

# **RentSmart Limited**

## **Annual Report and Financial Statements**

**For the Year ended 31 December 2004**

*Company Number: 3689086*



**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2004**  
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**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2004**  
**REPORT OF THE DIRECTORS**

The Directors hereby submit their Report and the accounts for the year ended 31 December 2004.

**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 £818,164 has been transferred to reserves.

**Directors**

The Directors of the company during the year to 31 December 2004 were:

N. Montarello	
S. Penglis (Chairman)	
G. Parry	Resigned 28/09/04
L. Town	Appointed 12/01/04
P. Ross	Appointed 29/9/04

**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 2004

## REPORT OF THE DIRECTORS (continued)

### Statement of directors' responsibilities

Company law requires directors to prepare accounts 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 for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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 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 2004**

## **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 2004 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**

*31 May 2005*  
**St James Square**  
**Manchester**  
**M2 6DS**

**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2004**  
**PROFIT AND LOSS ACCOUNT**

	Notes	2004 £	2003 £ Restated
<b>Continuing Operations</b>			
<b>Turnover</b>	2	2,997,972	818,201
Cost of Sales		(1,636,560)	(606,734)
<b>Gross Profit</b>		<u>1,361,412</u>	<u>211,467</u>
Administrative expenses	3	(2,118,668)	(2,888,773)
<b>Operating Loss</b>		<u>(757,256)</u>	<u>(2,677,306)</u>
Bank interest receivable		5,423	23,361
Interest payable and similar charges	6	(40,209)	(9,694)
<b>Loss on ordinary activities before taxation</b>	7	<u>(792,042)</u>	<u>(2,663,639)</u>
Taxation	8	(26,122)	181,510
<b>Loss on ordinary activities after taxation</b>		<u>(818,164)</u>	<u>(2,482,129)</u>
Additional finance cost of non-equity shares	9	(156,000)	(143,000)
		<u>(974,164)</u>	<u>(2,625,129)</u>
Reversal of additional finance costs		156,000	143,000
<b>Loss transferred to reserves</b>		<u>(818,164)</u>	<u>(2,482,129)</u>
Balance brought forward	19	(2,482,129)	-
<b>Balance carried forward</b>	19	<u>(3,300,293)</u>	<u>(2,482,129)</u>

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 2004**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**Statement of Total Recognised Gains and Losses**


	Notes	2004 £	2003 £ Restated
Loss for the financial year		(818,164)	(2,482,129)
Prior year adjustment	4	<u>113,278</u>	<u>-</u>
Total gains and losses recognised since last annual report		<u>(704,886)</u>	<u>(2,482,129)</u>

**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2004**  
**BALANCE SHEET**

	Notes	2004 £	2003 £ Restated
<b>Fixed Assets</b>			
Intangible assets	10	24,232	41,986
Tangible assets	11	<u>459,662</u>	<u>628,687</u>
		<u>483,894</u>	<u>670,673</u>
<b>Current Assets</b>			
Stock		-	2,283
Debtors	12	295,459	377,552
Cash at bank & in hand		<u>10,444</u>	<u>63,219</u>
		305,903	443,054
<b>Creditors - payable within one year</b>	13	<u>(1,285,163)</u>	<u>(626,150)</u>
<b>Net Current Liabilities</b>		<u>(979,260)</u>	<u>(183,096)</u>
<b>Total Assets less Current Liabilities</b>		<u>(495,366)</u>	<u>487,577</u>
<b>Creditors – payable after one year</b>	14	<u>(54,927)</u>	<u>(219,706)</u>
<b>Net (Liabilities) / Assets</b>		<u>(550,293)</u>	<u>267,871</u>
<b>Capital and Reserves</b>			
Called up Share capital	18	2,750,000	2,750,000
Profit and loss account	19	<u>(3,300,293)</u>	<u>(2,482,129)</u>
Shareholders funds:			
Equity		<u>(3,499,293)</u>	<u>(2,525,129)</u>
Non Equity		<u>2,949,000</u>	<u>2,793,000</u>
		<u>(550,293)</u>	<u>267,871</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 16 May 2005 and were signed on its behalf by:

  
.....  
Director



**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2004**  
**CASH FLOW STATEMENT**

	Notes	2004 £	2003 £
<b>Net Cash outflow from Operating Activities</b>	20	<u>(387,734)</u>	<u>(2,111,792)</u>
<b>Returns on Investments and Servicing of Finance</b>			
Interest Received		5,423	23,361
Interest Paid		(25,768)	(66)
Interest element of hire purchase repayments		(10,069)	(6,713)
Interest element of loan repayments		(4,372)	(2,915)
Additional Finance costs			(130,000)
<b>Net Cash outflow from Returns on Investments and Servicing of Finance</b>		<u>(34,786)</u>	<u>(116,333)</u>
<b>Capital Expenditure and Financial Investment</b>			
Payments to acquire intangible fixed assets		-	(53,261)
Payments to acquire tangible fixed assets		(77,635)	(789,880)
<b>Net cash outflow for Capital Expenditure and Financial Investment</b>		<u>(77,635)</u>	<u>(843,141)</u>
<b>Net cash outflow before use of liquid resources and financing</b>		<u>(500,155)</u>	<u>(3,071,266)</u>
<b>Financing</b>			
Issue of Ordinary share capital		-	99,999
Issue of Preference share capital		143,000	2,650,000
Issue of bank loan		-	150,000
New hire purchase contracts		-	405,546
Repayment of capital element of hire purchase contracts		(114,779)	(137,728)
Repayment of bank loan		(50,000)	(33,333)
<b>Net cash (outflow) / inflow from Financing</b>		<u>(21,779)</u>	<u>3,134,484</u>
<b>(Decrease) / Increase in Cash</b>	20	<u>(521,934)</u>	<u>63,218</u>

**RENTSMART LIMITED**  
**YEAR ENDED 31 DECEMBER 2004**  
**CASH FLOW STATEMENT (continued)**

	2004 £	2003 £
<b>Reconciliation of Net Cash Flow to Movement in Net Debt</b>		
Increase in cash	(521,934)	63,218
Cash inflow from increase in loans	-	(150,000)
Cash inflow from increase in hire purchase contracts	-	(405,546)
Repayment of bank loan	50,000	33,333
Repayment of capital element of hire purchase contracts	114,779	137,728
<b>Movement in Net Debt</b>	<u>(357,155)</u>	<u>(321,267)</u>
Net Cash at 1 January	(321,266)	1
<b>Net Debt at 31 December</b>	20 <u>(678,421)</u>	<u>(321,266)</u>

The notes on the cash flow statement are given on page 19.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 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.

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

#### 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.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

#### 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.

#### 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

### 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:

	2004	2003
	£	£
<b>Staff costs</b>		
Wages & salaries	743,199	395,113
Social Security costs	76,677	189,913
Other Pension costs	7,816	2,501
	<u>827,692</u>	<u>587,527</u>

### 4. Change in Accounting Policy

The company has changed its Income recognition accounting policy to recognise Commission receivable at the time finance is settled. Management have 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 Turnover by 2004: £291,154 (2003: £119,553) and Cost of Sales by 2004: £39,653 (2003: £6,275). The comparative figures have been restated accordingly.

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2004 Number	2003 Number
<b>By activity</b>		
Management	9	9
Sales and operations	23	24
Administration	5	6
	<u>37</u>	<u>39</u>

### 5. Directors' Emoluments

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

### 6. Interest payable and similar charges

	2004 £	2003 £
Bank loans and overdrafts	30,032	2,915
Finance charges payable under hire purchase contracts	10,069	6,713
Other interest payable	108	66
	<u>40,209</u>	<u>9,694</u>

### 7. Loss on ordinary activities before taxation

	2004 £	2003 £
Loss on ordinary activities before taxation is stated after charging:		
Exceptional costs	-	749,999
Depreciation charge for the period:		
Tangible assets – owned assets	160,899	83,140
Tangible assets – assets under hire purchase	85,761	78,053
Intangible assets	17,754	11,275
Operating lease rentals -Land and buildings	138,831	93,401
Auditors remuneration - Audit Services	7,500	7,500
- Other services	-	15,750

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Tax on profit on ordinary activities

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

	2004 £	2003 £
Deferred taxation		
Origination of timing differences (note 17)	<u>26,122</u>	<u>(181,510)</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.

	2004 £	2003 Restated £
Loss on ordinary activities before tax	<u>(792,042)</u>	<u>(2,776,917)</u>
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30%	(237,613)	(833,075)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	602	320,675
Excess of Capital allowances over depreciation	43,388	(149,380)
Tax losses surrendered as consortium relief	271,014	330,890
Tax losses carried forward	(77,708)	330,890
Short Term Timing Differences	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 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. Dividends

	2004 £	2003 £
Non Equity Dividends on B Preference Shares		
Paid	-	130,000
Payable	<u>156,000</u>	<u>13,000</u>
	<u>156,000</u>	<u>143,000</u>

### 10. Intangible assets

	£
<b>Licenses</b>	
At 1 January 2004	53,261
Additions	<u>-</u>
Balance at 31 December 2004	<u>53,261</u>
<b>Amortisation</b>	
At 1 January 2004	11,275
Charge for the year	<u>17,754</u>
At 31 December 2004	<u>29,029</u>
<b>Net Book Value</b>	
At 31 December 2004	<u>24,232</u>
At 31 December 2003	<u>41,986</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. Tangible fixed assets

	Plant and Machinery £	Fixtures and Fittings £	Total £
<b>Cost</b>			
At 1 January 2004	610,590	179,290	789,880
Additions	73,475	4,160	77,635
<b>At 31 December 2004</b>	<b>684,065</b>	<b>183,450</b>	<b>867,515</b>
<b>Depreciation</b>			
At 1 January 2004	134,331	26,862	161,193
Charge for the year	209,991	36,669	246,660
<b>At 31 December 2004</b>	<b>344,322</b>	<b>63,531</b>	<b>407,853</b>
<b>Net Book Value</b>			
<b>At 31 December 2004</b>	<b>339,743</b>	<b>119,919</b>	<b>459,662</b>
At 31 December 2003	476,259	152,428	628,687

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 2004	262,502	79,819	342,321
<b>Depreciation</b>			
At 1 January 2004	66,132	11,921	78,053
Charge for the year	69,797	15,964	85,761
<b>At 31 December 2004</b>	<b>135,929</b>	<b>27,885</b>	<b>163,814</b>
<b>Net Book Value</b>			
<b>At 31 December 2004</b>	<b>126,573</b>	<b>51,934</b>	<b>178,507</b>
At 31 December 2003	196,370	67,898	264,268



# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. Debtors

	2004	2003
	£	Restated £
Trade debtors	27,947	4,373
Prepayments and other debtors	112,124	61,669
Deferred taxation (note 17)	155,388	181,510
Recoverable Dividend from Non-equity shareholder	-	130,000
	<u>295,459</u>	<u>377,552</u>

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

	2004	2003
	£	Restated £
Current instalments due on bank loans (note 15)	50,000	50,000
Bank Overdraft	469,159	-
Trade creditors	270,949	258,750
Amounts owed to joint ventures (all trading balances)	57,084	32,900
Obligations under hire purchase contracts	114,779	114,779
Other taxation & social security	26,999	19,892
VAT	52,196	8,290
Other creditors	36,146	30,001
Accruals and deferred income	207,851	111,538
	<u>1,285,163</u>	<u>626,150</u>

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

	2004	2003
	£	Restated £
Bank loans (note 15)	16,667	66,667
Obligations under hire purchase contracts (note 16)	38,260	153,039
	<u>54,927</u>	<u>219,706</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. Bank loans

	2004 £	2003 £
Amounts falling due:		
Within one year	50,000	50,000
In more than one year but not more than two years	16,667	50,000
In more than two years but not more than five years	-	16,667
	<u>66,667</u>	<u>116,667</u>
Less:		
Included in creditors: amounts falling due within one year	50,000	50,000
	<u>16,667</u>	<u>66,667</u>

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

	2004 £	2003 £
Amounts payable:		
Within one year	124,848	124,848
In two to five years	41,616	166,464
	<u>166,464</u>	<u>291,312</u>
Less: finance charges allocated to future periods	(13,425)	(23,494)
	<u>153,039</u>	<u>267,818</u>

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Land and buildings:		
Expiring after five years	<u>101,720</u>	<u>101,720</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. Deferred taxation

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

	2004 £	2003 £
Deferred tax asset at the beginning of the year	(181,510)	-
Deferred taxation charge / (credit) for the year	<u>26,122</u>	<u>(181,510)</u>
Deferred tax asset at the end of the year	<u>(155,388)</u>	<u>(181,510)</u>
Excess of capital allowances over depreciation	112,946	149,380
Short Term Timing Differences	(498)	-
Tax losses carried forward	<u>(267,836)</u>	<u>(330,890)</u>
Deferred tax asset	<u>(155,388)</u>	<u>(181,510)</u>

The deferred tax asset has been disclosed within Debtors, note 12.

### 18. Share Capital

	2004 £	2003 £
<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
	<u>4,000,000</u>	<u>4,000,000</u>
<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
	<u>2,750,000</u>	<u>2,750,000</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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

	Share Capital	Profit and loss account	Total
	£	£	£
Opening Shareholders funds	2,750,000	(2,595,407)	154,593
Prior Year Adjustment	-	113,278	113,278
Restated Shareholders Funds at 1 January 2004	2,750,000	(2,482,129)	267,871
Loss for the financial year	-	(818,164)	(818,164)
At 31 December 2004	<u>2,750,000</u>	<u>(3,300,293)</u>	<u>(550,293)</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

	2004	2003
	£	Restated £
Operating loss	(757,256)	(2,677,306)
Depreciation	246,660	161,193
Amortisation of licenses	17,754	11,275
(Increase) in Debtors	(74,029)	(66,042)
Decrease / (Increase) in Stock	2,283	(2,283)
Increase in Creditors	176,854	461,371
Net Cash outflow from operating activities	<u>(387,734)</u>	<u>(2,111,792)</u>

#### (b) Analysis of net debt

	At 1 January 2004 £	Cash flow £	At 31 December 2004 £
Cash at bank and in hand	63,219	(521,934)	(458,715)
Loans	(116,667)	50,000	(66,667)
Hire purchase contracts	(267,818)	114,779	(153,039)
	<u>(321,266)</u>	<u>(357,155)</u>	<u>(678,421)</u>

# RENTSMART LIMITED

YEAR ENDED 31 DECEMBER 2004

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. 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	
	2004	2003	2004	2003	2004	2003
	£	£	£	£	£	£
RentSmart Pty Limited	500,155	486,636	-	-	-	-
Uberior Investments plc	89,017	82,261	-	-	-	-
Capital Bank Leasing 9 Limited	-	-	-	-	2,997,972	818,201
Capital Bank plc	-	-	312,893	41,238	-	-
Bank of Scotland plc	-	-	33,605	9,628	-	-

	Amounts Owed From related parties		Amounts Owed To related parties	
	2004	2003	2004	2003
	£	£	£	£
RentSmart Pty Limited	9,226	-	48,830	13,000
Uberior Investments plc	-	130,000	307,254	19,900
Capital Bank Leasing 9 Limited	765	1,327	-	-
Capital Bank plc	3,252	111	-	-
Bank of Scotland plc	-	-	-	-

### 22. 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.