



**THE SIMPLY SMART GROUP  
LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30 APRIL 2004**

**THE SIMPLY SMART GROUP LIMITED**

**FINANCIAL STATEMENTS**

For the period ended 30 April 2004

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Company registration number: 4627313

Registered office: Counties House  
11 Keswick Road  
Putney  
London  
SW15 2HZ

Directors: S M Wallis (Chairman)  
A A Roestenburg (Chief Executive)  
N D Brewster (Finance Director)  
R J Davies (Non Executive Director)

Secretary: N D Brewster

Bankers: Barclays Bank plc  
50 Pall Mall  
London  
SW1A 1QB

Solicitors: Nicholson Graham & Jones  
110 Cannon Street  
London  
EC4N 6AR

Auditors: Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
Enterprise House  
115 Edmund Street  
Birmingham  
B3 2HJ

**THE SIMPLY SMART GROUP LIMITED**

**FINANCIAL STATEMENTS**

For the period ended 30 April 2004

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# THE SIMPLY SMART GROUP LIMITED

## CHAIRMAN'S STATEMENT

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I am pleased to report the first set of financial statements for the Simply Smart Group Limited.

This has been an exceptionally busy period for the Directors of the Group, commencing with the simultaneous acquisition of By Word of Mouth Limited and the assets of London Catering Services in March 2003.

A thorough review has been undertaken of the business acquired from London Catering Services and this has resulted in the disposal of a number of loss-making contracts and a complete restructure of the business and management team. The business was relaunched as Red Eventful Cuisine Limited in July 2003.

The financial results reflect the costs associated with the contract disposals, the costs of the business and management restructure and all start up costs. It also covers an extended accounting period of 16 months.

By Word of Mouth has had an excellent year, and remains the market leader in the food service sector in which it operates. The opportunities for this company in the current financial year remain excellent.

After the major changes that have occurred it is encouraging to report that Red Eventful Cuisine Limited has recently won a number of new prestigious contracts which has put the Group on a much stronger basis going forward.

I expect further good progress to be made during the current financial year.

S M Wallis  
Chairman

# THE SIMPLY SMART GROUP LIMITED

## REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements for the period from incorporation on 2 January 2003 to 30 April 2004.

### 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 Company was incorporated on 2 January 2003 as Joycount Limited and changed its name to The Simply Smart Group Limited on 1 April 2003.

On 7 March 2003 the Company acquired By Word of Mouth Limited and on the same day its newly formed subsidiary, Red Eventful Cuisine Limited (formerly London Catering Services (2003) Limited), acquired the trade and certain assets of London Catering Services Limited.

The results of the Group are shown on page 7. The Directors have accrued for the payment of a dividend on the 7% cumulative preference shares in accordance with the articles of association. No further dividends are recommended by the directors.

A review of the Group's performance is provided in the Chairman's statement on page 1.

### Directors

The present membership of the Board is set out below.

S D G Registrars Limited were appointed first Director of the Company on incorporation and resigned from the Board on 8 January 2003.

Gravitas Nominees Limited were appointed as a Director on 8 January 2003 and resigned as a Director on 24 February 2003.

The interests of the Directors and their families in the shares of the Company as at 30 April 2004 and 2 January 2003 (or date of appointment if later) were as follows:

	Ordinary shares of 1p each 30 April 2004 Number	Ordinary shares of 1p each 2 January 2003 Number
N D Brewster (appointed 24 February 2003)	44,233	-
R J Davies (appointed 1 July 2003)	3,333	-
A A Roestenburg (appointed 24 February 2003)	48,334	-
S M Wallis (appointed 1 January 2004)	16,816	-

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

# THE SIMPLY SMART GROUP LIMITED

## REPORT OF THE DIRECTORS

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### Directors' responsibilities for the financial statements

The Directors are responsible for the preparation of these financial statements. In preparing the 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
- 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.

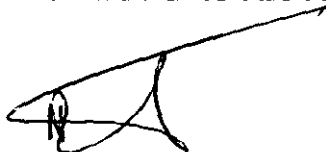
### Auditors

Grant Thornton were appointed first auditors of the Company during the period.

On 1 July 2004 the Grant Thornton partnership transferred its business to a Limited Liability Partnership, Grant Thornton UK LLP. Under Section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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



Director

N D BREWSTER

Date:

26 JULY 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
THE SIMPLY SMART GROUP LIMITED**

**Grant Thornton** 

We have audited the financial statements of The Simply Smart Group Limited for the period ended 30 April 2004 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Directors and auditors**

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 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 information comprises only the report of the directors. 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.


**Basis of 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 30 April 2004 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**GRANT THORNTON UK LLP**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**  
**BIRMINGHAM**

26 July 2004

# THE SIMPLY SMART GROUP LIMITED

## PRINCIPAL ACCOUNTING POLICIES

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### 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 demonstrate that the Group has sufficient finance facilities available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements.

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

### 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 2004.

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 servicing 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	5 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.

### LEASED ASSETS

Assets held under finance leases and 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.



## **THE SIMPLY SMART GROUP LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

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#### **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 substantially 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.

**THE SIMPLY SMART GROUP LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the period ended 30 April 2004

	Note	Period ended 30.4.2004 £	Period ended 30.4.2004 £
<b>Turnover</b>			
Acquisitions	1		11,018,046
Cost of sales - acquisitions			<u>(9,019,830)</u>
<b>Gross profit</b>			1,998,216
Other administrative expenses		(2,660,119)	
Amortisation of goodwill		(349,600)	
Administrative expenses			<u>(3,009,719)</u>
Operating loss pre amortisation of goodwill		(661,903)	
Amortisation of goodwill		(349,600)	
<b>Operating loss</b>			
Continuing operations		(556,398)	
Acquisitions		<u>(455,105)</u>	
			<u>(1,011,503)</u>
Net interest	2		<u>(523,718)</u>
<b>Loss on ordinary activities before taxation</b>	1		<u>(1,535,221)</u>
Taxation	4		<u>-</u>
<b>Loss on ordinary activities after taxation</b>	5		<u>(1,535,221)</u>
Dividends	6		<u>(16,338)</u>
<b>Loss for the financial period</b>	15		<u><u>(1,551,559)</u></u>

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

**THE SIMPLY SMART GROUP LIMITED**

**CONSOLIDATED BALANCE SHEET AT 30 APRIL 2004**

	Note	30.4.2004 £
<b>Fixed assets</b>		
Intangible assets	7	3,306,171
Tangible assets	8	<u>1,548,192</u>
		<u>4,854,363</u>
<b>Current assets</b>		
Stocks	10	157,579
Debtors	11	<u>1,251,800</u>
		<u>1,409,379</u>
<b>Creditors:</b>		
Amounts falling due within one year	12	<u>(2,691,819)</u>
<b>Net current liabilities</b>		<u>(1,282,440)</u>
<b>Total assets less current liabilities</b>		3,571,923
<b>Creditors:</b>		
Amounts falling due after more than one year	13	<u>(4,587,149)</u>
		<u>(1,015,226)</u>
<b>Capital and reserves</b>		
Called up share capital	14	5,363
Share premium	15	530,970
Profit and loss account	15	<u>(1,551,559)</u>
<b>Deficiency in shareholders' funds</b>	16	<u>(1,015,226)</u>
Equity shareholders' funds		(1,215,226)
Non-equity shareholders' funds		<u>200,000</u>
		<u>(1,015,226)</u>

The financial statements were approved by the Board of Directors on 26 JULY 2004

Director

N D BREWSTER

Director

A A ROESTENBURG

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

# THE SIMPLY SMART GROUP LIMITED

## BALANCE SHEET AT 30 APRIL 2004

	Note	30.4.2004 £
<b>Fixed assets</b>		
Investments	9	<u>1,815,838</u>
<b>Current assets</b>		
Debtors	11	<u>3,966,158</u>
<b>Creditors:</b>		
Amounts falling due within one year	12	<u>(659,332)</u>
<b>Net current assets</b>		<u>3,306,826</u>
<b>Total assets less current liabilities</b>		<u>5,122,664</u>
<b>Creditors</b>		
Amounts falling due after more than one year	13	<u>(4,582,312)</u>
		<u>540,352</u>
<b>Capital and reserves</b>		
Called up share capital	14	5,363
Share premium account	15	530,970
Profit and loss account	15	<u>4,019</u>
<b>Shareholders' funds</b>		<u>540,352</u>
Equity shareholders' funds		340,352
Non equity shareholders' funds		<u>200,000</u>
		<u>540,352</u>

The financial statements were approved by the Board of Directors on 26 JULY 2004.

Director

A A ROESTENBURG

Director

N D BREWSTER

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

**THE SIMPLY SMART GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT**

For the period ended 30 April 2004

	Note	Period ended 30.4.2004 £
<b>Net cash inflow from operating activities</b>	20	<u>245,907</u>
<b>Returns on investments and servicing of finance</b>		
Interest received		1,442
Interest paid		(9,848)
<b>Net cash outflow from returns on investments and service of finance</b>		<u>(8,406)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of licences		(60,000)
Purchase of tangible fixed assets		(590,691)
Sale of tangible fixed assets		5,000
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(645,691)</u>
<b>Acquisitions</b>		
Purchase of subsidiary undertakings	23	(1,515,837)
Purchase of business	23	(2,762,768)
Net cash acquired with subsidiary undertakings and business	23	34,379
<b>Net cash outflow from acquisitions</b>		<u>(4,244,226)</u>
<b>Net cash outflow before financing</b>		<u>(4,652,416)</u>
<b>Financing</b>		
Issue of shares		536,333
Loan notes		3,767,000
Capital element of hire purchase contracts		(12,600)
<b>Net cash inflow from financing</b>		<u>4,290,733</u>
<b>Decrease in cash</b>	21	<u>(361,683)</u>

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

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 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:

	Period ended 30.4.2004 £
Auditors' remuneration:	
Audit services	22,000
Taxation services	4,500
Depreciation and amortisation:	
Goodwill and other intangibles	349,600
Tangible fixed assets, owned	133,068
Tangible fixed assets, held under hire purchase contracts	<u>13,459</u>

Included within cost of investment is £34,505 paid to the auditors for financial due diligence.

Administrative expenses are analysed as follows:

Continuing operations	556,398
Acquisitions	<u>2,453,321</u>
	<u>3,009,719</u>

### 2 NET INTEREST

	Period ended 30.4.2004 £
On bank overdrafts	8,648
On other borrowings	515,312
Finance charges in respect of hire purchase contracts	1,200
Other interest receivable	<u>(1,442)</u>
	<u>523,718</u>

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 3 DIRECTORS AND EMPLOYEES

	Period ended 30.4.2004 £
The average number of persons (including Directors) employed by the Group during the period was:	<u>248</u>

Staff costs during the period were as follows:

Wages and salaries	3,776,136
Social security costs	328,099
Other pension costs	42,445
	<u>4,146,680</u>

Remuneration in respect of directors was as follows:

	Period ended 30.4.2004 £
Emoluments	264,260
Pension contributions to money purchase pension schemes	22,850
	<u>287,110</u>

During the period 2 directors participated in money purchase pension schemes.

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

	Period ended 30.4.2004 £
Emoluments	115,323
Pension contributions to money purchase pension schemes	11,425
	<u>126,748</u>

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 4 TAXATION ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for the period.

Unrelieved tax losses of approximately £1.5 million remain available to offset against future taxable trading profits.

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

	Period ended 30.4.2004 £
Loss on ordinary activities before tax	(1,535,221)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(460,566)
Effect of:	
Expenses not deductible for tax purposes (primarily amortisation of goodwill on consolidation)	54,840
Capital allowances in excess of depreciation	(68,345)
Deferred tax asset not recognised	474,071
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 profit for the period was £20,357.

### 6 DIVIDENDS

	Period ended 30.4.2004 £
Non-equity dividend accrued on 7% cumulative preference shares	16,338



# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 7 INTANGIBLE FIXED ASSETS

Group	Goodwill on consolidation £	Purchased goodwill £	Licences £	Total £
Cost				
On incorporation	-	-	-	-
Additions in the period and at 30 April 2004	<u>1,797,436</u>	<u>1,798,335</u>	<u>60,000</u>	<u>3,655,771</u>
Amortisation				
On incorporation	-	-	-	-
Charged in the period and at 30 April 2004	<u>139,800</u>	<u>209,800</u>	<u>-</u>	<u>349,600</u>
Net book amount at 30 April 2004	<u>1,657,636</u>	<u>1,588,535</u>	<u>60,000</u>	<u>3,306,171</u>

Goodwill above relates to the following:

	Date of acquisition	Period of amortisation	Original cost £
By Word of Mouth Limited	7 March 2003	15 years	1,797,436
London Catering Services (now trading through Red Eventful Cuisine Limited)	7 March 2003	10 years	1,798,335
			<u>3,595,771</u>

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 8 TANGIBLE FIXED ASSETS

Group	Freehold property £	Leasehold property £	Computer and office equipment £	Plant, equip- ment, fixtures and fittings £	Motor vehicles £	Total £
Cost						
On incorporation	-	-	-	-	-	-
On acquisition of businesses	700,000	68,052	14,574	379,716	115,422	1,277,764
Additions	-	100,000	48,144	442,547	-	590,691
Disposals	-	-	(7,010)	-	(18,436)	(25,446)
At 30 April 2004	<u>700,000</u>	<u>168,052</u>	<u>55,708</u>	<u>822,263</u>	<u>96,986</u>	<u>1,843,009</u>
Depreciation						
On incorporation	-	-	-	-	-	-
On acquisition of businesses	-	46,396	11,021	72,810	37,458	167,685
Provided in the period	14,000	6,858	10,818	93,085	21,766	146,527
Disposals	-	-	(7,010)	-	(12,385)	(19,395)
At 30 April 2004	<u>14,000</u>	<u>53,254</u>	<u>14,829</u>	<u>165,895</u>	<u>46,839</u>	<u>294,817</u>
Net book amount at 30 April 2004	<u>686,000</u>	<u>114,798</u>	<u>40,879</u>	<u>656,368</u>	<u>50,147</u>	<u>1,548,192</u>

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

	£
Net book amount at 30 April 2004	<u>33,947</u>

#### Company

The Company has no tangible fixed assets.

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 9 FIXED ASSET INVESTMENTS

Company	Investment in group undertakings £
Cost and net book amount	
Additions and at 30 April 2004	<u>1,815,838</u>

At 30 April 2004 the Company holds 100% of the ordinary share capital of the following subsidiaries, which are registered in England and Wales

Subsidiary	Nature of business
Red Eventful Cuisine Limited	Provision of catering services
By Word of Mouth Limited	Provision of catering services

### 10 STOCKS

The Group	30.4.2004 £
Goods for resale	<u>157,579</u>

### 11 DEBTORS

	Group 30.4.2004 £	Company 30.4.2004 £
Trade debtors	1,071,767	-
Amounts owed by Group undertakings	-	3,963,192
Other debtors	54,302	2,746
Prepayments and accrued income	<u>125,731</u>	<u>220</u>
	<u>1,251,800</u>	<u>3,966,158</u>

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 12 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 30.4.2004 £	Company 30.4.2004 £
Bank overdraft	361,683	594,627
Payments received on account	109,500	-
Trade creditors	1,372,699	3,147
Social security and other taxes	250,431	11,402
Other creditors	71,014	-
Proposed dividends	16,338	16,338
Amounts due under hire purchase contracts	10,063	-
Accruals and deferred income	500,091	33,818
	<u>2,691,819</u>	<u>659,332</u>

The bank overdraft is secured by a fixed charge over the freehold property.

### 13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 30.4.2004 £	Company 30.4.2004 £
Deferred consideration	300,000	300,000
Loan notes	3,767,000	3,767,000
Accruals	515,312	515,312
Amounts due under hire purchase contracts	4,837	-
	<u>4,587,149</u>	<u>4,582,312</u>

Borrowings are repayable as follows

	Group 30.4.2004 £	Company 30.4.2004 £
Within one year:		
Bank overdraft	361,683	594,627
Hire purchase	10,063	-
After one and within two years:		
Loan notes	1,300,000	1,300,000
Hire purchase	4,837	-
After two and within five years:		
Loan notes	1,850,000	1,850,000
After five years:		
Loan notes	617,000	617,000
	<u>4,143,583</u>	<u>4,361,627</u>

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

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

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

#### Loan notes

The £1,300,000 A loan notes 2004 and £2,467,000 B loan notes 2010 are secured and carry interest at fixed rates ranging from 10% to 20% which vary from year to year. 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.

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

#### 14 SHARE CAPITAL

	30.4.2004 £
Authorised	
214,300 ordinary shares of 1p	2,143
233,100 'A' ordinary shares of 1p	2,331
200,000 7% cumulative preference shares of 1p	2,000
	<u>6,474</u>
Allotted, issued and fully paid	
120,049 ordinary shares of 1p	1,200
216,284 'A' ordinary shares of 1p	2,163
200,000 7% cumulative preference shares of 1p	2,000
	<u>5,363</u>

The company was incorporated on 2 January 2003 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which 1 share was issued at par.

On 7 March 2003 each of the 1 issued and 999 unissued shares were subdivided into 100 shares of 1p each. Each of the 100 issued and 99,800 of the unissued shares were redesignated as ordinary shares and 100 of the unissued shares were redesignated as 'A' ordinary shares.

The authorised share capital was then increased from £1,000 to £6,440 by the creation of 200,000 7% cumulative preference shares of 1p each, 111,000 ordinary shares of 1p each and 233,000 'A' ordinary shares of 1p each. On 7 March 2003 the company then allotted 200,000 7% cumulative preference shares of 1p each, 216,284 'A' ordinary shares of 1p each, and 116,616 ordinary shares of 1p each all at £1 per share. The difference between the total consideration of £532,900 and the total nominal value of £5,329 has been credited to the share premium account (£527,571).

On 17 September 2003 the authorised share capital was increased further from £6,440 to £6,474 by the creation of 3,400 ordinary shares of 1p each. 3,333 ordinary shares of 1p each were then issued at £1 per share with share premium of £3,300 being credited to the share premium account.

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 of the Company from the year ending 30 April 2006 and subsequent years.

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### SHARE CAPITAL (CONTINUED)

#### Preference shares

The preference shares are non-equity shares which carry an entitlement to a fixed cumulative preferred cash dividend at the rate of 7% per share per annum 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 ending 30 April 2005.

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.

#### 15 RESERVES

Group	Share premium £	Profit and loss account £
On incorporation	-	-
Retained loss for period	-	(1,551,559)
On share issue	530,970	-
At 30 April 2004	<u>530,970</u>	<u>(1,551,559)</u>

Company	Share premium £	Profit and loss account £
On incorporation	-	-
Retained profit for period	-	4,019
On share issue	530,970	-
At 30 April 2004	<u>530,970</u>	<u>4,019</u>

#### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period ended 30.4.2004 £
Loss for financial period	(1,535,221)
Dividends	(16,338)
	<u>(1,551,559)</u>
Issue of ordinary share capital	536,333
Net decrease in shareholders' funds	<u>(1,015,226)</u>
Shareholders' funds brought forward	-
Shareholders' funds carried forward	<u>(1,015,226)</u>

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

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### 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 2004 there was a maximum contingent liability under this guarantee amounting to £164,452.

### 18 CAPITAL COMMITMENTS

There were no capital commitments at 30 April 2004.

### 19 LEASING COMMITMENTS

Operating lease payments on vehicles and equipment amounting to £60,043 are due within one year. The leases to which these amounts relate expire as follows:

	Group 30.4.2004 £
Within one year	28,595
Between one and five years	31,448
	<u>60,043</u>

### 20 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period ended 30.4.2004 £'000
Operating loss	(1,011,503)
Depreciation	146,527
Loss on sale of tangible fixed assets	1,051
Amortisation of goodwill and other intangibles	349,600
Increase in stocks	(45,797)
Increase in debtors	(1,081,077)
Increase in creditors	1,887,106
Net cash inflow from operating activities	<u>245,907</u>

# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Period ended 30.4.2004 £'000
Decrease in cash for the period	(361,683)
Cashflow from capital element of hire purchase contracts	12,600
Loan notes issued	(3,767,000)
Change in net funds resulting from cashflows	(4,116,083)
Hire purchase contracts acquired with subsidiary undertakings	(27,500)
	<u>(4,143,583)</u>
Net funds brought forward	-
Net debt carried forward	<u>(4,143,583)</u>

### 22 ANALYSIS OF CHANGES IN NET DEBT

	2 January 2003 £'000	On aquisition £'000	Cash flow £'000	30 April 2004 £'000
Bank overdraft	-	-	(361,683)	(361,683)
Loan notes	-	-	(3,767,000)	(3,767,000)
Hire purchase contracts	-	(27,500)	12,600	(14,900)
	<u>-</u>	<u>(27,500)</u>	<u>(4,116,083)</u>	<u>(4,143,583)</u>



# THE SIMPLY SMART GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

### 23 ACQUISITIONS

- i. During the period the Company acquired the entire issued share capital of By Word of Mouth Limited for a cash consideration of £1,515,837, including costs. Deferred consideration, to be satisfied in cash, is also payable depending on the results of the company acquired which has been provisionally estimated at £300,000.

The book and fair value of the assets acquired were as follows:

	£
Tangible fixed assets (net book value)	134,034
Stocks	43,828
Debtors	170,723
Cash at bank and in hand	28,909
Trade and other creditors	(331,593)
Hire purchase creditors	(27,500)
Goodwill on consolidation	<u>1,797,436</u>
	<u>1,815,837</u>
Satisfied by:	
Deferred consideration	300,000
Cash payable to vendors	1,400,000
Costs of transaction	<u>115,837</u>
	<u>1,815,837</u>

The provisional goodwill arising on the acquisition of £1,797,436 has been capitalised and is regarded by the directors as having a useful life of 15 years.

- ii. During the period the Group acquired the trade and assets of London Catering Services Limited for a cash consideration of £2,762,768, including costs.

The book and fair value of the assets acquired were as follows:

	£
Tangible fixed assets	976,045
Stocks	67,954
Cash at bank and in hand	5,470
Other creditors	(85,036)
Purchased goodwill capitalised	<u>1,798,335</u>
	<u>2,762,768</u>
Satisfied by:	
Cash payable to vendors	2,320,434
Costs of transaction	<u>442,334</u>
	<u>2,762,768</u>

The goodwill arising on the acquisition of £1,798,335 has been capitalised and is regarded by the directors as having a useful life of 10 years.

## THE SIMPLY SMART GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 April 2004

#### ACQUISITIONS (CONTINUED)

The subsidiary undertakings acquired during the period made the following contribution to, and utilisation of, Group cash flow:

	By Word of Mouth Limited £	Red Eventful Cuisine Limited £
Net cash inflow from operating activities	521,610	481,528
Returns on investment and servicing of finance	(464)	(9)
Capital investment and financial investment	(8,975)	(636,716)
Acquisitions	-	(2,757,298)
Financing	(12,600)	-
<b>Increase/(decrease) in cash</b>	<b>499,571</b>	<b>(2,912,495)</b>

The summarised results of the acquired subsidiaries for the period are as follows:

	£	£
Turnover	4,576,735	6,459,711
Operating profit/(loss)	218,534	(533,839)
Profit/(loss) before and after taxation	218,070	(533,848)

#### 24 CONTROLLING RELATED PARTY

The directors consider that the controlling related party of this company is Sand Aire Private Equity Limited.