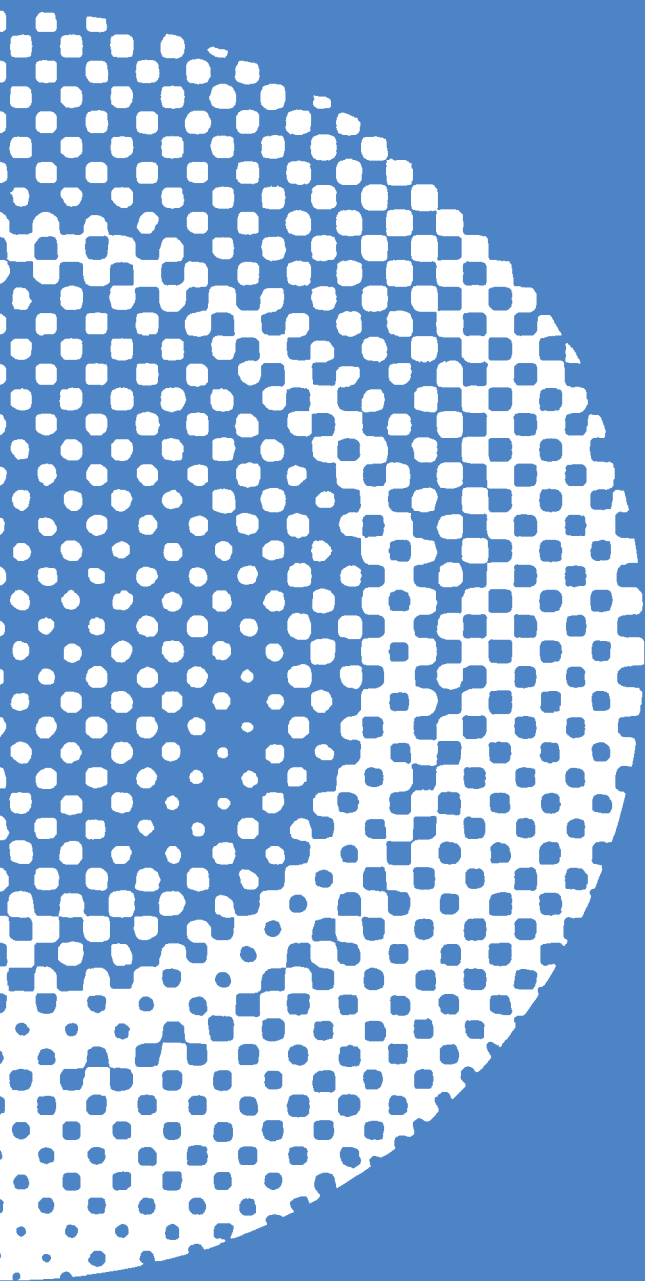


The Clapham House Group PLC

Report and Financial Statements 2004



THE CLAPHAM HOUSE GROUP PLC

REPORT AND FINANCIAL STATEMENTS

31 March 2004

THE CLAPHAM HOUSE GROUP PLC

BACKGROUND AND HIGHLIGHTS

Background

The Clapham House Group PLC (“the Company” or “Clapham House”) successfully floated on AIM on 10 November 2003, backed by a number of leading City institutions and with a significant investment from the founding management team. The Company’s business plan is to create value through acquiring and actively developing a small number of restaurant formats that are currently trading profitably within and around the M25 region.

The Company’s Executive Directors, David Page and Paul Campbell, both have proven track records of developing and building successful and profitable restaurant and leisure concepts across the UK and were until recently Directors of PizzaExpress Plc, the successful and highly profitable restaurant group with more than 300 restaurants in the UK and internationally.

The UK eating out market is still growing and, with the exception of the traditional pizza/pasta sector, the UK market is generally fragmented. The Clapham House Group PLC will therefore favour areas of the restaurant market which remain relatively unconsolidated and will apply the following investment criteria in assessing potential acquisitions:

- They should be cash generative and profitable;
- They should have a simple operational format;
- Typically they should have no more than 10 existing units;
- They should have low capital expenditure requirements; and
- They should have the capability for an eventual national roll out of at least 50 restaurants.

As Clapham House expands the estates of the concepts it acquires, it will look for operational synergies and certain support functions will be shared.

Highlights:

- Placing and admission to AIM on 10 November 2003, raising £14.75m (before flotation expenses of £0.5m) at 100p per share
- Completion of first acquisition, The Real Greek, in December 2003
- Net cash as at 31 March 2004 of £13.3m
- Loss before exceptional costs and taxation for the period ended 31 March 2004 of £84,000
- Completion of second acquisition, The Bombay Bicycle Club, in April 2004
- Secondary placing raising £7.0m (before expenses) at 140p per share in June 2004

THE CLAPHAM HOUSE GROUP PLC

CHAIRMAN'S STATEMENT

The Company was incorporated on 1 October 2003 and these results cover the period from that date until 31 March 2004. Clapham House successfully completed a placing and admission to AIM on 10 November 2003, raising £14.75m (before flotation expenses) at 100p per share. Flotation expenses of £510,000 have been charged to the Company's share premium account.

During this period, the Company acquired The Real Greek Food Company Limited ("The Real Greek") on 18 December 2003 and the results therefore include fifteen weeks' trading for this business. These are typically the quietest months of the year for any restaurant business.

Loss before exceptional costs and taxation for the period ended 31 March 2004 was £84,000.

As at 31 March 2004, Clapham House's net cash balances amounted to £13.3m.

Dividends

As described in the Company's prospectus dated 29 October 2003, it is the Board's policy that, subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Company will be in delivering capital growth for shareholders.

Outlook

On 1 April 2004 the Company acquired the entire issued share capital of Nilecroft Ltd, Odsey Ltd, Overpark Ltd and Seahawk Ltd, comprising the business and assets of The Bombay Bicycle Club operation ("The Bombay Bicycle Club") for an initial consideration of £1,845,000 paid in cash on completion with a further maximum of £575,000 payable 12 months from completion subject to any warranty or completion accounts set-offs.

On 13 May 2004, the Company announced a placing to raise £7.0m (before expenses) at 140p per share. The resolutions approving the placing were passed by shareholders at an Extraordinary General Meeting on 7 June 2004 and dealings in the new ordinary shares commenced on 11 June 2004.

I am very pleased that we have acquired two excellent business platforms so soon after commencing trading. This puts us well ahead of the timetable we set ourselves at flotation and we are currently examining a number of businesses, one of which may become our next acquisition. This would represent the achievement of our initial target to acquire three restaurant formats in the first two years of the Company's existence and would put us in a position to focus on the integration and expansion of these brands. To this end we have already acquired a new 4,000 sq. foot unit on the South Bank in London for The Real Greek Souvlaki & Bar, which opened on 8 July 2004, and we are in negotiations on a number of units for both The Real Greek and The Bombay Bicycle Club. As disclosed at the time of our secondary placing, we are also talking to a number of companies about acquiring packages of premises which may be available for acquisition as a result of industry consolidation or rationalisation.

The Directors believe that the rationalisation of the restaurant sector will continue to provide attractive opportunities and we look forward to the current financial year with confidence.

David Page

Chairman

9 August 2004

THE CLAPHAM HOUSE GROUP PLC

BOARD OF DIRECTORS

The Directors and Company Secretary of The Clapham House Group PLC are:

David Page

Chairman

David Page was formerly both Chief Executive and Chairman of PizzaExpress plc, having been involved with that company for over 25 years. He was a major shareholder and the managing director of the largest PizzaExpress franchise group prior to its merger with the company-owned restaurants in February 1993. He was Managing Director on flotation of the business, became Chairman in December 1997 and moved to the position of Chief Executive in February 2002. He was particularly involved in site selection and the strategic development of the company.

Paul Campbell ACA

Chief Executive

Paul Campbell qualified as a chartered accountant with Price Waterhouse, before joining The Capita Group plc where he was Managing Director of Capita Corporate Finance. He was subsequently Chief Executive of Relaxion Group plc, a leisure management company with operations throughout the UK and also a director of Kunick Plc, a listed company which purchased Relaxion. He joined PizzaExpress plc as Group Finance Director in March 2002.

Nicholas Donaldson

Non-executive Director

Nick Donaldson, a barrister by profession, was until recently head of corporate finance at Arbuthnot Securities Limited (formerly Old Mutual Securities Limited). He has spent the majority of his career to date in investment banking and has previously held senior positions at Robert W Baird Limited and at Credit Lyonnais Securities. He is a Non-executive Director of Games Workshop Group plc and Chairman of F4G Software PLC.

Nicholas Wong ACA

Company Secretary

Nick Wong qualified as a chartered accountant with Baker Tilly. He has spent the majority of his career to date specialising in corporate finance, working on a number of due diligence, flotation and acquisition assignments, including the Company's acquisition of The Real Greek Food Company Limited. He joined the Company in May 2004.

THE CLAPHAM HOUSE GROUP PLC

DIRECTORS' REPORT

The Directors have pleasure in presenting their report on the affairs of the Group together with the audited financial statements for the period ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the acquisition, development and operation of restaurants and food delivery outlets.

REVIEW OF THE BUSINESS

The Clapham House Group PLC was incorporated on 1 October 2003 and completed a placing and admission of its entire issued share capital to trading on the Alternative Investment Market of the London Stock Exchange in November 2003. On 18 December 2003, the Company completed the acquisition of The Real Greek Food Company Limited.

The results for the period ended 31 March 2004 are set out in the Group profit and loss account on page 14.

DIVIDENDS

As described in the Company's prospectus dated 29 October 2003, it is the Board's policy that, subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Company will be in delivering capital growth for shareholders. Therefore the Directors recommend that no dividend be paid for the period ended 31 March 2004.

EVENTS SINCE THE END OF THE YEAR

On 1 April 2004 the Company acquired the entire issued share capital of Nilecroft Ltd, Odsey Ltd, Overpark Ltd and Seahawk Ltd, comprising the business and assets of The Bombay Bicycle Club operation ("The Bombay Bicycle Club") for an initial consideration of £1,845,000 paid in cash on completion with a further maximum of £575,000 payable 12 months from completion subject to any warranty or completion accounts set-offs.

On 11 June 2004, the Company raised £7.0m (before expenses) at 140p per share by way of a placing of 5 million new ordinary shares.

DIRECTORS

The following directors have held office since incorporation

DM Page	(appointed 10 October 2003)
P Campbell	(appointed 10 October 2003)
NJ Donaldson	(appointed 10 October 2003)
MH Directors Limited	(appointed 1 October 2003 and resigned 10 October 2003)
MH Directors (2) Limited	(appointed 1 October 2003 and resigned 10 October 2003)

The names of the Directors at the date of this report, together with their biographical details, are set out on page 4.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the Company, including family interests, as at 31 March 2004 were as follows:

Director	Ordinary shares of 10p each	%
DM Page	1,150,010	7.6%
P Campbell	250,010	1.7%
NJ Donaldson	100,000	0.7%

Details of the Directors' interests in share options during the year are disclosed in the Directors' Remuneration Report on pages 10 to 12.

THE CLAPHAM HOUSE GROUP PLC

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

Directors' interests in the shares of the Company have been disclosed above. As at 31 March 2004, the Directors had been notified of the following notifiable interests representing 3 per cent or more of the issued share capital of the Company:

	Ordinary shares of 10p each	%
Schroder Investment Management Limited	3,662,000	24.33%
The Shell Petroleum Company Limited	1,060,000	7.04%
Gartmore Investment Management Limited	580,000	3.85%
Framlington Innovative Growth Trust Plc	500,000	3.32%

STATEMENT OF DIRECTORS' RESONSIBILITIES

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 period. In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates which are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYMENT POLICY

The Company's policies respect the individual regardless of gender, race or religion. Full and fair consideration is given to applications for employment from disabled people.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period the Group made no political or charitable contributions.

SUPPLIER PAYMENT POLICY

The Group's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2004, the Group had an average of 37 days purchases outstanding in trade creditors.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

By order of the Board

Nicholas Wong ACA
Company Secretary

9 August 2004

THE CLAPHAM HOUSE GROUP PLC

REPORT ON CORPORATE GOVERNANCE

The Board of The Clapham House Group PLC appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. The Board considers that the Company, whilst trading on the Alternative Investment Market of the London Stock Exchange, has adopted those requirements of the Code Provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice (“the Combined Code”) issued by the UK Listing Authority in June 1998 as best applicable to the Company given its current size.

Board Structure

The Board of Directors set up to control the Company consists of two executive Directors and one non-executive Director. The non-executive Director is independent of the Company. David Page is Chairman of the Board. The Directors’ biographies appear on page 4.

The full Board will meet at least nine times per year to discuss the Company’s and the Group’s performance, strategic decisions, and potential acquisitions. Each Board meeting receives the latest financial information available on the Company and the Group consisting of management accounts and relevant comparisons to budget. A description of current trading is given by the executive Directors.

Each member of the Board is subject to the re-election provisions of the Articles of Association, which requires each of them to offer himself for re-election at least once every three years.

The executive Directors meet on a regular basis and deal with decisions that do not require full Board approval.

The Directors believe that this process for making business decisions provides sufficient division of responsibilities to meet the requirements of the Combined Code.

Directors’ Remuneration

As described in the Company’s prospectus dated 29 October 2003, a remuneration committee has not yet been established; this is discussed below under “Compliance Statement”. The full Board meets and considers the policy on executive remuneration; no Director is involved in deciding his own remuneration. The executive Directors’ current remuneration consists of basic salary and benefits, incentive bonus schemes and share incentive schemes. The statement of remuneration policy and details of each Director’s remuneration are set out in the Report on Directors’ Remuneration.

Shareholder Relations

The Directors meet and discuss the performance of the Company with shareholders during the year. Queries raised by shareholders are promptly answered by whoever on the Board is best placed to do so.

Investors are encouraged to participate in the Annual General Meeting at which the Chairman will present a review of the results and comment on current business activity. The Board will be available at the Annual General Meeting to answer shareholder questions.

The first Annual General Meeting will be held on 7 September 2004. The notice of the Annual General Meeting may be found on page 31.

Internal Control

The Board is responsible for ensuring that the Company has in place a system of internal control and risk management and for reviewing its effectiveness. In this context, control is defined as those policies and processes established to ensure that business objectives are achieved cost effectively, assets and shareholder value are safeguarded, and laws, regulations and policies are complied with. Controls can provide reasonable but not absolute assurance that risks are identified and adequately managed to achieve business objectives and to minimise material errors, losses and fraud or breaches of laws and regulations.

THE CLAPHAM HOUSE GROUP PLC

REPORT ON CORPORATE GOVERNANCE

The Company operates a sound system of internal financial control and risk management, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. The Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Company and its subsidiaries including those matters which are reserved specifically for the Board. The Board has responsibility for the system of internal financial control and risk management and an annual review of the same is undertaken.

The Combined Code extended the internal financial control provisions to require the Directors to review the effectiveness of the Company's entire system of internal control, including financial, operational, compliance and risk management. The ICAEW published "Internal Controls: Guidance for Directors on the Combined Code", known as "The Turnbull Guidance", in September 1999, on how to apply the Code principle D2 and provisions D2.1 and D2.2.

The Company has complied with the provisions of the Combined Code on internal control, having established the procedures necessary to implement the guidance issued in September 1999 (the Turnbull Committee Report) and by reporting in accordance with that guidance.

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Given the Company's size and the nature of its business, the Board does not consider it would be appropriate to have its own internal audit function. An internal audit function will be established as and when the Group is of an appropriate size but meanwhile the audit of internal financial controls form part of the responsibilities of the Company's finance function.

Going Concern

The Directors can report that, based on the Company's budgets and financial projections, they have satisfied themselves that the business is a going concern. The Board has reasonable expectation that the Company has adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

Independence of Auditors

The Board will undertake a formal assessment of the auditors' independence each year which will include:

- a review of non-audit services provided to the Group and related fees;
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties which could affect independence or the perception of independence;
- a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditors that, in their professional judgment, they are independent.
- An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 3 to the financial statements.

THE CLAPHAM HOUSE GROUP PLC

REPORT ON CORPORATE GOVERNANCE

Compliance Statement

Whilst not specifically required for a company whose shares are traded on the Alternative Investment Market throughout the period to 31 March 2004, the Company has been in compliance with the Code Provisions set out in Section 1 of the Combined Code, save for the limited exceptions outlined below:

A.5.1., B.1., B.2., C.2.3. and D.3.

Audit, Nomination and Remuneration Committees have not been established, as described in the Company's prospectus dated 29 October 2003. In view of the Company's recent incorporation and its size the Board comprises only the three founding Directors. Nevertheless, the Board feels that decisions can be made effectively without these committees in place at the present time. The Board intends to establish such committees following the acquisition of appropriate restaurant groups and the appointment of further directors.

By order of the Board

David Page
Chairman

9 August 2004

THE CLAPHAM HOUSE GROUP PLC

REPORT ON DIRECTORS' REMUNERATION

Introduction

The Board of The Clapham House Group PLC has resolved that the Company, whilst trading on the Alternative Investment Market, should prepare this report in accordance with the Directors' Remuneration Report Regulations 2002 as best applicable to the Company given its size, notwithstanding that these Regulations do not apply to the Company. These Regulations introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company before which the financial statements will be laid.

Remuneration Committee

As described in the Report on Corporate Governance on pages 7 and 9, the Remuneration Committee has not yet been established. The Board is small and has resolved that, in view of the size and recent incorporation of the Company, the committee will be established following the acquisition of appropriate restaurant groups and the appointment of further directors. Meanwhile the full Board meets and considers the policy on executive remuneration; no Director is involved in deciding his own remuneration.

Remuneration Policy

The Company's executive remuneration packages are designed to attract, motivate and retain personnel of the high calibre needed to create value for shareholders. There are three components to the executive Directors' remuneration, being basic salary and benefits, annual bonus scheme and share incentive schemes. Salaries have been initially set below market levels and these are reviewed at the appropriate time, including subsequent to each restaurant format acquisition. Similarly, the bonus scheme for the executive Directors is initially based on the acquisition of restaurant formats. The bonus scheme will be reviewed by the Board when three restaurant formats have been acquired. The performance measurement of the executive Directors and key members of senior management and the determination of their annual remuneration packages are currently undertaken by the Board. The remuneration of the non-executive Director is determined by the Board, within the limits set out in the Articles of Association.

Directors' Service Agreements

With effect from 28 October 2003, DM Page and P Campbell each entered into service agreement with The Clapham House Group PLC for one year with an initial salary of £75,000 per annum, to be reviewed subsequent to each corporate acquisition. These service agreements will continue subject to either party giving the other 12 months' written notice terminable at any time. NJ Donaldson entered into an agreement with the Company with effect from 28 October 2003 which will continue until such time as the agreement is terminated by either party on three months' notice. Mr Donaldson's initial fee of £10,000 per annum is subject to review as the scale of the business increases.

Incentive Arrangements

The Directors and employees of the Company also participate in incentive arrangements to reward individuals if shareholder value is created.

Under these arrangements certain Directors and employees are entitled to performance related bonuses and participation in an approved and an unapproved share option scheme. The executive Directors also participate in the Restricted Share Scheme.

THE CLAPHAM HOUSE GROUP PLC
REPORT ON DIRECTORS' REMUNERATION

Directors' Remuneration

	Period from 1 October 2003 to 31 March 2004			
	Salary or fees £'000	Bonus £'000	Benefits £'000	Total £'000
<i>Executive Directors</i>				
DM Page	37	30	2	69
P Campbell	37	30	2	69
<i>Non-executive Director</i>				
NJ Donaldson	6	–	–	6
	80	60	4	144

Mr Donaldson received fees for his services as non-executive Director via his company, Deep Powder Limited.

Directors' Share Options

The interests of the Directors under the Company's share option schemes as at 31 March 2004 were as follows:

	Options granted during period and outstanding	Date granted	Exercise Price £	Exercise Date
<i>Approved</i>				
DM Page	100,000	Nov 2003	1.000	7 Nov 2006 to 2013
P Campbell	100,000	Nov 2003	1.000	7 Nov 2006 to 2013
NJ Donaldson	–	–	–	–
<i>Unapproved</i>				
DM Page	617,647	Nov 2003	1.000	7 Nov 2006 to 2013
P Campbell	617,647	Nov 2003	1.000	7 Nov 2006 to 2013
NJ Donaldson	21,645	Jan 2004	1.155	23 Jan 2007 to 2014

All share options have been issued at the market price of the ordinary shares at the date of grant. The market price of ordinary shares in the Company ranged from £1.00 to £1.34 between 7 November and 31 March 2004.

THE CLAPHAM HOUSE GROUP PLC

REPORT ON DIRECTORS' REMUNERATION

Directors' Interests in Restricted Shares Plan

The interests of the Directors under the Company's Restricted Shares Plan as at 31 March 2004 were as follows:

	Shares conditionally awarded during the period	Date awarded	Market price at date of award £	Vesting Date
DM Page	150,000	Nov 2003	1.000	7 Nov 2006
P Campbell	150,000	Nov 2003	1.000	7 Nov 2006
NJ Donaldson	—	—	—	—

The conditions subject to which allocations of shares vest under this plan are described on page 25.

Details of the Directors' shareholdings are given in the Directors' Report on page 5.

Approval

This report was approved by the Board of Directors on 9 August 2004 and signed on its behalf by:

David Page

Chairman

9 August 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE CLAPHAM HOUSE GROUP PLC

We have audited the financial statements on pages 14 to 30.

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 opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Directors' Report, the Report on Corporate Governance and the Report on Directors' Remuneration. 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 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 affairs of the company and the group at 31 March 2004 and of the group loss for the period then ended.

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

9 August 2004

THE CLAPHAM HOUSE GROUP PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the period ended 31 March 2004

	Notes	Period from 1 October 2003 to 31 March 2004 £'000
Turnover	1	534
Cost of sales		(381)
		<hr/>
Gross profit		153
Administrative expenses – excluding exceptional costs		(418)
		<hr/>
Operating loss before exceptional costs		(265)
Exceptional costs – issue of restricted shares	2	(305)
		<hr/>
Operating loss	3	(570)
Interest receivable		182
Interest payable	4	(1)
		<hr/>
Loss on ordinary activities before taxation		(389)
Taxation	6	5
		<hr/>
Loss for the period		(384)
		<hr/>
Loss per share		
Basic and diluted	8	(3.3p)

All amounts relate to acquired operations and continuing activities. The amounts have not been separately disclosed as the acquired operations form the initial trading activities of the Group.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

THE CLAPHAM HOUSE GROUP PLC
BALANCE SHEETS
31 March 2004

	Notes	Group 2004 £'000	Company 2004 £'000
Fixed assets			
Intangible assets	9	6,938	–
Tangible assets	10	489	10
Investments	11	–	499
		<u>7,427</u>	<u>509</u>
Current assets			
Stocks	12	83	–
Debtors	13	203	398
Cash at bank and in hand		13,444	13,440
		<u>13,730</u>	<u>13,838</u>
Creditors: amounts falling due within one year	14	(990)	(202)
		<u>12,740</u>	<u>13,636</u>
Net current assets			
		<u>12,740</u>	<u>13,636</u>
Total assets less current liabilities			
		<u>20,167</u>	<u>14,145</u>
Creditors: amounts falling due after more than one year	15	(6,035)	–
Provisions for liabilities and charges	16	(6)	–
		<u>14,126</u>	<u>14,145</u>
Net assets			
		<u>14,126</u>	<u>14,145</u>
Capital and reserves			
Called up share capital	17	1,475	1,475
Share premium	18	13,035	13,035
Profit and loss account	18	(384)	(365)
		<u>14,126</u>	<u>14,145</u>
Equity shareholders' funds			
	19	<u>14,126</u>	<u>14,145</u>

These financial statement were approved by the Board of Directors on 9 August 2004.

Signed on behalf of the Board of Directors

David Page
Chairman

THE CLAPHAM HOUSE GROUP PLC
CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 March 2004

	Notes	Period from 1 October 2003 to 31 March 2004 £'000
Net cash flow from operating activities	20a	(198)
Returns on investments and servicing of finance	20b	181
Capital expenditure and financial investment	20b	(23)
Acquisitions and disposals	20b	(592)
		<hr/>
Cash outflow before use of liquid resources and financing		(632)
Financing	20b	13,969
		<hr/>
Increase in cash in the period		13,337
		<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Notes	Period from 1 October 2003 to 31 March 2004 £'000
Increase in cash in the period		13,337
Cash outflow from change in debt		271
		<hr/>
Change in net funds resulting from cash flows		13,608
Debt acquired with subsidiary		(271)
		<hr/>
Net funds at end of the period	20c	13,337
		<hr/>

THE CLAPHAM HOUSE GROUP PLC
ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of The Clapham House Group PLC and all of its subsidiary undertakings and quasi subsidiaries for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

INTANGIBLE FIXED ASSETS

Amortisation is provided in order to write off each asset over its estimated useful life at a rate of 5% straight line. Intangible fixed assets are stated at historical cost less amortisation.

GOODWILL AND AMORTISATION

Goodwill being the excess of the cost of an acquisition over the fair value attributed to the net assets at acquisition is capitalised.

The useful economic life of the goodwill arising on each acquisition is determined at the time of the acquisition. The Directors consider that it is appropriate to assign an indefinite life to the goodwill which arose on the acquisition of The Real Greek Food Company Limited during the period in view of the strength of The Real Greek Food Company Limited's brand developed over four years of trading, and the Board's plans to continue the brand development. These attributes are deemed to have indefinite durability, which has been determined based on the following factors: the ability to replicate and expand the business; and the long life span of the brand and its ethos.

Goodwill is not being amortised through the profit and loss account; however, it is subject to annual impairment reviews in accordance with Financial Reporting Standard 11. Impairment of the goodwill is evaluated by comparing the present value of the expected future cash flows, excluding financing and tax (the "value -in-use") to the carrying value of the underlying net assets and goodwill. If the net assets and goodwill were to exceed the value-in-use, an impairment would be deemed to have occurred and the resulting write-down in the goodwill would be charged to the profit and loss account immediately.

Paragraph 28 of schedule 9 to the Companies Act 1985 requires that all goodwill carried on the balance sheet should be amortised. In the case of the goodwill arising on the acquisition of The Real Greek Food Company Limited, the Directors consider it appropriate to depart from this requirement in order to comply with the over-riding requirement for the accounts to show a true and fair view. If the goodwill was amortised over a period of 20 years, loss before tax for the period ended 31 March 2004 would be £101,000 lower, with a corresponding reduction in reserves of £101,000; intangible assets on the balance sheet would also be £101,000 lower.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Leasehold properties and improvements	over lease term
Plant and equipment	20% straight line
Furniture, fixtures and fittings	10% straight line

INVESTMENTS

Long term investments in subsidiary undertakings are classified as fixed assets and stated at cost in the Company's balance sheet.

Provision is made for any impairment in the value of fixed asset investments.

THE CLAPHAM HOUSE GROUP PLC

ACCOUNTING POLICIES

STOCKS

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the period to the first rent review.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers outside the Group.

PARENT COMPANY

In accordance with Section 230(3) of the Companies Act 1985 a separate profit and loss account for the parent company is not presented.

THE CLAPHAM HOUSE GROUP PLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the period ended 31 March 2004

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss for the period are attributable to the principal activities of the Group, which are carried on entirely within the United Kingdom.

2 EXCEPTIONAL COSTS

The exceptional costs represent the cost of granting 300,000 ordinary shares under the Group's Restricted Share Plan to the executive Directors at a cost of £270,000 and the associated employer's national insurance contribution amounting to £35,000.

3 OPERATING LOSS

	Period from 1 October 2003 to 31 March 2004 £'000
Operating loss is stated after charging/(crediting):	
Depreciation of owned tangible fixed assets	21
Depreciation of owned intangible fixed assets	1
Operating lease rentals:	
Land and buildings	42
Auditors' remuneration:	
– for audit services	14
– for non audit services	9
Exceptional item (note 2)	305
	<hr/>

Amounts payable to Baker Tilly and their associates in respect of both audit and non-audit services:

	Period from 1 October 2003 to 31 March 2004 £'000
Audit services	
– statutory audit	14
Other services	
– Advice in relation to the Company's share option scheme	9
– Due diligence on Acquisition	30
– Reporting accountants on flotation	13
	<hr/>
	66
	<hr/>
Comprising:	
– audit services	14
– non-audit services	52
	<hr/>
	66
	<hr/>

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

4 INTEREST PAYABLE

	Period from 1 October 2003 to 31 March 2004 £'000
Interest payable on bank loans and overdrafts	(1)

5 EMPLOYEES

	Period from 1 October 2003 to 31 March 2004 No.
The average monthly number of persons (including Directors) employed by the Group during the period was:	
Administration and management	7
Restaurants and distribution	41
	<u>48</u>

	Period from 1 October 2003 to 31 March 2004 £'000
Staff costs for above persons:	
Wages and salaries	402
Social security costs	43
	<u>445</u>

	Period from 1 October 2003 to 31 March 2004 £'000
DIRECTORS' REMUNERATION	
Emoluments	<u>144</u>

No Directors received any pension benefits.

THE CLAPHAM HOUSE GROUP PLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the period ended 31 March 2004

6 TAXATION

	Period from 1 October 2003 to 31 March 2004 £'000
Based on the result for the period:	
UK corporation tax at 19% (2003: 19%)	–
Under/(over) provision in earlier years	–
	<hr/>
Total current tax	–
Deferred taxation:	
Origination and reversal of timing differences	(5)
	<hr/>
Taxation (receivable)/payable	(5)
	<hr/>

Factors affecting tax charge for period:

	Period from 1 October 2003 to 31 March 2004 £'000
Loss on ordinary activities before tax	(389)
	<hr/>
Loss on ordinary activities multiplied by standard rate of 19%	(74)
Expenses not deductible for tax purposes	1
Income exempt for tax purposes	–
Depreciation in excess of capital allowances for the period	(1)
Losses available for relief net of group relief	74
	<hr/>
Current tax charge for period	–
	<hr/>

7 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

	Period from 1 October 2003 to 31 March 2004 £'000
Dealt with in the financial statements of the parent company	(365)
Retained by group undertakings	(19)
	<hr/>
	(384)
	<hr/>

8 LOSS PER SHARE

Basic loss per ordinary share is based on the loss for the period of £384,000 and on 11,742,328 ordinary shares of 10p each being the weighted average number of ordinary shares in issue during the period.

Basic and diluted loss per share are the same as there are no potential ordinary shares that would increase net loss per share from continuing operations in the period.

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

9 INTANGIBLE FIXED ASSETS
GROUP

	Trademarks £'000	Goodwill £'000	Total £'000
Cost			
On incorporation – 1 October 2003	–	–	–
Additions	–	6,933	6,933
Acquisition of subsidiary	6	–	6
31 March 2004	6	6,933	6,939
Amortisation			
On incorporation – 1 October 2003	–	–	–
Impairments	–	–	–
Charged in the period	1	–	1
31 March 2004	1	–	1
Net book value 31 March 2004	5	6,933	6,938

10 TANGIBLE FIXED ASSETS
GROUP

	Short term leasehold properties £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
On incorporation – 1 October 2003	–	–	–	–
Additions	2	13	8	23
Acquisition of subsidiary	277	40	170	487
31 March 2004	279	53	178	510
Accumulated depreciation				
On incorporation – 1 October 2003	–	–	–	–
Charge in the period	5	7	9	21
31 March 2004	5	7	9	21
Net book value 31 March 2004	274	46	169	489

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

10 TANGIBLE FIXED ASSETS *(continued)*

COMPANY	Short term leasehold properties £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost or valuation				
On incorporation – 1 October 2003	–	–	–	–
Additions	–	12	–	12
31 March 2004	–	12	–	12
Accumulated depreciation				
On incorporation – 1 October 2003	–	–	–	–
Charged in the year	–	2	–	2
31 March 2004	–	2	–	2
Net book value				
31 March 2004	–	10	–	10

11 FIXED ASSETS INVESTMENTS

	Group £'000	Company £'000
Investment in subsidiary undertakings		
Cost and net book value		
On incorporation – 1 October 2003	–	–
Acquisition of CHG 1 Limited	–	–
Acquisition of CHG 2 Limited	–	–
Acquisition of CHG 3 Limited	–	–
Acquisition of CHG 4 Limited	–	–
Acquisition of CHG 5 Limited	–	–
Acquisition of The Real Greek Food Company Limited	–	499
As at 31 March 2004	–	499

Name of subsidiary	Class of Holding	Proportion held directly	Nature of business
CHG 1 Limited	Ordinary	100%	Operation of restaurants
CHG 2 Limited	Ordinary	100%	Dormant
CHG 3 Limited	Ordinary	100%	Dormant
CHG 4 Limited	Ordinary	100%	Brand development
CHG 5 Limited	Ordinary	100%	Dormant
The Real Greek Food Company Limited	Ordinary	100%	Operation of restaurants
The Real Greek Wine Company Limited	Ordinary	100%	Dormant

All subsidiaries are unlisted and are registered and, where not dormant, operate in England and Wales.

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

12 STOCK

	Group 2004 £'000	Company 2004 £'000
Raw materials and consumables	83	–

13 DEBTORS

	Group 2004 £'000	Company 2004 £'000
Due within one year:		
Trade debtors	21	1
Other debtors	97	24
Amounts owed by subsidiary undertakings	–	373
Prepayments and accrued income	85	–
	<u>203</u>	<u>398</u>

14 CREDITORS: Amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000
Bank overdraft	107	–
Trade creditors	207	82
Other taxation and social security	72	9
Other creditors	475	–
Accruals and deferred income	129	111
	<u>990</u>	<u>202</u>

The bank overdraft is secured by a debenture giving fixed and floating charges on all assets of The Real Greek Food Company Limited.

15 CREDITORS: Amounts falling due in more than one year

	Group 2004 £'000	Company 2004 £'000
Other creditors	6,035	–

Other creditors falling due within one year of £475,000 and falling due in more than one year of £6,035,000 payable in 2007 relate to the estimated deferred consideration payable to the vendors on the acquisition of The Real Greek Food Company Limited, based on the adjusted profits before taxation in the respective periods. These obligations are secured on the shares of The Real Greek Food Company Limited.

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

16 PROVISION FOR LIABILITIES AND CHARGES

	Group 2004 £'000	Company 2004 £'000
Deferred taxation		
Balance at incorporation	–	–
Balance acquired with subsidiary undertaking	11	–
Transfer from profit and loss account	(5)	–
	<hr/>	<hr/>
Balance at 31 March 2004	6	–
	<hr/>	<hr/>

The balance disclosed above relates primarily to accelerated capital allowances.

A deferred tax asset of £69,000 relating to the Group and Company has not been recognised in the financial statements in respect of accumulated losses of £365,000.

17 SHARE CAPITAL

	2004 £'000
Authorised:	
50,000 redeemable shares of £1 each	50
25,000,000 ordinary shares of 10p each	2,500
	<hr/>
	2,550
	<hr/>
Allotted, issued called up and fully paid:	
14,750,020 ordinary shares of 10p each	1,475
Allotted, issued and uncalled	
300,000 ordinary shares of 10p each	–
	<hr/>
	1,475
	<hr/>

The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were issued nil paid.

On 24 October 2003 each of the issued and unissued ordinary shares of £1 each were subdivided into 10 shares of 10 pence each. On the same date, the authorised share capital of the Company was increased to £2,550,000 by the creation of 24,500,000 ordinary shares of 10 pence each and the creation of 50,000 redeemable shares of £1 each. On the same date, 50,000 redeemable shares of £1 each were issued at par one quarter paid up. The redeemable shares were redeemable within one year by the Company and did not carry any right to attend and vote at general meetings of the Company or to a distribution of assets on a winding-up. The outstanding balance payable of £0.75 per share in respect of the redeemable shares was subsequently called for payment and paid in full.

On 7 November 2003, the Company issued 300,000 ordinary shares of 10 pence each uncalled at 10 pence each under the Restricted Share Plan to the executive Directors. The ordinary shares had a market value on the date of issue of £1 each. All of these shares are subject to certain restrictions which apply for three years from the date of issue. During the restricted period:

- the shares may not be sold, transferred or in any way pledged;
- the share certificates are retained by the Company until the end of the restriction period;

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

17 SHARE CAPITAL *(continued)*

- the shares do not have any voting rights until the end of the restricted period;
- if the executive Director leaves employment as a “bad leaver”, all restricted shares will be transferred to the Company at the acquisition price;
- if the executive Director leaves employment as a “good leaver”, the restricted period shall end on the date on which employment or directorship is terminated.

The market price of ordinary shares in the Company ranged from £1.00 to £1.34 between 7 November and 31 March 2004.

On 10 November 2003, the Company issued 14,750,000 ordinary shares of 10 pence each at £1 each.

On 10 November 2003, the Company redeemed all 50,000 redeemable shares at £1 each.

Share options

The Company has two share option schemes. Outstanding share options to acquire ordinary shares of 10 pence each as at 31 March 2003 are as follows:

	Outstanding	Date granted	Exercise Price £	Exercise Date
<i>Approved</i>	200,000	Nov 2003	1.000	7 Nov 2006 to 2013
	25,974	Jan 2004	1.155	23 Jan 2007 to 2014
<i>Unapproved</i>	1,235,294	Nov 2003	1.000	7 Nov 2006 to 2013
	21,645	Jan 2004	1.155	23 Jan 2007 to 2014

All share options were issued at market value on the date of grant.

18 RESERVES

	Share Premium £'000	Profit and Loss £'000
GROUP		
On incorporation – 1 October 2003		
Premium on shares issued	13,545	–
Cost of share issue	(510)	–
Loss for the period	–	(384)
31 March 2004	13,035	(384)
COMPANY		
On incorporation – 1 October 2003		
Premium on shares issued	13,545	–
Cost of share issue	(510)	–
Loss for the period	–	(365)
31 March 2004	13,035	(365)

THE CLAPHAM HOUSE GROUP PLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the period ended 31 March 2004

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2004 £'000
GROUP	
Ordinary shares issued (net of flotation expenses)	14,510
Redeemable shares issued	50
Shares redeemed	(50)
Loss for the financial period	(384)
	<hr/>
Net addition to shareholders' funds	14,126
Opening shareholders' funds	–
	<hr/>
Closing shareholders' funds	14,126
	<hr/>
COMPANY	
Ordinary shares issued (net of flotation expenses)	14,510
Redeemable shares issued	50
Shares redeemed	(50)
Loss for the financial period	(365)
	<hr/>
Net addition to shareholders' funds	14,145
Opening shareholders' funds	–
	<hr/>
Closing shareholders' funds	14,145
	<hr/>

20 CASH FLOWS

	Period from 1 October 2003 to 31 March 2004 £'000
<i>A Reconciliation of operating profit to net cash inflow from operating activities</i>	
Operating loss	(570)
Restricted shares issued	270
Depreciation	21
Increase in stocks	(12)
Increase in debtors	(116)
Increase in creditors	209
	<hr/>
Net cash outflow from operating activities	(198)
	<hr/>

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

20 CASH FLOWS (continued)

Period from
1 October 2003
to 31 March 2004
£'000

B Analysis of cash flows for headings netted in the cash flow

Returns on investments and servicing of finance

Interest received	182
Interest paid	(1)

Net cash outflow from returns on investments and servicing of finance 181

Capital expenditure and financial investment

Purchase of tangible fixed assets	(23)
Sale of tangible fixed assets	–

Net cash outflow from capital expenditure and financial investment (23)

Acquisitions and disposals

Purchase of subsidiary undertaking	(499)
Net overdraft acquired with subsidiary	(93)

Net cash outflow from acquisition (592)

Financing

Capital repayments on bank loans	(59)
Capital repayments of other loans	(212)
Net proceeds of redeemable shares issued	50
Redemption of redeemable shares	(50)
Gross proceeds of ordinary shares issued	14,750
Issue costs	(510)

Net cash inflow from financing 13,969

	On incorporation 1 October 2003 £'000	Cash flow £'000	Acquisition £'000	At 31 March 2004 £'000
C Analysis of net funds				
Cash in hand, at bank	–	13,444	–	13,444
Overdrafts	–	(107)	–	(107)
		13,337	–	13,337
Debt due after 1 year Loans	–	(271)	271	–
Total net funds	–	13,066	271	13,337

THE CLAPHAM HOUSE GROUP PLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the period ended 31 March 2004

21 COMMITMENTS UNDER OPERATING LEASES

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

	2004 £'000
Land and buildings	
Expiring in the second to fifth year	9
expiring after five years	137
	<hr/> 146 <hr/>

22 ACQUISITIONS

Acquisition of subsidiary

On 18 December 2003, the Group acquired the entire share capital of The Real Greek Food Company Limited, which operates three restaurants.

	Book value and fair value of net assets acquired £'000
Fixed assets	493
Stock	70
Debtors	87
Net debt	(364)
Creditors – amounts due within one year	(199)
Provisions	(11)
Net assets	<hr/> 76 <hr/>
Cash consideration	363
Provisional deferred consideration	6,510
Acquisition costs	136
Total consideration	<hr/> 7,009 <hr/>
Capitalised goodwill	<hr/> 6,933 <hr/>

The results of The Real Greek Food Company Limited for the period from 1 October 2003 to the date of acquisition are shown below:

	3 months ended 17 December 2003 £'000
Turnover	425
Operating (loss)	(62)
Loss before taxation	(64)
Taxation	18
Loss after taxation	<hr/> (46) <hr/>

THE CLAPHAM HOUSE GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 March 2004

23 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash balances, overdrafts and items such as trade debtors and trade creditors which arise directly from its operations. Financial instruments such as investments in and advances to subsidiary undertakings and short-term debtors and creditors have been excluded from the disclosure below. The Group has little exposure to credit and cash flow risk. 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 interest rate and liquidity risk. The policy for managing these risks is summarised below and has been applied through the period.

Cash balances are placed so as to maximise interest earned while maintaining liquidity requirements of the business. The Directors regularly review the placing of cash balances. The weighted average interest rate of the short-term deposits utilised during the period was 3.33% and the average amount of time for which interest rates are fixed on short-term deposits were twenty days. When seeking borrowings the Directors consider the commercial terms available and, in consultation with their advisers, consider whether such terms should be fixed or variable and are appropriate to the business. Any surplus cash balances, during the period, were placed on short-term interest bearing accounts at standard bank interest rates. The cash at bank and in hand as at 31 March 2004 was £13,444,000 and their fair value was the same as the carrying value. The financial liabilities of the Group as at 31 March 2004 were designated in sterling and were all floating rate liabilities. These comprise of bank overdraft based on appropriate LIBOR rates. The total overdrafts were £107,000 and their fair value was the same as the carrying value.

The Group has undrawn committed borrowing facilities available at 31 March 2004 of £43,000 which expires within one year.

24 SUBSEQUENT EVENTS

On 1 April 2004 the Company acquired the entire issued share capital of Nilecroft Ltd, Odsey Ltd, Overpark Ltd and Seahawk Ltd, comprising the business and assets of The Bombay Bicycle Club operation ("The Bombay Bicycle Club") for an initial consideration of £1,845,000 paid in cash on completion with a further maximum of £575,000 payable 12 months from completion subject to any warranty or completion accounts set-offs.

On 11 June 2004, the Company raised £7.0m (before expenses) at 140p per share by way of a placing of 5 million ordinary shares.

25 RELATED PARTY DISCLOSURES

During the period, the Group was invoiced £6,000, excluding VAT, by Deep Powder Limited for the provision of the services of NJ Donaldson as a non-executive Director. NJ Donaldson has a controlling interest in Deep Powder Limited.

THE CLAPHAM HOUSE GROUP PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first Annual General meeting of the Company will be held at 10 am on 7 September 2004 at The Real Greek Souvlaki & Bar, 142 St John Street, London, EC1V 4UA for the following purposes:

Ordinary business

1. to receive and adopt the report of the directors, the financial statements and the report of the auditors for the period ended 31 March 2004.
2. to receive and approve the directors' remuneration report for the period ended 31 March 2004.
3. to elect Mr David Michael Page who was appointed a director of the Company during the period.
4. to elect Mr Paul Campbell who was appointed a director of the Company during the period.
5. to elect Mr Nicholas John Donaldson who was appointed a director of the Company during the period.
6. to re-appoint Baker Tilly as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the directors to determine their remuneration.

By order of the Board

Nicholas Wong ACA
Company Secretary
85 Clerkenwell Road
London EC1R 5AR

9 August 2004

Notes

1. A shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a shareholder of the Company. A form of proxy is enclosed with this Notice.
2. The time by which a person must be entered on the Company's Register of Members in order to attend or vote at the meeting is 48 hours before the time and date of the Annual General Meeting.
3. Details of those directors seeking election are given on page 4 of the Report and Financial Statements. The details of the service contracts for the executive directors are set out in the Report on Directors' Remuneration on pages 10 to 12 of the Report and Financial Statements.

THE CLAPHAM HOUSE GROUP PLC
DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

DM Page

P Campbell ACA

NJ Donaldson

Chairman

Chief Executive

Non-executive Director

COMPANY SECRETARY

NCW Wong ACA

REGISTERED IN ENGLAND

Number 4918500

REGISTERED OFFICE

85 Clerkenwell Road

London EC1R 5AR

AUDITORS

Baker Tilly

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

NOMINATED ADVISER

Noble & Company Limited

76 George Street

Edinburgh EH2 3BU

SOLICITORS

Marriott Harrison

12 Great James Street

London WC1N 3DR

REGISTRARS

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

PRINCIPAL BANKERS

HSBC Bank plc

70 Pall Mall

London SW1Y 5EZ



The Clapham House Group PLC

85 Clerkenwell Road, London EC1R 5AR

T: 020 7071 8400

F: 020 7071 8401

www.claphamhousegroup.com