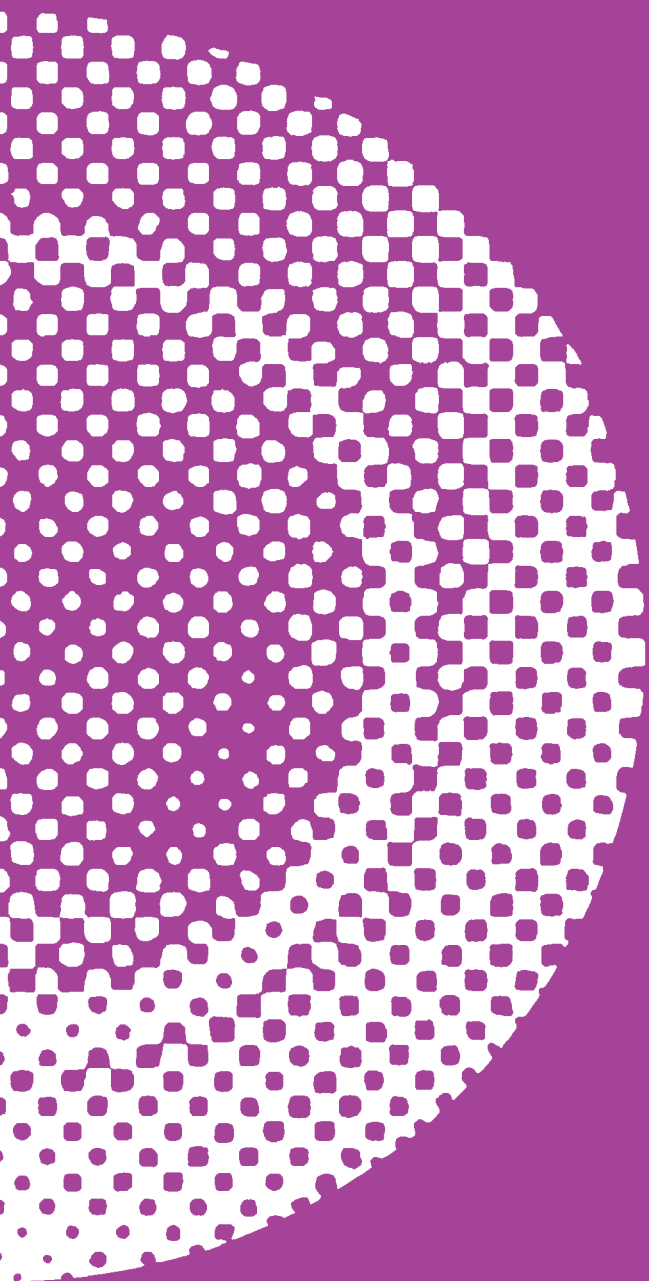


# The Clapham House Group PLC

Report and Financial Statements 2005



# THE CLAPHAM HOUSE GROUP PLC

## REPORT AND FINANCIAL STATEMENTS

31 March 2005

THE CLAPHAM HOUSE GROUP PLC  
DIRECTORS, OFFICERS AND ADVISERS

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**DIRECTORS**

DM Page

PA Campbell ACA

SL Willingham

NJ Donaldson

Chairman

Chief Executive

Development Director

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

## BACKGROUND AND HIGHLIGHTS

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### **Background**

The Clapham House Group PLC (“the Company” or “Clapham House”) 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 number of restaurant formats.

Clapham House’s strategy has been to invest in “best of class”, popular restaurant formats which use high quality fresh ingredients, achieving high customer satisfaction and good professional reviews. The Directors believe such formats will be resilient to competition and “fashion” trends and will develop well at a time of increasing quality awareness amongst UK dining customers.

Clapham House and its subsidiary undertakings (together “the Group”) currently operate 25 units across three formats:

#### *The Real Greek* ([www.therealgreek.com](http://www.therealgreek.com))

The Real Greek offers highly acclaimed traditional Greek cooking using fresh and seasonal ingredients served in an informal setting and accompanied by specially imported Greek wines (Time Out: “the Greek food here is exceptional not just by London standards, but even by Greek ones”). The Real Greek Souvlaki & Bar concept derives its style from Greek “Street Food” where eating mezes and char-grilled souvlakis is part of everyday life. The Real Greek currently operates from five locations, including a landmark restaurant on London’s South Bank, and the most recently opened restaurant in Putney.

#### *The Bombay Bicycle Club* ([www.thebombaybicycleclub.com](http://www.thebombaybicycleclub.com))

The Bombay Bicycle Club operates three restaurants and nine delivery kitchens and has built an outstanding reputation for quality Indian cuisine over a period of 20 years using the freshest ingredients and providing excellent service, regularly receiving good reviews and plaudits from leading food critics (Evening Standard 3 stars rating). The Bombay Bicycle Club will continue to expand across Greater London aiming to become the largest operator in the quality Indian food market.

#### *Gourmet Burger Kitchen* ([www.gbk.co.uk](http://www.gbk.co.uk))

Gourmet Burger Kitchen (“GBK”) offers a range of nutritious, delicious and sophisticated burgers (Time Out: “the most gorgeous burgers in town”) using only quality, fresh ingredients to create each burger including oversized sourdough buns, 100% Aberdeen Angus Scotch Beef patties, English chicken and other fresh produce delivered to the restaurants each day. GBK offers a variety of 23 burgers including Beef, Chicken, Lamb, Venison and Chorizo, as well as three types of Vegetarian burger, Junior Beef and Chicken burgers for children and interesting flavour combinations such as the Pesterella Burger (Beef, Mozzarella and Pesto). GBK currently operates from eight locations.

### **Highlights:**

- Net cash as at 31 March 2005 of £11.7m
- Turnover for the year of £7.5m (up from £0.5m in the six months ended 31 March 2004)
- Loss before taxation and exceptional costs for the year ended 31 March 2005 of £440,000
- Completion of target acquisition programme with the purchase of The Bombay Bicycle Club in April 2004 and Gourmet Burger Kitchen in November 2004
- Secondary placing raising £7m at 140p per share completed in June 2004

# THE CLAPHAM HOUSE GROUP PLC

## CHAIRMAN'S STATEMENT

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It gives me great pleasure to report the results of Clapham House for the year ended 31 March 2005, our first full year of operation. Following the successful acquisition of The Real Greek on 18 December 2003 in the previous period, the year to 31 March 2005 has been one of significant corporate activity for the Company.

### **Corporate activity**

On 1 April 2004 the Company acquired The Bombay Bicycle Club operation for £1.845m in initial consideration. A further payment of £0.25m was paid in final settlement of deferred consideration on 1 April 2005.

In June 2004 Clapham House successfully completed a secondary placing of shares, raising £7m of additional capital at 140p per share. Placing expenses of £0.24m have been charged to the Company's share premium account.

On 12 November 2004 the first tranche of earn out consideration was paid in respect of the Company's first acquisition, The Real Greek. This earn out consideration, which was calculated on The Real Greek's profit before tax to 30 September 2004, was payable as to £0.28m in cash together with the issue of 204,000 new ordinary shares of 10p each in the Company. Final earn out consideration in respect of the acquisition of The Real Greek is payable on the basis of a multiple of its profit before tax in the year ending 31 March 2007.

On 29 November 2004 Clapham House acquired the entire issued share capital of Wisconsin UK Ltd, trading as Gourmet Burger Kitchen ("GBK"), for £2.6m in initial consideration. Further earn out consideration is payable to the GBK management shareholders on the basis of a multiple of GBK's EBITDA in the twelve months ending 31 March 2006. The GBK business has traded very positively since its acquisition, demonstrating excellent returns and we will therefore look to scale this business up considerably.

We acquired three excellent businesses within just over a year after commencing trading. This represented the early achievement of our initial target as described in the prospectus issued at the time of Clapham House's flotation. All three businesses were chosen, amongst a number of reasons, for the high quality food that they serve within their respective cuisines. We are now in a position to focus on the integration and expansion of these brands and we intend to maintain and improve these high standards as we expand the number of restaurants we operate.

### **Results**

Turnover for the year was £7.5m compared with £0.5m in the six months ended 31 March 2004. Turnover comprised the 12 months results from The Real Greek and The Bombay Bicycle Club, together with approximately four months trading from GBK.

The net loss before taxation and exceptional costs for the year ended 31 March 2005 was £440,000. Operating EBITDA (calculated before the central costs of managing each format and plc costs) was positive for the period and interest received on cash balances covered the majority of our holding company costs. As a result, the application of our cash reserves is being focused on the development of our business through the acquisition of new sites.

### **Openings**

Our opening programme is focused on acquiring well positioned properties on appropriate terms. Each of our formats has quite different property requirements in terms of location and size and this will enable us to respond to a wide variety of opportunities over the coming years.

# THE CLAPHAM HOUSE GROUP PLC

## CHAIRMAN'S STATEMENT

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During the year to 31 March 2005, The Real Greek opened a large new Souvlaki & Bar restaurant on London's South Bank which traded excellently during its first summer season. A further Souvlaki & Bar opened in Putney, South West London, on 22 July 2005. Since its acquisition by Clapham House, The Bombay Bicycle Club has opened two new restaurants (in Hampstead and Holland Park) and four new Delivery Kitchens in London. Gourmet Burger Kitchen has opened two new restaurants in Richmond and Belsize Park since its acquisition in November 2004.

This has taken the number of sites Clapham House operates to 25.

### **Funding**

During the year we invested heavily in building up our infrastructure and management teams to support our planned restaurant expansion programme. Despite this, we incurred only a modest net cash outflow from operating activities of £0.3m. We invested £3.3m in capital expenditure on new sites and infrastructure and £4.8m on acquisitions. As at 31 March 2005 Clapham House's net cash balances amounted to £11.7m.

### **People**

Many people have contributed enormously to the growth of Clapham House since its creation some 16 months ago. Our small and talented central team have worked with great enthusiasm and dedication. I thank them all and wholeheartedly welcome those employees who have joined us with our acquired businesses or to operate our formats in new properties.

### **Dividends**

No final dividend is being proposed. 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.

### **Current Trading and Outlook**

Trading in the new financial year has commenced positively. The Board therefore looks forward to the financial results for the current year with confidence.

### **David Page**

Chairman

16 August 2004

## THE CLAPHAM HOUSE GROUP PLC

### BOARD OF DIRECTORS

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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 which operated more than 100 leisure, sports and health and fitness centres 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.

#### **Sarah Willingham**

Development Director

Sarah Willingham has over ten years experience in the restaurant industry in a variety of operational, business development and acquisition roles, including responsibility for launching new restaurants, acquisitions and integration at PizzaExpress plc. She joined the Group in April 2004 as Managing Director of The Bombay Bicycle Club and was appointed Development Director in November 2004.

#### **Nicholas Donaldson**

Non-executive Director

Nick Donaldson, a barrister by profession, was until recently head of corporate finance at Arbutnot 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 heading up group finance in May 2004.

# THE CLAPHAM HOUSE GROUP PLC

## DIRECTORS' REPORT

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The Directors have pleasure in presenting their report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2005.

### PRINCIPAL ACTIVITIES

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

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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, for an initial consideration of £1,845,000 paid in cash on completion with a further £250,000 payable on 1 April 2005.

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.

On 29 November 2004 the Company acquired the entire issued share capital of Wisconsin UK Limited, trading as Gourmet Burger Kitchen, for an initial consideration of £2.6m. Further earn out consideration is payable to the management shareholders of GBK on the basis of a multiple of GBK's EBITDA for the year ending 31 March 2006.

Further information about the progress of the business is given in the Chairman's Statement on pages 4 and 5.

### RESULTS AND DIVIDENDS

The results for the year ended 31 March 2005 are set out in the Group profit and loss account on page 17. This shows a Group loss after taxation amounting to £480,000 (2004: £384,000).

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 year ended 31 March 2005.

### DIRECTORS

The following directors have held office during the year

DM Page

PA Campbell

NJ Donaldson

SL Willingham

(appointed 29 November 2004)

The Directors at the date of this report, together with their biographical details, are set out on page 6.

### DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the Company, including family interests, were as follows:

Director	As at 31 March 2005		As at 31 March 2004	
	Ordinary shares of 10p each	%	Ordinary shares of 10p each	%
DM Page	1,150,010	5.7%	1,150,010	7.6%
PA Campbell	250,010	1.2%	250,010	1.7%
SL Willingham	—	—	—	—
NJ Donaldson	100,000	0.5%	100,000	0.7%

SL Willingham also holds 10,500 ordinary shares of 1 pence each in CHG 2 Limited trading as The Bombay Bicycle Club, a subsidiary of the Company. This holding represents 9.5% of the issued share capital of CHG 2 Limited.

# THE CLAPHAM HOUSE GROUP PLC

## DIRECTORS' REPORT

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Details of the Directors' interests in share options during the year are disclosed in the Directors' Remuneration Report on pages 12 to 14.

### **SUBSTANTIAL SHAREHOLDERS**

Directors' interests in the shares of the Company have been disclosed above. On 10 August 2005, the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the ordinary share capital of the Company:

	As at 10 August 2005	
	Ordinary shares of 10p each	%
Schroder Investment Management Limited	3,662,184	18.08%
The Shell Petroleum Company Limited	1,060,000	5.23%
The Royal Bank of Scotland Group Plc	1,094,566	5.40%

### **EMPLOYMENT POLICY**

The Group's policies respect the individual regardless of gender, race or religion. Where reasonable and practical under the existing legislation, all persons, including disabled persons, have been treated fairly and consistently, including matters relating to employment, training and career development.

The Group takes a positive view of employee communication and has established systems for employee consultation and communication of developments. The Group operates employee share schemes and a number of profit-related pay schemes as a means of further encouraging the involvement of employees in the Group's performance.

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the period the Group made no political or charitable contributions. Charitable events are organised by restaurants and delivery kitchens for organisations in their locality.

### **SUPPLIER PAYMENT POLICY**

The Group's policy is that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. The Group does not follow a standard code for dealing specifically with the payments of creditors. At 31 March 2005, the Group had an average of 31 days (2004: 37 days) purchases outstanding in trade creditors.

### **POST BALANCE SHEET EVENT**

On 1 April 2005 the Company paid a further £250,000 as final deferred consideration on the acquisition of 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.

### **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

16 August 2005

# THE CLAPHAM HOUSE GROUP PLC

## REPORT ON CORPORATE GOVERNANCE

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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 believes 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. Whilst the Combined Code issued in 1998 has been superseded by the recommendations of the Higgs Report with respect to companies with financial years commencing after 1 November 2003, these recommendations are not mandatory for AIM companies. The Board of The Clapham House Group PLC considers that the 1998 Combined Code remains most appropriate to the Company, given its current size.

### **Board Structure**

The Board of Directors set up to control the Company consists of three 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 6.

The full Board meets at least nine times per year to discuss the Company’s and the Group’s performance, strategic decisions and potential acquisitions. Each Board member 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 or herself 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 next Annual General Meeting will be held on 9 September 2005. The notice of the Annual General Meeting may be found on pages 37 and 38.

# THE CLAPHAM HOUSE GROUP PLC

## REPORT ON CORPORATE GOVERNANCE

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### **Internal Control**

The Board is responsible for ensuring that the Company has in place a system of internal control 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 Company operates a sound system of internal financial control, 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 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 and Group 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

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### **Compliance Statement**

Whilst not specifically required for a company whose shares are traded on the Alternative Investment Market throughout the year to 31 March 2005, 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 four Directors. Nevertheless, the Board feels that decisions can be made effectively without these committees in place at the present time. The Board intends to review the establishment of such committees following the appointment of further directors.

By order of the Board

**David Page**  
Chairman

16 August 2005

# THE CLAPHAM HOUSE GROUP PLC

## REPORT ON DIRECTORS' REMUNERATION

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### **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 9 to 11, 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 establishment of a committee will be reviewed following 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 were initially set below market levels and these have been reviewed after each restaurant format acquisition and will continue to be reviewed at appropriate intervals. Similarly, the bonus scheme for the executive Directors was initially based on the acquisition of restaurant formats. The bonus scheme has been reviewed by the Board after three restaurant formats were acquired and has been aligned with shareholders' interests, the principal measure of which is Group profitability. 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 PA Campbell each entered into service agreements 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 were last reviewed in December 2004 with increases from 1 January 2005. 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. This was reviewed in December 2004 with increases from 1 January 2005. SL Willingham's service contract is governed by her service contract with CHG 2 Limited, a subsidiary of the Company, terminable by either party giving 12 months' written notice. Her remuneration varies with the number of sites opened by The Bombay Bicycle Club, up to a maximum of 30 sites.

### **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 Chairman and Chief Executive also participate in the Restricted Share Scheme.

THE CLAPHAM HOUSE GROUP PLC  
REPORT ON DIRECTORS' REMUNERATION

**Directors' Remuneration**

	Year ended 31 March 2005			Six months ended 31 March 2004	
	Salary or fees £'000	Bonus £'000	Benefits £'000	Total £'000	Total £'000
<i>Executive Directors</i>					
DM Page	140	90	4	234	69
PA Campbell	143	90	3	236	69
SL Willingham	53	3	–	56	–
<i>Non-executive Director</i>					
NJ Donaldson	26	–	–	26	6
	<u>362</u>	<u>183</u>	<u>7</u>	<u>552</u>	<u>144</u>

NJ Donaldson received fees for his services as non-executive Director via his company, Deep Powder Limited. SL Willingham received fees of £10,000 for her services on the acquisition of The Bombay Bicycle Club via her company, Sarah Willingham Limited.

**Directors' Share Options**

The interests of the Directors under the Company's share option schemes as at 31 March 2005 were as follows:

	Options outstanding 31 March 2004	Options granted during year	Options outstanding 31 March 2005	Exercise Price £	Exercisable Date	Expiry Date
<i>Approved</i>						
DM Page	100,000	–	100,000	1.000	7/11/2006	7/11/2013
PA Campbell	100,000	–	100,000	1.000	7/11/2006	7/11/2013
SL Willingham	–	70,000	70,000	1.310	2/04/2007	2/04/2014
NJ Donaldson	–	–	–	–	–	–
<i>Unapproved</i>						
DM Page	617,647	–	617,647	1.000	7/11/2006	7/11/2013
	–	294,000	294,000	1.445	8/06/2007	8/06/2014
PA Campbell	617,647	–	617,647	1.000	7/11/2006	7/11/2013
	–	294,000	294,000	1.445	8/06/2007	8/06/2014
SL Willingham	–	–	–	–	–	–
NJ Donaldson	21,645	–	21,645	1.155	23/01/2007	23/01/2014
	–	8,500	8,500	1.445	8/06/2007	8/06/2014

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 £1.20 to £1.70 during the year ended 31 March 2005. The share price as at 31 March 2005 was £1.475.

# THE CLAPHAM HOUSE GROUP PLC

## REPORT ON DIRECTORS' REMUNERATION

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### Directors' Interests in Restricted Shares Plan

The interests of the Directors under the Company's Restricted Shares Plan as at 31 March 2005 were as follows:

	Shares conditionally awarded in November 2003	Outstanding At 31 March 2005	Market price at date of award £	Vesting Date
DM Page	150,000	150,000	1.000	7/11/2006
PA Campbell	150,000	150,000	1.000	7/11/2006
SL Willingham	—	—	—	—
NJ Donaldson	—	—	—	—

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The conditions subject to which allocations of shares vest under this plan are described on page 30.

Details of the Directors' shareholdings are given in the Directors' Report on page 7.

### Approval

This report was approved by the Board of Directors on 16 August 2005 and signed on its behalf by:

**David Page**

Chairman

16 August 2005

## THE CLAPHAM HOUSE GROUP PLC

### DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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.

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

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We have audited the financial statements on pages 17 to 36.

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 2005 and of the group loss for the year then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

### **BAKER TILLY**

Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

16 August 2005

THE CLAPHAM HOUSE GROUP PLC  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2005

	Notes	Year ended 31 March 2005			Six months ended
		Acquired operations £'000	Continuing operations £'000	Total £'000	31 March 2004 £'000
<b>Turnover</b>	1	4,672	2,786	7,458	534
Cost of sales		(3,414)	(2,018)	(5,432)	(381)
Gross profit		1,258	768	2,026	153
Administrative expenses – excluding exceptional costs		(1,369)	(1,765)	(3,134)	(418)
<b>Operating loss before exceptional costs</b>		(111)	(997)	(1,108)	(265)
Exceptional costs	2	(125)	(40)	(165)	(305)
<b>Operating loss</b>	3	(236)	(1,037)	(1,273)	(570)
Investment income	4			682	182
Interest payable	5			(14)	(1)
<b>Loss on ordinary activities before taxation</b>				(605)	(389)
Taxation	7			125	5
<b>Loss for the year</b>				(480)	(384)
<b>Loss per share</b>					
Basic and diluted	9			(2.5p)	(3.3p)

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 2005

		Group			Company Restated
	Notes	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Fixed assets</b>					
Intangible assets	10	17,850	6,938	–	–
Tangible assets	11	5,428	489	62	10
Investments	12	–	–	18,341	7,009
		<u>23,278</u>	<u>7,427</u>	<u>18,403</u>	<u>7,019</u>
<b>Current assets</b>					
Stocks	13	210	83	–	–
Debtors	14	672	203	3,640	398
Cash at bank and in hand		12,369	13,444	12,147	13,440
		<u>13,251</u>	<u>13,730</u>	<u>15,787</u>	<u>13,838</u>
<b>Creditors: amounts falling due within one year</b>	15	(2,901)	(990)	(746)	(677)
<b>Net current assets</b>		<u>10,350</u>	<u>12,740</u>	<u>15,041</u>	<u>13,161</u>
<b>Total assets less current liabilities</b>		<u>33,628</u>	<u>20,167</u>	<u>33,444</u>	<u>20,180</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(12,918)	(6,035)	(12,418)	(6,035)
<b>Provisions for liabilities and charges</b>	17	(16)	(6)	–	–
<b>Net assets</b>		<u>20,694</u>	<u>14,126</u>	<u>21,026</u>	<u>14,145</u>
<b>Capital and reserves</b>					
Called up share capital	18	1,995	1,475	1,995	1,475
Share premium	19	19,563	13,035	19,563	13,035
Profit and loss account	19	(864)	(384)	(532)	(365)
<b>Equity shareholders' funds</b>	20	<u>20,694</u>	<u>14,126</u>	<u>21,026</u>	<u>14,145</u>

These financial statement were approved by the Board of Directors on 16 August 2005.

Signed on behalf of the Board of Directors

**David Page**  
Chairman

THE CLAPHAM HOUSE GROUP PLC  
CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 March 2005

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		Year ended 31 March 2005	Six months ended 31 March 2004
	Notes	£'000	£'000
Net cash flow from operating activities	21A	(268)	(198)
Returns on investments and servicing of finance	21B	668	181
Taxation		(18)	–
Capital expenditure and financial investment	21B	(3,285)	(23)
Acquisitions and disposals	21B	(4,772)	(592)
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(7,675)	(632)
Financing	21B	6,636	13,969
		<hr/>	<hr/>
<b>(Decrease)/increase in cash in the year</b>		<b>(1,039)</b>	<b>13,337</b>
		<hr/>	<hr/>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

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		Year ended 31 March 2005	Six months ended 31 March 2004
	Notes	£'000	£'000
(Decrease)/increase in cash in the year		(1,039)	13,337
Cash outflow from change in debt		129	271
		<hr/>	<hr/>
Change in net funds resulting from cash flows		(910)	13,608
Debt acquired with subsidiary		(701)	(271)
		<hr/>	<hr/>
Movement in net debt in the year		(1,611)	13,337
Net funds at the beginning of the year		13,337	–
		<hr/>	<hr/>
<b>Net funds at end of the year</b>	21C	<b>11,726</b>	<b>13,337</b>
		<hr/>	<hr/>

THE CLAPHAM HOUSE GROUP PLC  
ACCOUNTING POLICIES

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**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 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% to 10% 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, The Bombay Bicycle Club and Gourmet Burger Kitchen Limited during the period in view of the strength of the brand of the three businesses developed over previous 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. Where write down of goodwill relates to a revision of the estimated deferred consideration, the write down will be matched by a corresponding decrease in deferred consideration recognised as a creditor, thus resulting in no charge to the profit and loss account.

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 Bombay Bicycle Club and Gourmet Burger Kitchen 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 2005 would be £625,000 (2004: £101,000) greater, with a corresponding reduction in reserves of £625,000 (2004: £101,000); intangible assets on the balance sheet would also be £625,000 (2004: £101,000) lower.

**TANGIBLE FIXED ASSETS**

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets 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% to 33% straight line
Furniture, fixtures and fittings	10% straight line
Motor vehicles	20% to 25% straight line

Depreciation is charged from the date when the asset is brought into use.

# THE CLAPHAM HOUSE GROUP PLC

## ACCOUNTING POLICIES

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### **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.

### **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 first rent review.

### **RETIREMENT BENEFITS**

The amount charged to the profit and loss account in respect of pension costs is the contributions payable to money purchase schemes in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **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 year ended 31 March 2005

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**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 for the year ended 31 March 2005 represent the costs incurred up to the date of opening a new restaurant that are written off to the profit and loss account in the period in which they are incurred.

The exceptional costs for the six months ended 31 March 2004 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**

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Operating loss is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	267	21
Amortisation of owned intangible fixed assets	1	1
Loss on disposal of tangible fixed assets	11	–
Operating lease rentals:		
Land and buildings	493	42
Exceptional costs (note 2)	165	305
	<hr/>	<hr/>

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

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Audit services		
– statutory audit	41	14
Other services		
– Share option scheme advice	–	9
– Acquisition due diligence	82	30
– Share placing	6	–
– Flotation	–	13
	<hr/>	<hr/>
	129	66
	<hr/>	<hr/>

Amounts relating to acquisition due diligence have been capitalised as part of costs relating to business acquisitions while amounts relating to the flotation and subsequent share placing have been charged to the share premium account.

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**3 OPERATING LOSS** *(continued)*

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Comprising:		
– audit services	41	14
– non-audit services	88	52
	<u>129</u>	<u>66</u>

**4 INVESTMENT INCOME**

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Bank interest receivable	<u>682</u>	<u>182</u>

**5 INTEREST PAYABLE**

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Interest payable on bank loans and overdrafts	<u>(14)</u>	<u>(1)</u>

**6 EMPLOYEES**

	Year ended 31 March 2005 No.	Six months ended 31 March 2004 No.
The average monthly number of persons (including Directors) employed by the Group during the period was:		
Administration and management	20	7
Restaurants and distribution	260	41
	<u>280</u>	<u>48</u>

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Staff costs for above persons:		
Wages and salaries	2,695	402
Social security costs	548	43
Pension contributions	51	–
	<u>3,294</u>	<u>445</u>

THE CLAPHAM HOUSE GROUP PLC  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 for the year ended 31 March 2005

**6 EMPLOYEES** *(continued)*

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
DIRECTORS' REMUNERATION		
Emoluments	552	144

No Directors received any pension benefits.

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Highest paid director:		
Aggregate emoluments	236	69

**7 TAXATION**

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Based on the result for the period:		
UK corporation tax at 30% (2004: 19%)	1	–
Under/(over) provision in earlier years	2	–
Total current tax	3	–
Deferred taxation:		
Origination and reversal of timing differences	(128)	(5)
Taxation (receivable)/payable	(125)	(5)

Factors affecting tax charge for period:

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Loss on ordinary activities before tax	(605)	(389)
Loss on ordinary activities multiplied by standard rate of 30% (2004: 19%)	(181)	(74)
Expenses not deductible for tax purposes	15	1
Depreciation in excess of capital allowances for the period	(31)	(1)
Tax losses available for relief net of group relief	198	74
Adjustment of tax charge in respect of previous periods	2	–
Current tax charge for period	3	–

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**8 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
Dealt with in the financial statements of the parent company	(167)	(365)
Retained by group undertakings	(313)	(19)
	(480)	(384)

**9 LOSS PER SHARE**

Basic loss per ordinary share is based on the loss for the year of £480,000 (2004: £384,000) and on 19,138,612 (2004: 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 in the period.

**10 INTANGIBLE FIXED ASSETS**

GROUP	Trademarks and licenses £'000	Goodwill £'000	Total £'000
Cost			
1 April 2004	6	6,933	6,939
Additions	19	10,894	10,913
	25	17,827	17,852
Amortisation			
1 April 2004	1	–	1
Charged in the period	1	–	1
	2	–	2
Net book value			
31 March 2005	23	17,827	17,850
31 March 2004	5	6,933	6,938

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**11 TANGIBLE FIXED ASSETS**  
GROUP

	Short term leasehold properties £'000	Assets in the course of construction £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicle £'000	Total £'000
<b>Cost</b>						
1 April 2004	279	–	53	178	–	510
Additions	1,480	1,311	294	146	43	3,274
Acquisition of subsidiary	1,559	–	216	170	6	1,951
Disposals	–	–	(2)	(18)	(4)	(24)
31 March 2005	3,318	1,311	561	476	45	5,711
<b>Accumulated depreciation</b>						
1 April 2004	5	–	7	9	–	21
Charge in the year	104	–	77	84	2	267
Disposals	–	–	–	(5)	–	(5)
31 March 2005	109	–	84	88	2	283
<b>Net book value</b>						
31 March 2005	3,209	1,311	477	388	43	5,428
31 March 2004	274	–	46	169	–	489

COMPANY

	Short term leasehold properties £'000	Plant and equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
1 April 2004	–	12	–	12
Additions	15	45	9	69
Disposals	–	(2)	–	(2)
31 March 2005	15	55	9	79
<b>Accumulated depreciation</b>				
1 April 2004	–	2	–	2
Charged in the year	2	12	1	15
Disposals	–	–	–	–
31 March 2005	2	14	1	17
<b>Net book value</b>				
31 March 2005	13	41	8	62
31 March 2004	–	10	–	10

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**12 FIXED ASSETS INVESTMENTS**

	Group £'000	Company £'000
Investment in subsidiary undertakings		
Cost and net book value		
1 April 2004 (restated – see note 27)	–	7,009
Additions	–	11,477
Transfer to subsidiary undertakings	–	(145)
	<hr/>	<hr/>
As at 31 March 2005	–	18,341
	<hr/>	<hr/>

Name of subsidiary	Class of holding	Proportion of shares held	Nature of business
CHG 2 Limited**	Ordinary	90.5%	Operation of restaurants and delivery kitchens
CHG 3 Limited	Ordinary	100%	Dormant
CHG Brands Limited	Ordinary	100%	Brand development
CHG 5 Limited	Ordinary	100%	Dormant
Gourmet Burger Kitchen Limited	Ordinary	100%	Operation of restaurants
Gourmet Burger Limited*	Ordinary	100%	Dormant
Nilecroft Limited*	Ordinary	100%	Dormant
Odsey Limited*	Ordinary	100%	Dormant
Overpark Limited*	Ordinary	100%	Dormant
The Real Greek Food Company Limited	Ordinary	100%	Operation of restaurants
The Real Greek Wine Company Limited*	Ordinary	100%	Dormant
Seahawk Limited*	Ordinary	100%	Dormant
Souvlaki & Bar Limited*	Ordinary	100%	Dormant

\*Held by subsidiary undertakings.

\*\*The Group is party to an option agreement with SL Willingham which gives the Group the right to acquire the remaining 9.5% of the issued share capital of CHG 2 Limited. The Group has therefore consolidated CHG 2 Limited as 100% wholly owned.

All subsidiaries are unlisted and are registered in England and Wales.

**13 STOCK**

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Raw materials and consumables	210	83	–	–
	<hr/>	<hr/>	<hr/>	<hr/>

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**14 DEBTORS**

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Due within one year:				
Trade debtors	50	21	31	1
Other debtors	197	97	15	24
Amounts owed by subsidiary undertakings	–	–	–	373
Prepayments and accrued income	425	85	21	–
	<u>672</u>	<u>203</u>	<u>67</u>	<u>398</u>
Due in over one year:				
Amounts owed by subsidiary undertakings	–	–	3,573	–
	<u>672</u>	<u>203</u>	<u>3,640</u>	<u>398</u>

**15 CREDITORS: Amounts falling due within one year**

	2005 £'000	Group 2004 £'000	2005 £'000	Company Restated 2004 £'000
Bank loans and overdrafts	143	107	–	–
Trade creditors	1,132	207	205	82
Corporation tax	59	–	–	–
Other taxation and social security	377	72	100	9
Other creditors	395	475	250	475
Accruals and deferred income	795	129	191	111
	<u>2,901</u>	<u>990</u>	<u>746</u>	<u>677</u>

**16 CREDITORS: Amounts falling due in more than one year**

	2005 £'000	Group 2004 £'000	2005 £'000	Company Restated 2004 £'000
Bank loans	500	–	–	–
Other creditors	12,418	6,035	12,418	6,035
	<u>12,918</u>	<u>6,035</u>	<u>12,418</u>	<u>6,035</u>

Other creditors falling due within one year of £250,000 (2004: £475,000) and falling due in more than one year of £12,418,000 (2004: £6,035,000) relate to the estimated deferred consideration payable to the respective vendors on the acquisition of The Real Greek Food Company Limited and The Bombay Bicycle Club, based on the adjusted profits before taxation in the respective periods, and Gourmet Burger Kitchen Limited (formerly Wisconsin UK Limited) based on the adjusted earnings before interest, taxation, depreciation and amortisation. These obligations are secured on the issued share capital of the respective acquired businesses.

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**16 CREDITORS: Amounts falling due in more than one year (continued)**

ANALYSIS OF LOANS	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
The bank loans and overdrafts are repayable within:				
One year	143	107	–	–
More than one year but not more than two years	76	–	–	–
More than two years but not more than five years	262	–	–	–
More than five years	162	–	–	–
	<u>643</u>	<u>107</u>	<u>–</u>	<u>–</u>

Bank overdraft of £47,000 (2004: £107,000) is secured by a debenture giving fixed and floating charges over the assets of The Real Greek Food Company Limited. Bank overdraft of £24,000 (2004: £Nil) is unsecured. Bank loan of £572,000 (2004: £Nil) is secured by a mortgage debenture in favour of The Governors and the Company of The Bank of Scotland representing fixed or floating charges over all assets of Gourmet Burger Kitchen Limited.

**17 PROVISION FOR LIABILITIES AND CHARGES**

	2005 £'000	Group 2004 £'000	2005 £'000	Company 2004 £'000
Deferred taxation				
1 April 2005	6	–	–	–
Balance acquired with subsidiary undertaking	138	11	–	–
Transfer from profit and loss account	(128)	(5)	–	–
Net balance at 31 March 2005	<u>16</u>	<u>6</u>	<u>–</u>	<u>–</u>

The net balance disclosed above relates primarily to accelerated capital allowances and trading losses carried forward.

A deferred tax asset of £87,000 (2004: £69,000) relating to the Company and Group has not been recognised in the financial statements in respect of accumulated losses of £532,000 (2004: £365,000).

**18 SHARE CAPITAL**

	2005 £'000	2004 £'000
Authorised:		
50,000 redeemable shares of £1 each	50	50
40,000,000 (2004: 25,000,000) ordinary shares of 10p each	<u>4,000</u>	<u>2,500</u>
	4,050	2,550
Allotted, issued called up and fully paid:		
19,954,020 (2004: 14,750,020) ordinary shares of 10p each	<u>1,995</u>	<u>1,475</u>
Allotted, issued and uncalled		
300,000 ordinary shares of 10p each	<u>–</u>	<u>–</u>
	1,995	1,475

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**18 SHARE CAPITAL** *(continued)*

On 11 June 2004, the Company increased its authorised share capital from 25,000,000 ordinary shares of 10 pence each to 40,000,000 ordinary shares of 10 pence each by the creation of 15,000,000 new ordinary shares of 10 pence each. On the same day the Company issued 708,000 ordinary shares of 10 pence each at £1.40 each.

On 12 June 2004, the Company issued 4,292,000 ordinary shares of 10 pence each at £1.40 each.

On 17 November 2004, the Company issued 204,000 ordinary shares of 10 pence each at £1.385 each as part consideration for the first tranche of earn out payable on the acquisition of The Real Greek Food Company Limited.

*Share options*

The Company has two share option schemes. Outstanding share options to acquire ordinary shares of 10 pence each as at 31 March 2005 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
	70,000	Apr 2004	1.310	2 Apr 2007 to 2014
	92,700	Jun 2004	1.445	8 Jun 2007 to 2014
	2,000	Jun 2004	1.445	21 Jun 2007 to 2014
	10,000	Sep 2004	1.365	24 Sep 2007 to 2014
	10,000	Dec 2004	1.395	3 Dec 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
	10,000	Apr 2004	1.310	2 Apr 2007 to 2014
	600,800	Jun 2004	1.445	8 Jun 2007 to 2014
	20,000	Sep 2004	1.365	24 Sep 2007 to 2014

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

*Restricted Shares Plan*

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 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 £1.20 to £1.70 during the year ended 31 March 2005. The share price as at 31 March 2005 was £1.475.

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

**19 RESERVES**

	Share premium £'000	Profit and loss £'000
<b>GROUP</b>		
1 April 2004	13,035	(384)
Premium on shares issued	6,763	–
Cost of share issue	(235)	–
Loss for the period	–	(480)
	<hr/>	<hr/>
31 March 2005	19,563	(864)
	<hr/>	<hr/>
<b>COMPANY</b>		
1 April 2004	13,035	(365)
Premium on shares issued	6,763	–
Cost of share issue	(235)	–
Loss for the period	–	(167)
	<hr/>	<hr/>
31 March 2005	19,563	(532)
	<hr/>	<hr/>

**20 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2005 £'000	2004 £'000
<b>GROUP</b>		
Ordinary shares issued (net of expenses)	7,048	14,510
Redeemable shares issued	–	50
Shares redeemed	–	(50)
Loss for the financial period	(480)	(384)
	<hr/>	<hr/>
Net addition to shareholders' funds	6,568	14,126
Opening shareholders' funds	14,126	–
	<hr/>	<hr/>
Closing shareholders' funds	20,694	14,126
	<hr/>	<hr/>
<b>COMPANY</b>		
Ordinary shares issued (net of expenses)	7,048	14,510
Redeemable shares issued	–	50
Shares redeemed	–	(50)
Loss for the financial period	(167)	(365)
	<hr/>	<hr/>
Net addition to shareholders' funds	6,881	14,145
Opening shareholders' funds	14,145	–
	<hr/>	<hr/>
Closing shareholders' funds	21,026	14,145
	<hr/>	<hr/>

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**21 CASH FLOWS**

	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
<b>A Reconciliation of operating profit to net cash outflow from operating activities</b>		
Operating loss	(1,273)	(570)
Restricted shares issued	–	270
Depreciation and amortisation	268	21
Loss on disposal of tangible fixed assets	11	–
Increase in stocks	(81)	(12)
Increase in debtors	(265)	(116)
Increase in creditors	1,072	209
	<hr/>	<hr/>
Net cash outflow from operating activities	(268)	(198)
	<hr/>	<hr/>
	Year ended 31 March 2005 £'000	Six months ended 31 March 2004 £'000
<b>B Analysis of cash flows for headings netted in the cash flow</b>		
<b>Returns on investments and servicing of finance</b>		
Interest received	682	182
Interest paid	(14)	(1)
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	668	181
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(3,274)	(23)
Purchase of intangible fixed assets	(19)	–
Sale of tangible fixed assets	8	–
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	(3,285)	(23)
	<hr/>	<hr/>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertakings (including costs)	(5,036)	(499)
Net cash/(overdraft) acquired with subsidiary	264	(93)
	<hr/>	<hr/>
<b>Net cash outflow from acquisition</b>	(4,772)	(592)
	<hr/>	<hr/>
<b>Financing</b>		
Capital repayments on bank loans	(129)	(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	7,000	14,750
Issue costs	(235)	(510)
	<hr/>	<hr/>
<b>Net cash inflow from financing</b>	6,636	13,969
	<hr/>	<hr/>

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**21 CASH FLOWS** (continued)

	At 1 April 2004 £'000	Cash flow £'000	Acquisition £'000	Other movements £'000	At 31 March 2004 £'000
<b>C Analysis of net funds</b>					
Cash in hand, at bank	13,444	(1,386)	311	–	12,369
Overdrafts	(107)	83	(47)	–	(71)
	<u>13,337</u>	<u>(1,303)</u>	<u>264</u>	<u>–</u>	<u>12,298</u>
Debt due within 1 year	–	129	(177)	(24)	(72)
Debt due after 1 year	–	–	(524)	24	(500)
	<u>–</u>	<u>129</u>	<u>(177)</u>	<u>(24)</u>	<u>(72)</u>
Total net funds	<u>13,337</u>	<u>(1,174)</u>	<u>(437)</u>	<u>–</u>	<u>11,726</u>

**22 COMMITMENTS UNDER OPERATING LEASES**

GROUP

The Group had annual commitments under non-cancellable operating leases as follows:

	2005 £'000	2004 £'000
Land and buildings		
Expiring within one year	1	–
Expiring between one and two years	66	–
Expiring between two and five years	18	9
Expiring after five years	1,040	137
	<u>1,125</u>	<u>146</u>
Others		
Expiring within one year	8	–
Expiring between one and two years	14	–
Expiring between two and five years	35	–
Expiring after five years	–	–
	<u>57</u>	<u>–</u>

Included above are certain annual lease commitments relating to subsidiary companies that have been guaranteed by the parent company.

COMPANY

The Company had annual commitments under non-cancellable operating leases as follows:

	2005 £'000	2004 £'000
Land and buildings		
Expiring within one year	1	–
Expiring between one and two years	66	9
	<u>67</u>	<u>9</u>

THE CLAPHAM HOUSE GROUP PLC  
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**23 CAPITAL COMMITMENTS**

	2005 £'000	2004 £'000
Capital expenditure contracted for but not provided in the financial statements	927	–

**24 ACQUISITIONS**

The principal acquisition of subsidiary undertakings were:

1. 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 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. The deferred consideration was settled at £250,000. As described in note 12, the Group is party to an option agreement to acquire the remaining 9.5% of the issued share capital of CHG 2 Limited with consideration payable calculated as a multiple of profit before taxation for the year ending 31 March 2007 or 31 March 2008.
2. On 17 November 2004, the first tranche of the earn out consideration was paid to the vendors of The Real Greek Food Company Limited amounting to £563,000 of which £280,000 was paid in cash and £283,000 was paid by issue of 204,000 ordinary shares of 10p each of the Company. Further deferred consideration will be payable in 2007 based on a multiple of the profit before taxation for the year ending 31 March 2007 and will be satisfied by the issue of loan stock or, at the Company's option, up to 50% by the issue of new ordinary shares in the Company.
3. On 29 November 2004 the Company acquired the entire issued share capital of Wisconsin UK Limited trading as Gourmet Burger Kitchen for initial consideration of £2.6 million. Further earn out consideration is payable to the management shareholders of GBK on the basis of a multiple of GBK's EBITDA for the year ending 31 March 2006.

	Book value and fair value of net assets acquired		
	Gourmet Burger Kitchen Limited £'000	The Bombay Bicycle Club £'000	The Real Greek Food Company Limited £'000
Fixed assets	1,793	158	493
Stock	16	31	70
Debtors	135	69	87
Net debt	(283)	(154)	(364)
Creditors – amounts due within one year	(846)	(200)	(199)
Provisions	(137)	–	(11)
Net assets/(liabilities)	678	(96)	76
Cash consideration	2,590	1,845	643
Consideration in shares	–	–	283
Provisional deferred consideration	5,887	834	5,947
Acquisition costs	191	130	136
Total consideration	8,668	2,809	7,009
Capitalised goodwill	7,990	2,905	6,933

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**24 ACQUISITIONS** *(continued)*

The results of Gourmet Burger Kitchen Limited for the period from 1 May 2004 to the date of acquisition are shown below:

	7 months ended 28 November 2004 £'000
Turnover	3,549
Operating profit	312
Profit before taxation	288
Taxation	(118)
Profit after taxation	170

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The results of the four companies that make up The Bombay Bicycle Club for the period to the date of acquisition are not shown as the date of acquisition was the first day of a new financial year for the four companies.

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	(46)

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**25 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 the 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 4.77% (2004: 3.33%) and the average amount of time for which interest rates are fixed on short-term deposits were 1 day (2004: 20 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 2005 was £12,369,000 (2004: £13,444,000) and their fair value was the same as the carrying value.

THE CLAPHAM HOUSE GROUP PLC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the year ended 31 March 2005

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**25 FINANCIAL INSTRUMENTS** *(continued)*

The financial liabilities of the Group as at 31 March 2005 were designated in sterling and were all floating rate liabilities with the exception of a term loan acquired with Gourmet Burger Kitchen Limited. The total overdrafts at the year end were £71,000 (2004: £107,000) and their fair value were the same as the carrying value. Interest rates on the bank overdrafts were based on appropriate LIBOR rates. The term loan outstanding at the year end was £572,000 (2004: £Nil) and is repayable by monthly instalments until 2011. Interest on the term loan is fixed at 7.11% per annum.

The Group had un-drawn committed borrowing facilities available at 31 March 2005 of £108,000 (2004: £43,000) which expires within one year.

**26 SUBSEQUENT EVENTS**

On 1 April 2005 the Company paid a further £250,000 as final deferred consideration on the acquisition of 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. This amount was provided for as part of acquisition costs as at 31 March 2005.

**27 PRIOR YEAR ADJUSTMENT**

The prior year adjustment is the result of the fact that contingent consideration was not recognised on the acquisition of The Real Greek Food Company Limited in the parent Company's balance sheet. The Directors consider that the recognition of the contingent consideration within the parent Company's financial statements provides a fairer presentation of the financial position of the Company because it is in accordance with FRS 7 "Fair Values in Acquisition Accounting" which requires the cost of acquisition to include a reasonable estimate of the fair value of the amounts of contingent consideration expected to be payable in the future. The comparative figures in the primary statements and notes of the parent company have been restated to reflect this. The contingent consideration was properly included within the Group's balance sheet.

The effects of the restatement are summarised below:

	2005 £'000	2004 £'000
Balance Sheet – Company		
Investments	–	6,510
Creditors – Amounts falling due within one year	–	(475)
Creditors – Amounts falling due after more than one year	–	(6,035)
	<hr/>	<hr/>
Increase/(decrease) in net assets	–	–
	<hr/>	<hr/>

**28 RELATED PARTY DISCLOSURES**

During the year, the Group was invoiced £26,000 (2004: £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. As at 31 March 2005, the balance remaining in trade creditors owing to Deep Powder Limited was £11,000 (2004: £Nil).

During the year, the Group was invoiced £10,000 (2004: £Nil), excluding VAT, by Sarah Willingham Limited for the provision of consultancy services by SL Willingham. SL Willingham has a controlling interest in Sarah Willingham Limited. No balances were outstanding as at 31 March 2005.

## THE CLAPHAM HOUSE GROUP PLC

### NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the Annual General Meeting of the Company will be held at 10am on Friday 9 September 2005 at The Real Greek Souvlaki & Bar, 142 St John Street, London, EC1V 4UA for the following purposes:

#### **Ordinary business**

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. to receive and adopt the Report of the Directors, the financial statements and the report of the auditors for the year ended 31 March 2005.
2. to receive and approve the Directors' remuneration report for the year ended 31 March 2005.
3. to re-appoint Mr David Michael Page, who retires by rotation under the Company's articles of association as a director of the Company.
4. to re-appoint Miss Sarah Louise Willingham who was appointed a director of the Company during the period.
5. 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.

#### **Special business**

To consider and, if thought fit, pass the following resolutions of which resolution 6 will be proposed as an ordinary resolution and resolution 7 will be proposed as a special resolution:

6. that in substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised to allot relevant securities pursuant to section 80 of the Companies Act 1985 ("the Act") up to a maximum aggregate nominal amount of £1,000,000 for the period expiring at the conclusion of the annual general meeting of the Company to be held in 2006 but the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired.
7. that subject to the passing of resolution number 6 in the Company's notice of annual general meeting dated 16 August 2005, the Directors be and they are hereby empowered pursuant to section 95 of the Act for a period expiring at the conclusion of the annual general meeting of the Company to be held in 2006 to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution number 6 referred to above as if section 89(1) of the Act did not apply to any such allotment provided that the power is limited to:
  - a. the allotment of equity securities by way of rights issue or otherwise generally available to all shareholders of the Company in proportion (as nearly as practicable) of their holdings of ordinary shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - b. the allotment of equity securities for cash or as whole or part of the consideration for the acquisition of the entire issued share capital of any company or in relation to the acquisition of a business, up to the amount of the authorised but unissued share capital; and
  - c. the allotment of ordinary shares in connection with The Clapham House Group PLC EMI Option Scheme, The Clapham House Group PLC Unapproved Option Scheme or The Clapham House Group PLC Restricted Share Scheme;

## THE CLAPHAM HOUSE GROUP PLC

### NOTICE OF ANNUAL GENERAL MEETING

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but the company may before the expiry of the authority conferred on them by this resolution make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired.

By order of the Board

**Nicholas Wong ACA**

Company Secretary  
85 Clerkenwell Road  
London EC1R 5AR

16 August 2005

#### *Notes*

1. A shareholder entitled to attend and vote at the annual general meeting 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.
2. A form of proxy is enclosed. To be effective, it must be deposited at the office of the company's registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 48 hours before the time and date appointed for holding the annual general meeting. Completion of the proxy does not preclude a member from attending and voting at the meeting in person if he or she so wishes.
3. The time by which a person must be entered on the Company's Register of members in order to attend and vote at the meeting is 5 p.m. on Wednesday 7 September 2005 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time and date fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
4. Details of those Directors seeking re-election are given on page 6 of the Report and Financial Statements. The details of the service contracts for the Executive Directors are set out in the Remuneration Report on pages 12 to 14 of the Report and Financial Statements.

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