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THE SIMPLY SMART GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 APRIL 2006

Company No. 4627313

THE SIMPLY SMART GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 30 April 2006

Company registration number:	4627313
Registered office:	4th Floor CI Tower St Georges Square High Street New Malden London KT3 4HG
Directors:	S M Wallis (Chairman) A A Roestenburg (Chief Executive) B Watson
Secretary:	B Watson
Bankers:	Barclays Bank plc 7th Floor United Kingdom House 180 Oxford Street London W1D 1EA
Solicitors:	Kirkpatrick Lockhart Nicholson Graham LLP 110 Cannon Street London EC4N 6AR
Auditors:	Grant Thornton UK LLP Registered Auditors Chartered Accountants Enterprise House 115 Edmund Street Birmingham B3 2HJ

FINANCIAL STATEMENTS

For the year ended 30 April 2006

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REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements for the year ended 30 April 2006.

Principal activity

The Group is principally engaged in the supply of catering services.

The principal activity of the Company is that of a holding company providing management services to its subsidiaries.

Business review

The results of the Group are shown on page 7. The Directors are pleased to report a significant improvement in the Group's result for the year ended 30 April 2006 as compared to last year. Current projections suggest that a continued improvement could be seen in the year ending 30 April 2007 but these projections are subject to change and may be influenced by circumstances and events beyond the control of the Directors.

Financial risk management objectives and policies

The Group's principal financial instruments comprise bank overdrafts, loan notes, hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The Group does not enter into derivative transactions.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are liquidity risk, and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group has a high level of debt and cashflow has historically been tight. As a consequence the Board of Directors continually review the facilities available to the Group and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Credit risk

The Group trades with only recognised, creditworthy third parties. It is the Group policy that all significant customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Directors

The membership of the Board at the end of the year is set out below. All directors served throughout the year unless indicated otherwise.

The interests of the Directors and their families in the shares of the Company as at 30 April 2006 and 30 April 2005 were as follows:

	Ordinary shares of 1p each 30 April 2006 Number	Ordinary shares of 1p each 30 April 2005 (or later date of appointment) Number
A A Roestenburg	**48,334**	48,334
S M Wallis	**16,816**	16,816
B Watson (appointed 1 November 2005)	**-**	-

In addition to the above interests, A A Roestenburg holds 200,000 £1 7% cumulative preference shares.

N D Brewster and R J Davies resigned from the Board on 31 July 2005 and 15 December 2005 respectively.

Directors' responsibilities for the financial statements

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A A Roestenburg
Director
Date: 24/10/06

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

THE SIMPLY SMART GROUP LIMITED

We have audited the Group and Parent Company financial statements (the "financial statements") of The Simply Smart Group Limited for the year ended 30 April 2006 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 Report of the Directors 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

THE SIMPLY SMART GROUP LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 30 April 2006 and of the Group's loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Report of the Directors is consistent with the financial statements for the year ended 30 April 2006.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM

Date: 27 October 2006

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis as the directors have prepared cashflow forecasts which make certain assumptions regarding trading and that the payment of loan notes originally due in January 2006 is deferred for at least twelve months from the date of approval of these financial statements. On the basis of these assumptions the forecasts demonstrate that the Group has sufficient finance facilities available to allow it to continue in business for the foreseeable future.

The principal accounting policies of the Group are set out below:

CHANGES IN ACCOUNTING POLICIES

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

FRS 25 'Financial Instruments: Disclosure and Presentation'

With the introduction of Financial Reporting Standard 25 there has been a change to the treatment of financial instruments. The accounting policy detailing the new treatment is set out on page 6. The change in accounting policy has the impact of reclassifying redeemable preference shares, previously shown in equity, as a liability. The coupons payable on this instrument, previously shown as dividends, have accordingly now been disclosed as interest payments.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 9) drawn up to 30 April 2006.

Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

GOODWILL

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised over its useful economic life as shown in note 7.

Purchased goodwill is capitalised and is amortised on a straight line basis over its estimated useful economic life as shown in note 7.

TURNOVER

Turnover represents the total value, excluding VAT, of goods supplied and services provided.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by annual instalments over their expected useful economic lives. The rates generally applicable are:

Freehold property	50 years
Leasehold property	Over the life of the lease
Computer and office equipment	3 years
Plant, equipment, fixtures and fittings	5 years
Motor vehicles	4 years

INTANGIBLE FIXED ASSETS

Licences are included at cost and amortised on a straight line basis over their useful economic life.

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

LEASED ASSETS

Assets held under hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

PENSIONS

The pension costs charged against profits represent the amount of the contributions payable to defined contribution schemes in respect of the accounting period.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 April 2006

	Note	2006 £	As restated 2005 £
Turnover	1	**12,754,263**	12,280,915
Cost of sales		**(10,546,001)**	(10,534,589)
Gross profit		**2,208,262**	1,746,326
Other administrative expenses		**(2,300,234)**	(2,474,239)
Amortisation of goodwill		**(299,833)**	(299,831)
Administrative expenses		**(2,600,067)**	(2,774,070)
Operating loss pre amortisation of goodwill		**(91,972)**	(727,913)
Amortisation of goodwill		**(299,833)**	(299,831)
Operating loss		**(391,805)**	(1,027,744)
Profit on sale of fixed asset	7	**480,230**	-
Net interest	2	**(567,830)**	(464,211)
Loss on ordinary activities before taxation	1	**(479,405)**	(1,491,955)
Taxation	4	-	-
Loss on ordinary activities after taxation	15	**(479,405)**	(1,491,955)

All of the activities of the Group are classed as continuing.

There were no recognised gains or losses other than the loss for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2006

	Note	2006 £	As restated 2005 £
Fixed assets			
Intangible assets	7	**2,532,174**	2,852,673
Tangible assets	8	**1,180,627**	1,726,682
		3,712,801	4,579,355
Current assets			
Stocks	10	**205,406**	183,162
Debtors	11	**850,738**	1,000,529
Cash at bank and in hand		**302,963**	-
		1,359,107	1,183,691
Creditors:			
Amounts falling due within one year	12	**(4,085,996)**	(4,480,512)
Net current liabilities		**(2,726,889)**	(3,296,821)
Total assets less current liabilities		**985,912**	1,282,534
Creditors:			
Amounts falling due after more than one year	13	**(4,172,498)**	(3,989,715)
Net liabilities		**(3,186,586)**	(2,707,181)
Capital and reserves			
Called up share capital	14	**3,363**	3,363
Share premium	15	**332,970**	332,970
Profit and loss account	15	**(3,522,919)**	(3,043,514)
Deficiency in equity shareholders' funds	16	**(3,186,586)**	(2,707,181)

The financial statements were approved by the Board of Directors on 24th October 2006

A A Roestenburg
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

THE SIMPLY SMART GROUP LIMITED

BALANCE SHEET AT 30 APRIL 2006

	Note	2006 £	As restated 2005 £
Fixed assets			
Tangible assets	8	**9,457**	-
Investments	9	**3,744,291**	1,680,838
		3,753,748	1,680,838
Current assets			
Debtors: amounts falling due within one year	11	**1,410,204**	2,232,420
Debtors: amounts falling due after more than one year	11	**-**	2,762,768
		1,410,204	4,995,188
Creditors:			
Amounts falling due within one year	12	**(2,684,596)**	(2,326,325)
Net current assets		**(1,274,392)**	2,668,863
Total assets less current liabilities		**2,479,356**	4,349,701
Creditors			
Amounts falling due after more than one year	13	**(4,171,305)**	(3,989,715)
Net assets		**(1,691,949)**	359,986
Capital and reserves			
Called up share capital	14	**3,363**	3,363
Share premium account	15	**332,970**	332,970
Profit and loss account	15	**(2,028,282)**	23,653
Equity shareholders' funds		**(1,691,949)**	359,986

The financial statements were approved by the Board of Directors on 24th October 2006

A A Roestenburg
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2006

	Note	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	20	**176,601**	(522,696)
Returns on investments and servicing of finance			
Interest received		**274**	28
Interest paid		**(19,139)**	(31,517)
Hire purchase interest paid		**(600)**	(1,200)
Net cash outflow from returns on investments and service of finance		**(19,465)**	(32,689)
Capital expenditure and financial investment			
Purchase of licences		**-**	(2,000)
Purchase of tangible fixed assets		**(589,215)**	(477,968)
Sale of tangible fixed assets		**1,302,015**	10,748
Net cash inflow/(outflow) from capital expenditure and financial investment		**712,800**	(469,220)
Acquisitions			
Purchase of subsidiary undertaking		**(164,592)**	-
Net cash inflow/(outflow) before financing		**705,344**	(1,024,605)
Financing			
Loan notes		**-**	1,000,000
Capital element of hire purchase contracts		**(6,093)**	(10,000)
Net cash (outflow)/inflow from financing		**(6,093)**	990,000
Increase/(decrease) in cash	21	**699,251**	(34,605)

The accompanying accounting policies and notes form an integral part of these financial statements.

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The Group's turnover and loss on ordinary activities before taxation were all derived from the principal activities of the Group, primarily the supply of catering services, solely in the UK.

The loss on ordinary activities is stated after charging:

	2006	2005
	£	£
Auditors' remuneration:		
Audit services	**24,000**	22,000
Taxation services	**4,500**	4,500
Profit on sale of tangible fixed assets	**482,343**	-
Depreciation and amortisation:		
Goodwill and other intangibles	**320,499**	320,498
Tangible fixed assets, owned	**318,568**	282,581
Tangible fixed assets, held under hire purchase contracts	**609**	8,486
Operating lease costs:		
Land & buildings	**72,174**	54,906
Plant and equipment	**19,302**	39,155
Vehicles	**15,998**	20,508

2 NET INTEREST

	2006	As restated 2005
	£	£
On bank overdrafts	**(19,139)**	(31,517)
On other borrowings	**(548,365)**	(431,522)
Finance charges in respect of hire purchase contracts	**(600)**	(1,200)
Other interest receivable	**274**	28
	(567,830)	(464,211)

3 DIRECTORS AND EMPLOYEES

	2006 Number	2005 Number
The average number of persons (including Directors) employed by the Group during the period was:	**346**	328

Staff costs during the period were as follows:	2006 £	2005 £
Wages and salaries	**4,708,229**	4,784,650
Social security costs	**420,709**	436,669
Other pension costs	**86,379**	90,762
	5,215,317	5,312,081

Remuneration in respect of directors was as follows:

	2006 £	2005 £
Emoluments	**345,242**	278,341
Pension contributions to money purchase pension schemes	**17,250**	24,682
	362,492	303,023

During the year 3 directors (2005: 2 directors) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2006 £	2005 £
Emoluments	**122,449**	123,411
Pension contributions to money purchase pension schemes	**11,000**	12,341
	133,449	135,752

4 TAXATION ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for the year.

Unrelieved tax losses of approximately £2.7 million (2005: £2.3 million) remain available to offset against future taxable trading profits. The deferred tax asset not provided, in connection with these losses amounts to approximately £520,000 (2005: £441,000).

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2006	2005
	£	£
Loss on ordinary activities before tax	**(479,405)**	(1,477,951)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2005: 19%)	**(88,426)**	(280,811)
Effect of:		
Expenses not deductible for tax purposes (primarily amortisation of goodwill on consolidation)	**27,682**	26,149
Capital allowances in excess of depreciation	**(12,026)**	48,320
Effect of chargeable gains	**(9,721)**	(570)
Deferred tax asset not recognised	**82,491**	206,912
Current tax charge for period	**-**	-

5 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £2,051,935 (2005: profit £33,638).

6 PRIOR YEAR ADJUSTMENT

Following the implementation of FRS 25 'Financial Instruments : Disclosure and Presentation' the 200,000 preference shares of 1p each, issued at a subscription price of £1, have been redesignated as a liability of the company rather than equity. In addition, coupons payable on these shares have accordingly been redesignated interest payments rather than dividends. The 2005 figures have been restated to reflect this accounting treatment, which has no impact on the loss reported for the year.

7 INTANGIBLE FIXED ASSETS

Group	Goodwill on *consolidation* £	Purchased *goodwill* £	*Licences* £	*Total* £
Cost				
At 1 May 2005 and 30 April 2006	1,662,436	1,798,335	62,000	3,522,771
Amortisation				
At 1 May 2005	259,800	389,631	20,667	670,098
Charge for the year	120,000	179,833	20,666	320,499
At 30 April 2006	379,800	569,464	41,333	990,597
Net book amount at 30 April 2006	**1,282,636**	**1,228,871**	**20,667**	**2,532,174**
Net book amount at 30 April 2005	1,402,636	1,408,704	41,333	2,852,673

Goodwill above relates to the following:

	Date of acquisition	Period of amortisation	Original cost £
By Word of Mouth Limited	7 March 2003	15 years	1,662,436
London Catering Services (now trading through Convex Leisure Limited)	7 March 2003	10 years	1,798,335
			3,460,771

Company

The Company has no intangible fixed assets.

8 TANGIBLE FIXED ASSETS

Group	Freehold property £	Leasehold property £	Computer and office equipment £	Plant, equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost						
At 1 May 2005	712,000	168,052	66,821	1,273,714	75,726	2,296,313
Additions	109,595	4,283	35,698	443,218	-	592,794
Disposals	(821,595)	-	(1,665)	(80,788)	-	(904,048)
At 30 April 2006	-	172,335	100,854	1,636,144	75,726	1,985,059
Depreciation						
At 1 May 2005	26,092	77,745	31,404	392,515	41,875	569,631
Provided in the year	11,129	24,491	18,998	256,096	8,463	319,177
Disposals	(37,221)	-	(402)	(46,753)	-	(84,376)
At 30 April 2006	-	102,236	50,000	601,858	50,338	804,432
Net book amount at 30 April 2006	-	**70,099**	**50,854**	**1,034,286**	**25,388**	**1,180,627**
Net book amount at 30 April 2005	685,908	90,307	35,417	881,199	33,851	1,726,682

During the year the freehold property was sold for £1,320,000 which gave rise to a profit on disposal of £480,230 after costs.

The figures stated above include assets held under hire purchase contacts as follows:

	£
Net book amount at 30 April 2006	**1,827**
Net book amount at 30 April 2005	25,461

Company	Leasehold property £	Fixtures and fittings £	Total £
Cost			
At 1 May 2005	-	-	-
Additions	4,283	5,500	9,783
At 30 April 2006	4,283	5,500	9,783
Depreciation			
At 1 May 2005	-	-	-
Provided in the period	143	183	326
At 30 April 2006	143	183	326
Net book amount at 30 April 2006	**4,140**	**5,317**	**9,457**
Net book amount at 30 April 2005	-	-	-

9 FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost and net book value			
At 1 May 2005	1,680,838	-	1,680,838
Reclassification from current assets	-	2,063,453	2,063,453
At 30 April 2006	1,680,838	2,063,453	3,744,291

Loans made to group undertakings in order to acquire business trade and assets in earlier periods have been reclassified as investments in order to recognise the long term nature of the instrument.

At 30 April 2006 the Company holds 100% of the ordinary share capital of the following subsidiaries, which are registered in England and Wales

Subsidiary	Nature of business
Convex Leisure Limited (formerly Red Eventful Cuisine Limited)	Provision of catering services
By Word of Mouth Limited	Provision of catering services

10 STOCKS

Group	2006 £	2005 £
Goods for resale	**205,406**	183,162

11 DEBTORS

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Trade debtors	**607,231**	-	777,727	-
Amounts owed by Group undertakings	-	**1,379,710**	-	4,976,461
Other debtors	**63,271**	**6,177**	74,710	4,426
Prepayments and accrued income	**180,236**	**24,317**	148,092	14,301
	850,738	**1,410,204**	1,000,529	4,995,188

Included within the above are the following amounts due after more than one year:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Amounts owed by Group undertakings	-	-	-	2,762,768

12 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2006 £	Company 2006 £	As restated Group 2005 £	As restated Company 2005 £
Bank overdraft	-	335,991	396,288	198,240
Payments received on account	159,559	-	311,980	-
Trade creditors	718,538	9,178	677,718	2,324
Social security and other taxes	437,786	16,312	440,845	9,921
Other creditors	36,205	-	30,808	-
Loan notes	1,573,534	1,573,534	1,573,534	1,573,534
Deferred consideration	-	-	165,000	165,000
Amounts due under hire purchase contracts	1,193	-	4,900	-
Accruals and deferred income	1,159,181	749,581	879,439	377,306
	4,085,996	2,684,596	4,480,512	2,326,325

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2006 £	Company 2006 £	As restated Group 2005 £	As restated Company 2005 £
Preference shares	200,000	200,000	200,000	200,000
Loan notes	3,467,000	3,467,000	3,467,000	3,467,000
Accruals	504,305	504,305	322,715	322,715
Amounts due under hire purchase contracts	1,193	-	-	-
	4,172,498	4,171,305	3,989,715	3,989,715

Borrowings are repayable as follows:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Within one year:				
Bank overdraft	-	335,991	396,288	198,240
Hire purchase	1,193	-	4,900	-
Loan notes	1,573,534	1,573,534	1,573,534	1,573,534
After one and within two years:				
Loan notes	866,750	866,750	-	-
Hire purchase	1,193	-	-	-
After two and within five years:				
Loan notes	2,600,250	2,600,250	2,600,250	2,600,250
After five years:				
Loan notes	-	-	866,750	866,750
	5,042,920	5,376,525	5,441,722	5,238,774

Amounts owing under hire purchase contracts are secured on assets to which they relate.

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

Preference shares

The preference shares carry an entitlement to a fixed cumulative preferred cash dividend at the rate of 7% per share per annum on the aggregate subscription price of £1 in priority to the payment of any other dividend of the Company. The first payment of the preference dividend shall be paid not more than four months after the end of each financial year commencing with the financial year ended 30 April 2005.

In accordance with FRS 25 the preference shares have been classed as a liability as they are irredeemable and on a liquidation, winding up or any other return of capital, in priority to the rights of the holders of any other class of shares, each preference shareholder will be paid first an amount equal to the aggregate subscription price and second an amount equal to any accrued but unpaid preference dividend.

Preference shareholders shall be entitled to receive notice of and to attend and speak, but not vote, at general meetings of the company.

Loan notes

The £1,300,000 A loan notes 2004 and £3,467,000 B loan notes 2010 are secured and carry interest at fixed rates of 10%. The 2004 loan notes were originally redeemable at par on 31 August 2004 but the lender has agreed to extend repayment until 31 January 2006 together with rolled up interest on these loan notes amounting to £273,534. The lender has further agreed to extend repayment until at least 12 months from the date of approval of these financial statements.

The 2010 loan notes are redeemable in fixed proportions commencing 31 July 2007 and ending 31 July 2010.

14 SHARE CAPITAL

	2006	As restated 2005
	£	£
Authorised		
214,300 ordinary shares of 1p	**2,143**	2,143
233,100 'A' ordinary shares of 1p	**2,331**	2,331
	4,474	4,474
Allotted, issued and fully paid		
120,049 ordinary shares of 1p	**1,200**	1,200
216,284 'A' ordinary shares of 1p	**2,163**	2,163
	3,363	3,363

The 'A' ordinary shares and ordinary shares shall rank pari passu in all respects except the 'A' ordinary shares attract a participating dividend based on the net profit, if any, of the Group from the year ending 30 April 2006 and subsequent years.

15 RESERVES

Group	**Share premium £**	**Profit and loss account £**
At 1 May 2005 (as restated)	332,970	(3,043,514)
Retained loss for year	-	(479,405)
At 30 April 2006	**332,970**	**(3,522,919)**

Company	**Share premium £**	**Profit and loss account £**
At 1 May 2005 (as restated)	332,970	23,653
Retained loss for year	-	(2,051,935)
At 30 April 2006	**332,970**	**(2,028,282)**

16 *RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS*

	2006 £	2005 £
Net decrease in shareholders' funds	**(479,405)**	(1,491,955)
Shareholders' funds brought forward (as restated)	**(2,707,181)**	(1,015,226)
Shareholders' funds carried forward	**(3,186,586)**	(2,707,181)

17 CONTINGENT LIABILITIES

The Company is party to a multi-lateral guarantee given to the Group's bankers and providers of finance to secure all monies due or to become due from members of the Group. At 30 April 2006 there was a maximum contingent liability under this guarantee amounting to £nil (2005 : £725,923).

18 CAPITAL COMMITMENTS

There were no capital commitments at 30 April 2006 or 30 April 2005.

19 LEASING COMMITMENTS

At 30 April 2006 there were annual commitments under non-cancellable operating leases as set out below:

	Group 2006	**Company 2006**	Group 2005	Company 2005
	£	**£**	£	£
Land & buildings:				
Within one year	**11,500**	-	11,500	-
Between two and five years	**85,159**	**40,000**	45,159	-
	96,659	**40,000**	56,659	-
Other items:				
Within one year	**3,045**	-	16,137	-
Between two and five years	**21,458**	-	25,179	-
	24,503	-	41,316	-

20 *RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM* OPERATING ACTIVITIES

	2006	2005
	£	£
Operating loss	**(391,805)**	(1,027,744)
Depreciation	**319,177**	291,067
Profit on sale of tangible fixed assets	**(2,113)**	(2,337)
Amortisation of goodwill and other intangibles	**320,499**	320,498
Increase in stocks	**(22,244)**	(25,583)
Decrease in debtors	**149,791**	251,271
Decrease in creditors	**(196,704)**	(329,868)
Net cash inflow/(outflow) from operating activities	**176,601**	(522,696)

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006	2005
	£	£
Increase/(decrease) in cash for the year	**699,251**	(34,605)
Cashflow from capital element of hire purchase contracts	**6,093**	10,000
Loan notes issued	-	(1,273,534)
Change in net funds resulting from cashflows	**705,344**	(1,298,139)
Inception of hire purchase contracts	**(3,579)**	-
	701,765	(1,298,139)
Net debt brought forward	**(5,441,722)**	(4,143,583)
Net debt carried forward	**(4,739,957)**	(5,441,722)

22 ANALYSIS OF CHANGES IN NET DEBT

	1 May 2005	Cash flow	Non- cash item	**30 April 2006**
	£	£	£	**£**
Cash at bank and in hand	-	302,963	-	**302,963**
Bank overdraft	(396,288)	396,288	-	**-**
	(396,288)	699,251	-	**302,963**
Loan notes	(5,040,534)	-	-	**(5,040,534)**
Hire purchase contracts	(4,900)	6,093	(3,579)	**(2,386)**
	(5,441,722)	705,344	(3,579)	**(4,739,957)**

23 RELATED PARTY TRANSACTIONS

During the year the company made recharges to its subsidiaries, By Word of Mouth Limited and Convex Leisure Limited, of £230,000 and £345,000 respectively (2005: £400,000 and £600,000) for management services provided and charged interest on amounts due on inter-company loans of £49,710 and £287,040 respectively (2005: £nil and £nil).

24 CONTROLLING RELATED PARTY

The directors consider that the controlling related party of this company is Dunedin Capital Partners Limited (formerly Sand Aire Private Equity Limited).