 accounts; and
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and prevent and detect fraud and other irregularities.

By order of the board



Paul Gittins

Secretary

Bridge House  
Queens Park Road  
Handbridge  
Chester  
CH88 3AN

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RENTSMART LIMITED

We have audited the financial statements on pages 4 to 20.

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 auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

### Basis of audit opinion

We conducted our audit in accordance with 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 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*27 March 2006*  
St James Square  
Manchester  
M2 6DS

**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2005**  
**PROFIT AND LOSS ACCOUNT**

	Notes	2005 £	2004 £
<b>Continuing Operations</b>			
Turnover	2	3,971,283	3,012,947
Cost of Sales		(1,875,713)	(1,636,560)
<b>Gross Profit</b>		<b>2,095,570</b>	<b>1,376,387</b>
Administrative expenses	3	(2,663,371)	(2,160,018)
Other Operating Income		105,796	26,375
<b>Operating Loss</b>		<b>(462,005)</b>	<b>(757,256)</b>
Bank interest receivable		13,547	5,423
Interest payable and similar charges	6	(209,209)	(196,209)
<b>Loss on ordinary activities before taxation</b>	7	<b>(657,667)</b>	<b>(948,042)</b>
Taxation	8	284,062	(26,122)
<b>Loss on ordinary activities after taxation</b>		<b>(373,605)</b>	<b>(974,164)</b>
Reversal of additional finance costs		-	156,000
<b>Loss transferred to reserves</b>	18	<b>(373,605)</b>	<b>(818,164)</b>

The notes on pages 9 to 20 form an integral part of these financial statements.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2005 £	2004 £
Loss for the financial year		(373,605)	(818,164)
Prior year adjustment	4	-	113,278
Accrued Non-Equity Preference Dividends Payable	18	(299,000)	-
		<hr/>	<hr/>
Total gains and losses recognised since last annual report		(672,605)	(704,886)
		<hr/>	<hr/>

**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2005**  
**BALANCE SHEET**

	Notes	2005 £	2004 £
<b>Fixed Assets</b>			
Intangible assets	9	8,992	24,232
Tangible assets	10	275,024	459,662
		<u>284,016</u>	<u>483,894</u>
<b>Current Assets</b>			
Stock		1,669	-
Debtors	11	1,230,119	295,459
Cash at bank & in hand		<u>99,368</u>	<u>10,444</u>
		1,331,156	305,903
<b>Creditors - payable within one year</b>	12	<u>(2,383,070)</u>	<u>(1,285,163)</u>
<b>Net Current Liabilities</b>		<u>(1,051,914)</u>	<u>(979,260)</u>
<b>Total Assets less Current Liabilities</b>		(767,898)	(495,366)
<b>Creditors – payable after one year</b>	13	<u>(3,105,000)</u>	<u>(2,704,927)</u>
<b>Net Liabilities</b>		<u>(3,872,898)</u>	<u>(3,200,293)</u>
<b>Capital and Reserves</b>			
Called up Share capital	17	100,000	100,000
Profit and loss account	18	<u>(3,972,898)</u>	<u>(3,300,293)</u>
<b>Equity Shareholder Funds</b>		<u>(3,872,898)</u>	<u>(3,200,293)</u>

The notes on pages 9 to 20 form an integral part of these financial statements.

The financial statements on pages 4 to 20 were approved by the board of directors on 20th March 2006 and were signed on its behalf by:

.....  
Director



**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2005**  
**CASH FLOW STATEMENT**

	Notes	2005 £	2004 £
<b>Net Cash outflow from Operating Activities</b>	19	<b>(57,527)</b>	<b>(387,734)</b>
<hr/>			
<b>Returns on Investments and Servicing of Finance</b>			
Interest Received		13,547	5,423
Interest Paid		(38,768)	(25,768)
Interest element of hire purchase repayments		(10,069)	(10,069)
Interest element of loan repayments		(4,372)	(4,372)
<hr/>			
<b>Net Cash outflow from Returns on Investments and Servicing of Finance</b>		<b>(39,662)</b>	<b>(34,786)</b>
<hr/>			
<b>Capital Expenditure</b>			
Payments to acquire intangible fixed assets		(2,685)	-
Payments to acquire tangible fixed assets		(92,598)	(77,635)
<hr/>			
<b>Net cash outflow for Capital Expenditure</b>		<b>(95,283)</b>	<b>(77,635)</b>
<hr/>			
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(192,472)</b>	<b>(500,155)</b>
<hr/>			
<b>Financing</b>			
Repayment of Preference Dividend		-	143,000
Repayment of capital element of hire purchase contracts		(114,779)	(114,779)
Repayment of bank loan		(50,000)	(50,000)
<hr/>			
<b>Net cash outflow from Financing</b>		<b>(164,779)</b>	<b>(21,779)</b>
<hr/>			
<b>Decrease in Cash</b>	19	<b>(357,251)</b>	<b>(521,934)</b>
		<hr/>	<hr/>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## CASH FLOW STATEMENT (continued)

	2005 £	2004 £
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>		
Increase in cash	(357,251)	(521,934)
Repayment of bank loan	50,000	50,000
Repayment of capital element of hire purchase contracts	114,779	114,779
<b>Movement in Net Debt</b>	<u>(192,472)</u>	<u>(357,155)</u>
Net Cash at 1 January	(678,421)	(321,266)
<b>Net Debt at 31 December</b>	<u><u>(870,893)</u></u>	<u><u>(678,421)</u></u>

The notes on the cash flow statement are given on pages 18 and 19.

# **RENTSMART LIMITED**

**YEAR ENDED 31 DECEMBER 2005**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting policies**

#### **Basis of preparation**

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and S226 of, and schedule 4 to, the Companies Act 1985.

The joint venture parties have indicated their intention to continue to provide sufficient finance to the company to enable it to continue trading for at least one year from the date of approval of these accounts.

#### **Income recognition**

Commission receivable from funders is recognised at the time finance is settled.

#### **Intangible fixed assets**

Intangible assets acquired are capitalised at cost and are amortised on a straight line basis over their economic useful lives, up to a maximum of 20 years.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### **Tangible fixed assets**

Fixed assets are stated at cost less depreciation.

Depreciation is calculated so as to write down tangible fixed assets over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computers and office equipment	3 years on a straight line basis
Fixtures and Fittings	5 years on a straight line basis

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

#### **Deferred taxation**

Deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that they are considered recoverable.

#### **Pension costs**

The company operates a stakeholder pension scheme. Contributions payable to this defined contribution scheme are charged to the Profit and Loss account as they fall due.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

#### Leasing and hire purchase commitments

Assets held under hire purchase commitments are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations are charged to the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

#### Financial Instruments

The Company has adopted FRS25, Financial Instruments: Disclosure and Presentation, during the year. This has resulted in the Preference Shares being reclassified from Equity to debt. The preference dividend payable has also been included in Interest and Other charges payable.

### 2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned from the arrangement and subsequent management of rental agreements and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the arrangement and subsequent management of rental agreements and associated services.

### 3. Staff Costs

Administrative expenses include the following:

	2005 £	2004 £
<b>Staff costs</b>		
Wages & salaries	1,088,925	743,199
Social Security costs	119,749	76,677
Other Pension costs	10,966	7,816
	<hr/>	<hr/>
	<b>1,219,640</b>	<b>827,692</b>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. Staff Costs (continued)

The average monthly number of persons (including directors) employed during the year was:

	2005 Number	2004 Number
<b>By activity</b>		
Management	9	9
Sales and operations	28	23
Administration	7	5
	<u>44</u>	<u>37</u>

### 4. Change in Accounting Policy

The company changed its income recognition accounting policy in 2004 to recognise Commission receivable at the time finance is settled. Management determined that the ongoing costs in managing leases during the minimum period of hire are immaterial and consequently no commission is now deferred.

The effect of the change in accounting policy was to increase profit after tax in 2003 by £113,278 which was recognised in 2004 as a prior year adjustment.

### 5. Directors' Emoluments

None of the Directors received any emoluments for their services as Directors of the Company.

### 6. Interest payable and similar charges

	2005 £	2004 £
Non-Equity Dividends on B Preference Shares payable	156,000	156,000
Bank loans and overdrafts	43,140	30,032
Finance charges payable under hire purchase contracts	10,069	10,069
Other interest payable	-	108
	<u>209,209</u>	<u>196,209</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. Loss on ordinary activities before taxation

	2005 £	2004 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation charge for the period:		
Tangible assets – owned assets	173,772	160,899
Tangible assets – assets under hire purchase	103,464	85,761
Intangible assets	17,925	17,754
Operating lease rentals -Land and buildings	153,114	138,831
Auditors remuneration - Audit Services	10,851	7,500

### 8. Tax on profit on ordinary activities

#### (a) Analysis of tax credit in the year

	2005 £	2004 £
Deferred taxation		
Origination of timing differences (note 16)	<u>(284,062)</u>	<u>26,122</u>

#### (b) Factors affecting tax credit for the year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2005 £	2004 £
Loss on ordinary activities before tax	<u>(657,667)</u>	<u>(948,042)</u>
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	(197,300)	(284,413)
<i>Effects of:</i>		
Non Equity Preference Dividends not deductible	46,800	46,800
Other Expenses not deductible for tax purposes	2,015	602
Excess of Capital allowances over depreciation	60,541	43,388
Tax losses surrendered as consortium relief	43,837	271,014
Tax losses carried forward	43,837	(77,708)
Short Term Timing Differences	270	317
	<u>-</u>	<u>-</u>

#### (c) Factors that may affect future tax charges

The Company expects its effective tax rate in future years to be lower than the standard rate of corporation tax in the UK due to capital allowances exceeding depreciation and the availability of tax losses.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. Intangible assets

	£
<b>Licences</b>	
At 1 January 2005	53,261
Additions	2,685
	<hr/>
Balance at 31 December 2005	<b>55,946</b>
<b>Amortisation</b>	
At 1 January 2005	29,029
Charge for the year	17,925
	<hr/>
At 31 December 2005	<b>46,954</b>
	<hr/>
<b>Net Book Value</b>	
At 31 December 2005	<b>8,992</b>
	<hr/>
At 31 December 2004	<b>24,232</b>
	<hr/>

### 10. Tangible fixed assets

	Plant and Machinery £	Fixtures and Fittings £	Total £
<b>Cost</b>			
At 1 January 2005	684,065	183,450	867,515
Additions	33,477	59,121	92,598
	<hr/>	<hr/>	<hr/>
At 31 December 2005	<b>717,542</b>	<b>242,571</b>	<b>960,113</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2005	344,322	63,531	407,853
Charge for the year	231,206	46,030	277,236
	<hr/>	<hr/>	<hr/>
At 31 December 2005	<b>575,528</b>	<b>109,561</b>	<b>685,089</b>
	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>			
At 31 December 2005	<b>142,014</b>	<b>133,010</b>	<b>275,024</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2004	<b>339,743</b>	<b>119,919</b>	<b>459,662</b>
	<hr/>	<hr/>	<hr/>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. Tangible fixed assets (continued)

Assets acquired under hire purchase contract, capitalised and included within the amounts for plant and machinery and fixtures and fittings are:

	Plant and Machinery £	Fixtures and Fittings £	Total £
<b>Cost</b>			
At 1 January and at 31 December 2005	262,502	79,819	342,321
<b>Depreciation</b>			
At 1 January 2005	135,929	27,885	163,814
Charge for the year	87,500	15,964	103,464
<b>At 31 December 2005</b>	<b>223,429</b>	<b>43,849</b>	<b>267,278</b>
<b>Net Book Value</b>			
<b>At 31 December 2005</b>	<b>39,073</b>	<b>35,970</b>	<b>75,043</b>
At 31 December 2004	126,573	51,934	178,507

### 11. Debtors

	2005 £	2004 £
Trade debtors	214,093	27,947
Prepayments and other debtors	569,772	112,124
Deferred taxation (note 16)	439,450	155,388
Amounts owed to joint venture parties (trading balances)	6,804	-
	<b>1,230,119</b>	<b>295,459</b>



# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. Creditors: amounts falling due within one year

	2005 £	2004 £
Current instalments due on bank loans (note 14)	16,667	50,000
Bank Overdraft	915,334	469,159
Trade creditors	831,340	270,949
Amounts owed to joint venture parties (trading balances)	-	57,084
Obligations under hire purchase contracts	38,260	114,779
Other taxation & social security	48,581	26,999
VAT	88,389	52,196
Other creditors	34,994	36,146
Accruals and deferred income	409,505	207,851
	<hr/>	<hr/>
	2,383,070	1,285,163
	<hr/>	<hr/>

### 13. Creditors: amounts falling due after more than one year

	2005 £	2004 £
Bank loans (note 14)	-	16,667
Obligations under hire purchase contracts (note 15)	-	38,260
Preference Shares (note 17)	2,650,000	2,650,000
Accrued non-equity dividends (note 18)	455,000	-
	<hr/>	<hr/>
	3,105,000	2,704,927
	<hr/>	<hr/>

Obligation under hire purchase contracts are secured on the assets concerned.

### 14. Bank loans

	2005 £	2004 £
Amounts falling due:		
Within one year	16,667	50,000
In more than one year but not more than two years	-	16,667
	<hr/>	<hr/>
	16,667	66,667
Less:		
Included in creditors: amounts falling due within one year	16,667	50,000
	<hr/>	<hr/>
	-	16,667
	<hr/>	<hr/>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Obligations under leases and hire purchase contracts

	2005 £	2004 £
Amounts payable:		
Within one year	41,616	124,848
In two to five years	-	41,616
	<u>41,616</u>	<u>166,464</u>
Less: finance charges allocated to future periods	(3,356)	(13,425)
	<u>38,260</u>	<u>153,039</u>

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Land and buildings:		
Expiring after five years	<u>101,720</u>	<u>101,720</u>

### 16. Deferred taxation

The full potential liability for deferred taxation, which is provided in full in the financial statements, is as below:

	2005 £	2004 £
Deferred tax asset at the beginning of the year	(155,388)	(181,510)
Deferred taxation charge for the year	<u>(284,062)</u>	<u>26,122</u>
Deferred tax asset at the end of the year	<u>(439,450)</u>	<u>(155,388)</u>
Excess of capital allowances over depreciation	41,356	112,946
Short Term Timing Differences	(589)	(498)
Tax losses carried forward	<u>(480,217)</u>	<u>(267,836)</u>
Deferred tax asset	<u>(439,450)</u>	<u>(155,388)</u>

The deferred tax asset has been disclosed within Debtors, note 11.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Share Capital

	2005 £	2004 £
<b>Authorised</b>		
50,000 A Ordinary Shares of £1 each	50,000	50,000
50,000 B Ordinary Shares of £1 each	50,000	50,000
1,300,000 8% A Preference Shares of £1 each	1,300,000	1,300,000
2,600,000 8% B Preference Shares of £1 each	2,600,000	2,600,000
	<hr/>	<hr/>
	<b>4,000,000</b>	<b>4,000,000</b>
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
50,000 A Ordinary Shares of £1 each	50,000	50,000
50,000 B Ordinary Shares of £1 each	50,000	50,000
700,000 A Preference Shares of £1 each	700,000	700,000
1,950,000 B Preference Shares of £1 each	1,950,000	1,950,000
	<hr/>	<hr/>
	<b>2,750,000</b>	<b>2,750,000</b>
	<hr/>	<hr/>
Preference Shares included within Creditors: Amounts Falling due after more than one year (note 13)	<b>(2,650,000)</b>	<b>(2,650,000)</b>
	<hr/>	<hr/>
	<b>100,000</b>	<b>100,000</b>
	<hr/>	<hr/>

The A Ordinary Shares and B Ordinary Shares are separate classes of shares but rank equally in all respects.

The A Preference Shares and B Preference Shares are separate classes of shares but rank equally in all respects.

The 8% cumulative redeemable preference shares are convertible at the option of the company at any time. They are redeemable at the option of the shareholder at any time after 29 January 2013 at £1 per share.

The A preference shares carry a dividend of 8% per annum. Holders of the A preference shares shall not be entitled to receive a dividend on the A preference shares held until 29 January 2006, from which date the dividend payable shall be deemed to be cumulative.

The B preference shares carry a dividend of 8% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are cumulative.

On a winding up of the company, the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Reconciliation of movements in shareholders' funds

	Share Capital	Profit and loss account	Total
	£	£	£
Opening Shareholders funds at 1 January 2005	100,000	(3,300,293)	(3,200,293)
FRS25 adjustment to opening reserves	-	(299,000)	(299,000)
Loss for the financial year	-	(373,605)	(373,605)
<b>At 31 December 2005</b>	<b>100,000</b>	<b>(3,972,898)</b>	<b>(3,872,898)</b>

#### Profit and Loss Account analysed as follows:

	£
Realised Losses	(3,517,898)
Accrued non-equity dividends	(455,000)
	<b>(3,972,898)</b>

The adoption of FRS25, Financial Instruments: Disclosure and Presentation, has resulted in an adjustment to opening reserves to reflect the accrued non-equity preference dividends payable.

### 19. Notes to the statement of Cash Flows

#### (a) Reconciliation of operating profit to net cash outflow from operating activities

	2005 £	2004 £
Operating loss	(462,005)	(757,256)
Depreciation	277,237	246,660
Amortisation of licenses	17,925	17,754
(Increase) in Debtors	(650,598)	(74,029)
(Increase) / Decrease in Stock	(1,669)	2,283
Increase in Creditors	761,581	176,854
<b>Net Cash outflow from operating activities</b>	<b>(57,527)</b>	<b>(387,734)</b>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. Notes to the statement of Cash Flows (continued)

#### (b) Analysis of net debt

	At 1 January 2005 £	Cash flow £	At 31 December 2005 £
Cash at bank and in hand	(458,715)	(357,251)	(815,966)
Loans	(66,667)	50,000	(16,667)
Hire purchase contracts	(153,039)	114,779	(38,260)
	<u>(678,421)</u>	<u>(192,472)</u>	<u>(870,893)</u>

### 20. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding at the end of the year, are as follows:

	Services Purchased from related parties		Interest Payable to related parties		Sales to related parties	
	2005	2004	2005	2004	2005	2004
	£	£	£	£	£	£
RentSmart Pty Limited	374,000	500,155	-	-	-	-
ThinkSmart Finance Spain, SL	-	-	-	-	(88,267)	-
Uberior Investments plc	(3,062)	89,017	-	-	-	-
Capital Bank Leasing 9 Limited	-	-	-	-	(3,851,206)	(2,997,972)
Capital Bank plc	-	-	334,523	312,893	-	-
Bank of Scotland	-	-	24,434	33,605	-	-

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. Related party transactions (continued)

	Amounts Owed from related parties		Amounts Owed To related parties	
	2005	2004	2005	2004
	£	£	£	£
RentSmart Pty Limited	110,944	9,226	90,522	48,830
Uberior Investments plc	-	-	455,000	307,254
Capital Bank Leasing 9 Limited	53,888	765	-	-
Capital Bank plc	2,158	3,252	-	-
Bank of Scotland	-	-	-	-
ThinkSmart Europe Limited	5,337	-	-	-
ThinkSmart Finance Spain, SL	1,467	-	-	-

### 21. Ultimate Parent undertakings

RentSmart Limited is a joint venture with 50% of its issued share capital being held by ThinkSmart Europe Limited, and 50% by Uberior Investments PLC, whose ultimate parent undertaking is HBOS Plc.