

Myhome International plc  
Annual Report and Accounts  
for the year ended 30 September 2007

Company No 4068016

taking care of your chores

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Myhome International offers a complete residential homecare service, tailor made to meet your own particular needs. We'll take care of as much or as little as you want, leaving you time to enjoy your home – instead of having to think about cleaning it.

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## **Our Performance in 2007**

### **Highlights**

- 90% increase in turnover to £5,072,632 (2006 £2,664,712)
- 99% increase in profit before tax to £1,458,273 (2006 £733,787)
- 76% increase in earnings per share to 3 11p (2006 1 77p)
- Net cash of £2 9 million at year end (2006 £0 8 million)
- Like-for-like royalty income up 47% in the second half of the year
- Total franchise territories at year end were 349 (2006 290)
- Successful admission to AIM and two placings to raise over £7 5 million
- Move to new corporate HQ – facilitating integration of Myhome's operations
- Acquisition of Clean Team, Stainbusters, Ferrum, PlumbXpress and ElecXpress franchise services

### **Post-Year End Highlights**

- Completion of the acquisition of the ChipsAway Group – one of the UK's leading automotive service franchisors
- The combined Group now one of the UK's largest franchisors, totalling over 750 franchisees, operating in 14 countries
- £8 million new equity raised and £8 million loan facility entered into with Lloyd's TSB Bank plc
- Rebranding of core home services commenced
- Management team and core infrastructure in place to achieve significant organic growth and develop additional revenue streams from the existing service portfolio
- Appointment of Neal Gossage as Finance Director, an experienced director of listed and privately owned companies

## Highlights Our Performance in 2007

Turnover

**£5.07m**

increased by 90%  
(2006 £2.66m)

Operating Profit

**£1.46m**

increased by 96%  
(2006 £0.74m)

Basic Earnings Per Share

**3.11p**

increased by 76%  
(2006 1.77p)

## Chairman's Statement

### Russell O'Connell

"We are delighted to announce our maiden full year results on AIM, in what has certainly been another extremely busy year for the Group. We have completed our acquisition programme, as well as moving to AIM and relocating to a new corporate HQ in Esher. At the same time, we have reported a doubling in pre-tax profit and a significant improvement in earnings per share. The focus moving forward will be on increasing the quality of earnings and building our like-for-like returns as Myhome rebrands and exploits its cross-selling opportunities.

I would again like to thank our shareholders, franchise partners, customers and staff for their continued support during a very active and productive year." **Russell O'Connell, Chairman and CEO**

The Board is pleased to announce that the Group achieved a 90% increase in turnover to £5.1 million (2006: £2.7 million) and that profit on ordinary activities before tax for the year to 30 September 2007 increased by 99% to £1,458,273 (2006: £733,787). Basic earnings per share increased by 76% to 3.11p (2006: 1.77p). Whilst the Board is not recommending a dividend at this stage, it is considering, subject to satisfactory progress, the payment of a maiden dividend if the results for the year to 30 September 2008 meet expectations.

#### Acquisitions

During the year, Myhome successfully completed the acquisition of a number of franchised services including window cleaning, carpet cleaning, plumbing, electrical and ironing. These acquisitions were funded through a mixture of equity and cash. Much of the final consideration is based on the future performance of the businesses.

The acquisition of the ChipsAway Group took place in November 2007, and is therefore not reflected in the results for the year. The ChipsAway Group has over 400 franchisees and is a leading operator in the UK automotive services industry, the fastest growing franchising sector in the United Kingdom. ChipsAway provides a mobile service to customers' homes and offices, repairing scratches, chips and other minor damage to car paintwork using proprietary technology. The ChipsAway Group also includes Professional Car Cleaning ('PCC'), a mobile valeting service. Based in Kidderminster, the ChipsAway Group is operated by an experienced management team, which has remained in place following the acquisition.

#### Investment and Financing

In the year ended 30 September 2007, the Company raised £7.57 million through the issue of new shares in two financing rounds to support the acquisition and growth strategy.

Shortly after the financial year end, the Company also secured an £8.0 million loan facility with Lloyds TSB Bank plc and a further £8.0 million of equity finance through the issue of new shares to complete the acquisition of the ChipsAway Group. This transaction has helped the enlarged Myhome Group to become one of the largest franchisers in the UK.

For this, the largest acquisition to date, the Company used debt finance for the first time to fund part of the consideration in order to maximise returns for Shareholders.

As at 30 September 2007 the Group had net cash of £2.9 million.

#### Strategy and Business Development

Myhome continues to develop its international multi-service franchise network for premium residential and automotive services. During 2007, the Company focused on the second phase of its strategic plan, by pursuing acquisition-led growth in order to expand its multi-service Group of franchise companies providing home services to its "cash rich, time poor" customers.

The portfolio of services offered by the Group has been expanded by the acquisition of the Clean Team, Stainbusters, Ferrum, PlumbXpress and ElecXpress franchise brands during the year. It was further augmented by the acquisition of the ChipsAway Group in November 2007. This purchase completed the acquisition phase of our strategy for growth.

The original franchise portfolio of Myhome Clean, Nicenstripy, Ovensclean, Surface Doctor and Autosheen have continued to deliver organic growth by recruiting franchisees both nationally and internationally. As underlying franchisees have continued to grow their businesses, network turnover has increased, resulting in growth in royalty income of over 47% in the second half of the year.

The Company has now entered the third phase of its strategic plan – the integration of its businesses and the acceleration of organic growth. Myhome's businesses have been consolidated into two operating divisions: home services, based in Esher, and automotive services, based in Kidderminster. The Company has already transferred its existing car valeting business, Autosheen, to Kidderminster to create a specialist automotive division alongside ChipsAway and PCC. The automotive and home services divisions will be led by Lloyd Evans and David Moody respectively who will report directly to the plc Board.

Across the Group we are positioning our businesses for organic growth by consolidating many of our businesses under the core Myhome brand and by committing resources to a cross-selling programme to our "cash rich, time poor" customers

We are in the process of rebranding home services under the Myhome trademark to provide a single distinctive identity. This offers several important benefits, including improved brand value through greater customer awareness, easier cross-selling and greater economies of scale

We will shortly be launching a lifestyle magazine, *Myhome*, which will promote the individual services on offer within the Group to prospective customers thus further facilitating cross-selling of services amongst existing clientele. This will stimulate customer demand for these services and raise the profile of the Myhome brand. The magazine will have an initial circulation of 25,000 and will be distributed twice a year via our franchise network to private householders and other public places such as doctor/dentist surgeries, estate/letting agents and gyms

The content of the *Myhome* magazine will be mirrored online at a new website, [www.myhome.com](http://www.myhome.com). We plan to develop this site into a major portal providing visitors with access to the full range of Myhome services, as well as other related products such as financial services and insurance

Another area where we expect to grow in the future is overseas. The Company currently licenses Master Franchisees in 14 countries, including Australia, Greece, Ireland and Russia. Further licences will be awarded to similar Master Franchisees deemed to have the experience and resources to develop successful Myhome businesses in other countries

#### **Board Structure**

The Board is delighted to welcome Neal Gossage as Finance Director, with effect from 4 February 2008. Neal's experience of growth companies and his track record as finance director of public companies significantly strengthens the Board and the Group's finance function

In keeping with best practice corporate governance, the roles of Chairman and CEO will be separated. Consequently, the Board is seeking to appoint a Non-Executive Chairman during 2008

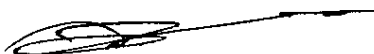
#### **Current Trading and Outlook**

After a slower than anticipated start to the new financial year, due in part to the completion of the ChipsAway acquisition, the Board expects the financial performance of the Company to be lower than initially expected in 2008

Following the completion of the acquisition and integration of the Company's separate business, the Board now expects franchise recruitment activity to increase significantly from the second quarter onwards, as the benefits of the rebranding and the two franchise exhibitions in January and March 2008 filter through

The Board is pleased to note that evidence from our franchise network shows that the consumer spending slowdown currently affecting the UK retail sector has not had an impact on the demand for Myhome services. Indeed, customer recruitment and retention, and therefore underlying royalties and product sales, have continued to grow steadily throughout the first quarter of the current financial year

The Board is now well advanced in the integration of the acquisitions and looks forward to delivering further improvements in performance in 2008



**Russell O'Connell**  
Chairman  
22 February 2008

## Directors and Advisers

Directors  
R O'Connell  
SL McNeill Ritchie (Resigned 22 February 2008)  
GR Boot  
A Virani  
JM Jenkins (Appointed 29 December 2006, Resigned 22 February 2008)  
MG Ward (Appointed 29 December 2006, Resigned 21 December 2007)  
NT Gossage (Appointed 4 February 2008)

Secretary  
DA Venus  
  
David Venus & Company Limited  
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Surrey  
KT10 9AD

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Churston House  
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Auditors  
Mazars LLP  
Tower Bridge House  
St Katharine's Way  
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E1W 1DD

Corporate Advisers  
Noble & Company Limited  
120 Old Broad Street  
London  
EC2N 1AR

Registered Number 4068016 (in England and Wales)

# Corporate Governance

The Board is committed to maintaining high standards of corporate governance. This statement describes how the principles set out in Section 1 of the Combined Code, as annexed to the Financial Services Authority's Listing Rules, are applied in practice by the Group. The areas of non-compliance are listed below.

## **The Board of Directors**

The activities of the Group are ultimately controlled by the Board of Directors, which at the year end consisted of an Executive Chairman, two Executive Directors, a Finance Director and two independent Non-Executive Directors, who bring a wide range of skills and experience to the Board.

All Directors are equally accountable under law for the proper stewardship of the Group's affairs. One of the Non-Executive Directors has a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined.

The Board, which has an agreed Schedule of Matters reserved for its consideration and approval, meets regularly throughout the year to consider key areas of the Group's affairs. These include strategy, major acquisitions or disposals, operating budgets and material contracts.

The Group has a procedure to enable Directors to take independent professional advice at the expense of the Group in the furtherance of their duties. All Directors have unrestricted access to the Company Secretary.

## **Audit Committee**

The Audit Committee, which held two meetings in the year, currently comprises the Non-Executive Directors and assists the Board in its duties regarding the Group's financial statements and the maintenance of adequate internal financial controls. The Audit Committee's prime tasks are to receive reports from the Group's Auditors, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and compliance and areas of management judgements and estimates.

## **Remuneration Committee**

The Remuneration Committee comprises the Non-Executive Directors who take advice as required at all stages of their deliberations from the Group's professional advisers. The Committee sets remuneration for the Executive Directors. The remuneration of Non-Executive Directors takes the form of fees, set by the Executive Directors in line with those of peer group companies.

## **Shareholder Relations**

The Board has a policy of providing any reasonably requested historical information and explanations to shareholders on request. The Group's interim and annual reports are sent to all shareholders. All shareholders are encouraged to participate in the Annual General Meeting. The Annual General Meeting is attended by all Directors.

## **Internal Control and Financial Reporting**

The Board is responsible for ensuring that there is a system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has implemented the 'Guidance on Internal Control' (the 'Turnbull Guidance') and confirms that the necessary procedures and management structures have been in place for the year under review and up to the date of approval of the Annual Report and Financial Statements. These procedures provide for a continuous process of identifying, evaluating and managing the risks the Group faces. The Board has incorporated in its meeting calendar and agenda, procedures to enable risk management and internal control to be assessed and considered on a regular basis during the year.

The Board has, in compliance with the Combined Code, formally reviewed the effectiveness of the Group's system of internal control. The Board's monitoring procedures cover all controls including financial, operational and compliance controls and risk management. These monitoring procedures are based principally on complementary strategic and business unit risk appraisals. The Audit Committee has been delegated responsibility by the Board for discharging its internal control review responsibilities.

The management of each business unit is responsible for internal control and risk management within its own business and for ensuring compliance with the Group's risk management and internal control programme. Reports from management are also reviewed to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring.

There is a Group-wide system of budget planning with frequent reporting of results to each level of management as appropriate, including monthly reporting to the Board. Budgetary planning reviews include the identification and assessment of business and financial risks inherent in each business with the key issues evaluated by the Board.

The Board has formal procedures in place for the approval of investment and acquisition projects, with designated levels of authority, supported by post-investment review processes for all major acquisitions and major capital expenditure.

Treasury policies and financial risks are reviewed on a regular basis by the Board. The purpose of treasury policies is to ensure that adequate cost-effective funding is available to the Group at all times and that exposure to treasury risks is minimised.

The Directors believe that the systems of internal control are appropriate to the business for the year ended 30 September 2007.

### **Compliance with the Code**

The current composition of the Board of Directors is considered to be appropriate for the scale of Group operations. As a result the Group did not comply with all of the provisions set out in Section 1 of the Combined Code throughout the year. The appointment of Directors is a matter for the Board as a whole and therefore a Nominations Committee is considered unnecessary given the present number of Board members.

There is no internal audit function for the Group as the Board does not believe that this is appropriate given the size of the business. The Board will continue to review this situation as trading develops, however, the current Board composition is deemed appropriate at present.

### **Going Concern**

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future, a period of not less than twelve months from the date of this report. For this reason, they continue to adopt the going concern basis.



## Directors' Report

The Directors present their report and the financial statements of the Company and the Group for the year ended 30 September 2007

### Principal Activity

The principal activity of the Group in the year under review was that of franchisor for residential cleaning and maintenance services operated under various Group brand names throughout the United Kingdom and worldwide

### Review of the Business

The results for the year and financial position of the Company and the Group are as shown in the annexed financial statements

The financial year saw the Company take further significant steps towards its goal to become a multi-service franchise Group providing a 'one-stop shop' for Home Services to 'cash rich, time poor' customers. In the second phase of our strategy for growth, we continued to complement the organic growth of the business with a final series of acquisitions, adding four businesses and a further 400 individual franchisees to the Group

The latest – and by far the largest – acquisition is ChipsAway/PCC, a leading franchise operator in automotive services, one of the fastest growing sectors in the UK franchise industry, which was acquired on 7 November 2007. Specifically, ChipsAway repairs minor damage to vehicle paintwork and PCC provides door-to-door valeting services to the private car owner. The acquisition of ChipsAway/PCC effectively doubles the size of the business and makes Myhome one of the largest franchise companies in Europe

In the first quarter of the year, the Company fulfilled an earlier commitment to investors and moved up to the Alternative Investment Market (AIM). This has already demonstrably helped the Company to raise its profile within the City, giving it much greater access to equity capital to enable it to make acquisitions. Shareholders have similarly benefited from greater liquidity in the Company's shares

In April 2007 the Company moved to new, bespoke premises in Esher, Surrey. The relocation enabled the Company to expand certain key functions essential for the future

growth of the business, in particular sales and marketing, which accounts for all but three of the increased headcount

### Operational Performance

In the year to 30 September 2007 the Group achieved a 90% increase in turnover and a 99% increase in profit on ordinary activities before tax to £1,458,273 (2006 £733,787), resulting in a 76% increase in basic Earnings per share of 3.11p (2006 1.77p)

### Outlook

Myhome's franchising business continues to show strong growth across the individual brands. Recent acquisitions have further extended the range of services its franchisees are able to offer its target consumer demographic, the 'cash rich, time poor' householder, to the extent that it has increasingly become a 'one-stop shop' for home services. Slower than predicted growth in consumer spending currently affecting other parts of the UK retail sector has not had an impact on demand for Myhome's services and is not expected to do so

### Consolidation for Future Growth

After a sustained period of acquisition we are now positioning the Group for future growth through the consolidation of the expanded business. While continuing to grow our franchise network, we plan to devote more of our resources to cross-selling our services to our 'cash rich, time poor' consumer market

The first step has been to simplify the Company's expanded range of services by rebranding the core home service businesses under the Myhome trademark to provide a fresh, distinctive common identity. This offers several important benefits, including

- improved brand value through greater customer awareness,
- easier cross-selling,
- economies of scale in production/procurement of marketing materials

In addition, we shall shortly be launching a lifestyle magazine both to promote the individual services to prospective customers and to facilitate cross-selling of services. This will further stimulate customer demand for the

services provided through our franchise partners and raise the profile of the Myhome brand. The magazine, *Myhome*, will have an initial circulation of 25 000 and be issued twice a year. It will be distributed to private householders through our franchise network.

The content of the *Myhome* magazine will increasingly be mirrored online at a new website. Having recently acquired the rights to the myhome.com domain name, we plan to develop this site into a major portal providing the visitor with access to the full range of Myhome services, as well as information about other home and car-related services such as financial services and insurance.

Another area where we expect to find growth in the future is overseas. The Company currently licenses Master Franchisees in 14 other countries, including Australia, Greece, Ireland and Russia. Further licences will be awarded to similar Master Franchisees deemed to have the experience and resources to develop successful Myhome businesses in other countries, too.

The operational consolidation of the Company is being mirrored within its internal organizational structure. Following the acquisition of ChipsAway and PCC shortly after the end of the financial year in November 2007, the Company has transferred its existing car valeting business, Autosheen, to the former's operating base at Kidderminster to create a specialist Automotive Division. At the same time, the Company has consolidated its other services into a Home Services Division based at its headquarters in Esher. These steps have simplified the operational management of the individual businesses by enabling the timely transfer of resources from one to another and yielded significant cost-savings by eliminating overheads and improving business process efficiencies.

### **Risks and Uncertainties**

The Group's activities expose it to a variety of financial risks. The main risks managed by the Group under policies approved by the Board are interest rate risk, currency risk, liquidity risk and credit risk.

#### **Interest Rate Risk**

The Group's interest rate risk arises from interest bearing liabilities and interest bearing assets.

The Group has no specific requirements on the exact proportion of interest that should be fixed or floating. The position is reviewed periodically by the Board.

#### **Currency Risk**

Foreign currency risk arises from cash flows relating to commercial transactions with foreign operations. The Group receives income from overseas operations in foreign currency but the amount received is not material to the Group. The Group does not normally hedge such transactions but the policy is reviewed periodically by the Board.

#### **Liquidity Risk**

The Group has no net debt at 30 September 2007. However, bank facilities are available should short-term borrowing be required.

#### **Credit Risk**

The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any customer or franchisee depending upon their credit rating. The amounts presented in the balance sheet are net of an allowance for doubtful debts, estimated by management based on prior experience and their assessment of the current economic environment.

#### **Regulatory/legislative risks**

The introduction of new employment, environmental or other legislation could affect the operations of one or more franchise services. This might have a negative impact on the future operation of any franchise systems affected.

#### **External recognition**

The Myhome Group of franchise companies continues to be accredited by the British Franchise Association. Certain individual services have ISO 9001 and Investors in People status and industry-specific accreditations such as Safe Contractor, British Institute of Cleaning Sciences and The Institute of Groundsmanship.

#### **Dividends**

The Board is not recommending the payment of a dividend for the year ended 30 September 2007.

### Research and Development

In an increasingly competitive market, the Myhome brand is a key feature. The Board is looking to invest continually in market research and development to keep pace with the needs of the end user and maximise the core efficiency of the service it provides.

To this end investment in information technology is a key area of continuous development. With an advanced infrastructure of systems, franchisees are able to adapt to the changing needs of their customers and act with greater efficiency and deliver a quality service.

### Future Developments

The Chairman's Statement provides further information on the developments planned for the business.

### Events since the financial year end

Information relating to events since the end of the year is given in note 26 to the financial statements.

### Directors

The Directors that served during the year under review were:

R O'Connell  
SL McNeill Ritchie – resigned 22.2.08  
GR Boot  
A Virani  
JM Jenkins – appointed 29.12.06, resigned 22.2.08  
MG Ward – appointed 29.12.06, resigned 21.12.07

Mr NT Gossage was appointed to the Board on 4 February 2008.

The beneficial interests of the Directors holding office on 30 September 2007 in the issued share capital of the Company were as follows:

	1.10.06 or date of appointment	30.9.07 if later
<b>Ordinary 5p shares</b>		
R O'Connell	5,494,052	4,379,468
SL McNeill Ritchie	428,603	428,603
GR Boot	912,500	412,500
A Virani	–	–
JM Jenkins	300,000	–
MG Ward	–	–

### Group's Policy on the Payment of Creditors

The Company does not follow any code or standard on payment practice as the terms and conditions for its business transactions are agreed with individual suppliers. Payment is then made in accordance with those terms and conditions being met by the supplier. At 30 September 2007, creditor days outstanding were 38 days (2006: 38 days).

### Key Performance Indicators

The key performance indicators used by the Board in monitoring performance are as follows:

Gross profit growth  
Operating expense growth  
Profit before interest and tax growth  
Net interest expense  
EBITDA growth

	2007	2006
<b>Total</b>		
Gross profit growth	116.1%	225.3%
Operating expense growth	117.7%	190.1%
Profit before interest and tax growth	96.1%	341.7%
Net interest expense	£120,398	£13,240
EBITDA growth*	90.2%	291.9%

\* EBITDA – profit before non-trading items and from continuing operations.

### Substantial Interests

As at 24 January 2008 the following parties had notified the Company of a beneficial interest which represents 3% or more of the Company's issued ordinary share capital at that date:

	Number of shares	% held
Mr NW Wray	9,375,000	14.75
Mr R O'Connell	5,494,052	8.65
Mr S Hemsley	3,500,000	5.51
Starvest Plc	3,300,000	5.19
MFM Slater Recovery Fund	2,075,000	3.26

### Employee Policies

The Board and senior management values the two way communication on all matters relating to the business. This entails regular conferences and meetings with employees in order to encourage them to take a greater participation in the running of the business.

## Directors' Report continued

A monthly magazine will further enhance the relations with employees, who are also made aware of the Group's performance via the availability of the Annual Report and accounts. The Company's admission onto AIM has encouraged participation in performance related share options during the year.

Throughout the Group the principles of equal opportunities are recognised in the formulation and development of employee policies.

It is the Company's policy to give full and fair consideration to applications from people with disabilities. If an employee becomes disabled, the Group's objective is the continued provision of suitable employment, either in the same or an alternative position with appropriate training being given if required. Employees with disabilities share in the opportunities for training, career development and promotion.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required by law to 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS,
- 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements therein.

### Statement of Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Group's Auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

### Auditors

The Auditors, Mazars LLP, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board

DA Venus  
Secretary  
22 February 2008

# Independent Auditors' Report

We have audited the Company and consolidated financial statements ("the financial statements") of MyHome International plc for the year ended 30 September 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Recognised Income and Expense and related notes. These financial statements have been prepared under the accounting policies set out therein.

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

## Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out on page 10.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and as regards the consolidated financial statements, Article 4 of the IAS Regulations. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors, the Chairman's Statement and the Corporate Governance Report. 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 audit opinion

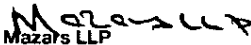
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group's affairs as at 30 September 2007 and of the profit for the year then ended,
- the Parent Company financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 September 2007,
- the information given in the Report of the Directors is consistent with the financial statements, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulations.

  
Mazars LLP

Chartered Accountants & Registered Auditors  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD  
22 February 2008

# Consolidated Income Statement for the year ended 30 September 2007

	Notes	30 9 07 £	30 9 06 £
<b>Continuing operations</b>			
Revenue	2	5 072 632	2,664 712
Cost of sales		(457 936)	(529,038)
<b>Gross profit</b>		<b>4,614 696</b>	<b>2,135,674</b>
Other operating income		–	23 370
Administrative expenses		(3,159 673)	(1,417 230)
<b>Operating profit</b>		<b>1,455 023</b>	<b>741 814</b>
Finance costs	4	(120 398)	(13 240)
Finance income	4	123,648	5 213
<b>Profit before tax</b>	5	<b>1 458 273</b>	<b>733,787</b>
Tax	6	(69 737)	(212,680)
<b>Profit after tax for the financial year</b>		<b>1,388,536</b>	<b>521,107</b>
Attributable to			
Equity holders of the parent		1,388,536	521 107
Earnings per share expressed			
in pence per share	8		
Basic		3 11	1 77
Diluted		2 44	1 59

The notes form part of these financial statements

## Consolidated Statement of Recognised Income and Expense for the year ended 30 September 2007

	30.9.07 £	30.9.06 £
<b>Profit for the financial year</b>	1,388,536	521,107
<b>Total recognised income and expense for the financial year</b>	1,388,536	521,107
Attributable to		
Equity holders of the parent	1,388,536	521,107

The notes form part of these financial statements

## Company Statement of Recognised Income and Expense for the year ended 30 September 2007

	30.9.07 £	30.9.06 £
<b>(Loss)/profit for the financial year</b>	(15,459)	465,313
<b>Total recognised income and expense for the financial year</b>	(15,459)	465,313
Attributable to		
Equity holders of the parent	(15,459)	465,313

The notes form part of these financial statements

# Consolidated Balance Sheet

30 September 2007

	Notes	30 9 07 £	30 9 06 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets – brand	11	13,182,104	4 374 097
Intangible assets – development costs	12	669 500	252,643
Property, plant and equipment	13	2,117,986	385,480
Investments	14	100 000	100 000
		<u>16,069,590</u>	<u>5 112 220</u>
<b>Current assets</b>			
Inventories	15	126 807	11,750
Trade and other receivables	16	3,052,892	2,018,747
Cash and cash equivalents	17	2 948 781	808,481
		<u>6,128,480</u>	<u>2,838,978</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,105 290	1,675,206
Financial liabilities – borrowings			
Interest bearing loans and borrowings	19	139 935	118,615
Tax payable		170,631	3,743
		<u>2,415,856</u>	<u>1,797,564</u>
<b>Net current assets</b>		<u>3,712,624</u>	<u>1,041,414</u>
<b>Non-current liabilities</b>			
Trade and other payables	18	4,625,000	375,000
Financial liabilities – borrowings			
Interest bearing loans and borrowings	19	1,377 341	627 555
		<u>6,002,341</u>	<u>1,002 555</u>
<b>Net assets</b>		<u>13 779 873</u>	<u>5,151,079</u>
<b>Shareholders' equity</b>			
Called up share capital	22	2,534,401	1,731,314
Share premium	23	9,897,476	3,468,263
Other reserves	23	7,958	–
Retained earnings	23	1,340 038	(48 498)
Total Shareholders' equity		<u>13,779 873</u>	<u>5 151 079</u>
<b>Total equity</b>		<u>13,779,873</u>	<u>5 151 079</u>

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2008 and were signed on its behalf by

  
R O'Connell – Director

  
NT Gossage – Director

The notes form part of these financial statements

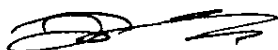


# Company Balance Sheet

## 30 September 2007

	Notes	30.9.07 £	30.9.06 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets – brand	11	521,080	304,080
Intangible assets – development costs	12	68,741	–
Property, plant and equipment	13	1,779,856	184,860
Investments	14	11,109,253	4,253,155
		<u>13,478,930</u>	<u>4,742,095</u>
<b>Current assets</b>			
Trade and other receivables	16	3,335,760	1,482,054
Cash and cash equivalents	17	2,439,192	577,951
		<u>5,774,952</u>	<u>2,060,005</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	1,282,037	817,674
Financial liabilities – borrowings			
Interest bearing loans and borrowings	19	7,818	57,198
		<u>1,289,855</u>	<u>874,872</u>
<b>Net current assets</b>		<u>4,485,097</u>	<u>1,185,133</u>
<b>Non-current liabilities</b>			
Trade and other payables	18	4,625,000	375,000
Financial liabilities – borrowings			
Interest bearing loans and borrowings	19	1,062,000	500,000
		<u>5,687,000</u>	<u>875,000</u>
<b>Net assets</b>		<u>12,277,027</u>	<u>5,052,228</u>
<b>Shareholders' equity</b>			
Called up share capital	22	2,534,401	1,731,314
Share premium	23	9,897,476	3,468,263
Other reserves	23	7,958	–
Retained earnings	23	(162,808)	(147,349)
<b>Total Shareholders' equity</b>		<u>12,277,027</u>	<u>5,052,228</u>
<b>Total equity</b>		<u>12,277,027</u>	<u>5,052,228</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2008 and were signed on its behalf by



**R O'Connell** – Director

The notes form part of these financial statements

## Consolidated Cash Flow Statement for the year ended 30 September 2007

	Notes	30.9.07 £	30.9.06 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	(2,516,110)	1,371,625
Interest paid		(101,388)	(86)
Interest element of hire purchase payments paid		(19,010)	(13,154)
Tax received		158,449	3,743
Net cash from operating activities		(2,478,059)	1,362,128
<b>Cash flows from investing activities</b>			
Purchase of intangible assets – brands		(1,000,507)	(3,214,349)
Purchase of intangible fixed assets – development costs		(491,245)	(252,643)
Purchase of tangible fixed assets		(1,922,233)	(329,874)
Sale of tangible fixed assets		4,151	35,157
Interest received		123,648	5,213
Net cash from investing activities		(3,286,186)	(3,756,496)
<b>Cash flows from financing activities</b>			
New loans in year		821,682	500,000
Loan advanced in year		–	1,708
Capital repayments in year		(50,576)	157,118
Amount introduced by Directors		1,139	–
Share issue		7,132,300	2,175,457
Net cash from financing activities		7,904,545	2,834,283
<b>Increase in cash and cash equivalents</b>		2,140,300	439,915
<b>Cash and cash equivalents at beginning of year</b>	30	808,481	368,566
<b>Cash and cash equivalents at end of year</b>	30	2,948,781	808,481

The notes form part of these financial statements

## Company Cash Flow Statement for the year ended 30 September 2007

	Notes	30 9 07 £	30 9 06 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	10	(2,819,787)	868,924
Interest paid		(93,599)	-
Interest element of hire purchase payments paid		(1,671)	(11,408)
Net cash from operating activities		(2,915,057)	857,516
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets – brands		(293,378)	-
Purchase of intangible fixed assets – development costs		(1,641,210)	(26,145)
Purchase of fixed asset investments		(1,056,098)	(3,214,349)
Interest received		122,064	3,264
Net cash from investing activities		(2,868,622)	(3,237,230)
<b>Cash flows from financing activities</b>			
New loans in the year		562,000	500,000
Capital repayments in year		(49,380)	(31,854)
Share issue		703,090	517,229
Premium on share issue		6,429,210	1,658,228
Net cash from financing activities		7,644,920	2,643,603
Increase in cash and cash equivalents		1,861,241	263,889
Cash and cash equivalents at beginning of year	10	577,951	314,062
Cash and cash equivalents at end of year	10	2,439,192	577,951

The notes form part of these financial statements

# Notes to the Financial Statements

## for the year ended 30 September 2007

### 1 Accounting policies

#### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards and adopted for use in the European Union ('IFRS') and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established

#### Intangible assets

Intangible assets arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition

The intangible asset is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of the intangible asset is included in the determination of the profit or loss on disposal

Intangible assets arising on acquisitions before the date of transition to IFRS have been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Intangible assets written off to reserves under UK GAAP prior to 1998 have not been reinstated and not included in determining any subsequent profit or loss on disposal

These intangible assets are tested for impairment by the Directors in accordance with IAS 36

#### Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term whichever is the shorter

Plant and machinery	– 25% on reducing balance
Fixtures and fittings	– 25% on reducing balance
Motor vehicles	– 25% on reducing balance
Computer equipment	– 25% on reducing balance

Land is not depreciated. Depreciation on the freehold property is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful lives as follows

Buildings 25–40 years

#### Inventories

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

#### Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date

## **1 Accounting policies continued**

### **Research and development**

Expenditure on research and development comprises costs that are incurred in line with the code of ethics as set out by the British Franchise Association. Under the code the Group is expected to incur costs in respect of know-how and unbiased and scientific study into franchising. Know-how means a body of non-patented practical information resulting from experience and testing by the franchiser which is secret, substantial and clearly identified. The development costs in the balance sheet reflect such costs and commitment by the Group towards its franchisees and ongoing development for further advancement in its services. The Group amortises the development costs in line with the average life of a franchise contract of ten years.

Development expenditure is capitalised on the basis it is clearly identifiable, there is a clear indication of future benefits and the costs are controllable in accordance with IAS 38.

### **Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the income statement over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

### **Employee benefit costs**

The Group operates a defined contribution pension scheme. The contributions made by the employer are charged to the income statement in the period in which they are paid.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as intangible assets on acquisition. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority Shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Impairment of tangible and intangible assets**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

## Notes to the Financial Statements continued for the year ended 30 September 2007

### 1 **Accounting policies** continued

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### **Trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### **Investments**

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost including transaction costs.

Investments are classified as either held-for-trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

#### **Financial liabilities and equity instruments**

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

#### **Trade payables**

Trade payables are not interest bearing and are stated at their nominal value.

#### **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **Derivative financial instruments and hedge accounting**

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

## **1 Accounting policies continued**

### **Derivative financial instruments and hedge accounting**

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

### **Share-based payments**

The Group has applied IFRS 2 – Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

### **Critical estimates and judgements**

The Group makes estimates and assumptions concerning the future. Part of the judgement used involves the impairment of brands within the intangible assets. The recoverable amounts of cash-generating units have been determined using estimates and rates. Bad debt provisions are made where payment plans have not been agreed with franchisees.

### **IFRS 7 – Disclosures of financial instruments**

The Group is aware of IFRS 7 and will enact its provisions in the 2008 financial statements. These financial statements do not incorporate its disclosures.

### **Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

## Notes to the Financial Statements continued for the year ended 30 September 2007

### 2 Segmental reporting

There is no other activity other than the one main business activity of the Group. As a result there is no segmental disclosure in these financial statements.

For management purposes the Group is currently organised into one main operating division – Franchisee recruitment.

The Group recruits franchise operators to operate under its various brand names as follows:

#### Brand

MyHome

Ovenclean

Autosheen

Surface Doctor

Nicestrip

PlumbXpress (acquired in the year)

Cleanteam (acquired in the year)

Stainbusters (acquired in the year)

Ferrum (acquired in the year)

#### Master Franchise Sales

During the year a master franchise was sold in the following territories:

	30.9.07 £	30.9.06 £
Australia	400,000	–
Scotland	–	150,000
Northern Ireland	150,000	–
<b>Total</b>	<b>550,000</b>	<b>150,000</b>

### 3 Employees and Directors

	30.9.07 £	30.9.06 £
Wages and salaries	1,064,645	395,810
Social security costs	204,901	28,840
Other pension costs	–	20,911
	<b>1,269,546</b>	<b>445,561</b>

The average monthly number of employees during the year was as follows:

	30.9.07	30.9.06
Administration	30	18
Financial	8	8
Sales	20	15
	<b>58</b>	<b>41</b>

	30.9.07 £	30.9.06 £
Directors' emoluments	206,273	102,378



#### 4 Net finance income

	30 9 07 £	30 9 06 £
Finance income		
Deposit account interest	123,648	5,213
Finance costs		
Bank interest	(1 168)	86
Bank loan interest	102 556	-
Hire purchase	19,010	13 154
	120 398	13,240
Net finance income	3 250	(8,027)

#### 5. Profit before tax

The profit before tax is stated after charging

	30 9 07 £	30 9 06 £
Cost of inventories recognised as an expense	457 936	529,038
Hire of plant and machinery	1,969	-
Other operating leases	171 059	52,447
Depreciation – owned assets	144 833	128 425
Depreciation – assets on hire purchase contracts	7 122	-
Loss on disposal of fixed assets	2 135	1,143
Development costs amortisation	74,388	-
Auditors' remuneration – Group audit	21,000	34,374

Fees amounting to £56 000 (2006 £nil) were paid in respect of corporate finance services to the Auditors in the year

#### 6 Tax

##### Analysis of the tax charge

	30 9 07 £	30 9 06 £
Current tax		
Corporation tax	69 737	-
Deferred tax	-	212,680
Total tax charge in income statement	69,737	212,680

##### Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	30 9 07 £	30 9 06 £
Profit on ordinary activities before tax	1,458 273	733 787
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	437 482	220 136
Effects of		
Utilisation of previously unrecognised tax losses	(247,954)	(9 175)
Expenses not deductible	39,665	40 022
Capital allowances claimed	(68,748)	(38,303)
Prior year overprovision of tax	(90,708)	-
Total tax	69 737	212 680

# Notes to the Financial Statements continued for the year ended 30 September 2007

## 7 Loss of Parent Company

As permitted by Section 230 of the Companies Act 1985, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's loss after tax for the financial year was £15,459 (2006 £465,313 profit)

## 8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary Shareholders by the weighted average number of ordinary shares outstanding during the period

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares

Reconciliations are set out below

	30.9.07	30.9.07 Weighted average number of shares	30.9.07 Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary Shareholders	1,388,536	44,622,998	3.11
<b>Effect of dilutive securities</b>			
Options	–	12,195,548	–
<b>Diluted EPS</b>			
Adjusted earnings	1,388,536	56,818,546	2.44
	30.9.06	30.9.06 Weighted average number of shares	30.9.06 Per share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary Shareholders	521,107	29,453,970	1.77
<b>Effect of dilutive securities</b>			
Options	–	3,300,000	–
<b>Diluted EPS</b>			
Adjusted earnings	521,107	32,753,970	1.59

## 9 Analysis of revenue by category

	30.9.07 £	30.9.06 £
Interest	123,648	5,213
Royalties	1,304,930	951,994
Franchise recruitment	1,894,030	1,093,880
Consultancy	946,957	287,596
National account sales	376,715	181,242
Master franchise sales	550,000	150,000
	5,196,280	2,669,925

# 10 Company cashflow statement

## Reconciliation of (loss)/profit before tax to cash generated from operations

	30 9 07 £	30 9 06 £
(Loss)/profit before tax	(15,459)	677,993
Depreciation charges	53,851	61,617
Finance costs	95,268	11,408
Finance income	(122,064)	(3,264)
	11,596	747,754
Increase in trade and other receivables	(1,853,704)	(1,027,128)
(Decrease)/increase in trade and other payables	(985,637)	1,148,298
Share-based payment	7,958	-
	(2,819,787)	868,924

## Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts

## Year ended 30 September 2007

	30 9 07 £	30 9 06 £
Cash and cash equivalents	2,439,192	577,951

## Year ended 30 September 2006

	30 9 06 £	1 10 05 £
Cash and cash equivalents	577,951	314,062

# 11 Intangible assets – brands

Group	£
<b>Cost</b>	
At 1 October 2006	4,430,117
Additions	8,808,007
At 30 September 2007	13,238,124
<b>Amortisation</b>	
At 1 October 2006 and 30 September 2007	56,020
<b>Net book value</b>	
At 30 September 2007	13,182,104
At 30 September 2006	4,374,097

## Group

Intangible assets on acquisition are tested for impairment by the Directors in accordance with IAS 36. As a result, no amortisation is required in these financial statements. This is due to the ongoing success of the brand and increase in revenues and franchise recruitment.

The intangible assets on acquisition arose on acquisition of the subsidiaries and the Directors believe they all relate to brand value.

## Notes to the Financial Statements continued for the year ended 30 September 2007

### 11 Intangible assets – brands continued

#### Impairment tests for intangible assets on acquisition

The carrying value of intangible assets on acquisition is allocated to the Group's cash-generating units (CGUs) identified according to brand

	30 9 07 £	30 9 06 £
Nicenstripy – gardening	758,221	758,221
Autosheen – motor car valeting	503,835	503,835
Oven Clean – oven cleaning	2,740,419	2,729,427
Surface Doctor – resurfacing	40,044	40,044
Franchise Alliance – training	28,262	28,262
Myhome Systems – residential clean	314,308	314,308
Clean Team (Windows) – window cleaning	1,961,707	–
DSH Services – PlumbXpress – plumbing	4,515,629	–
Stainbusters – carpet clean	818,558	–
Ferrum UK Group – ironing	1,284,121	–
Myhome.com domain name	217,000	–
	<u>13,182,104</u>	<u>4,374,097</u>

The Group tests intangible assets annually for impairment, or more frequently if there are indications that they might be impaired. The recoverable amount of intangible assets is determined using a discounted cash flow approach. The key assumptions used in these calculations include discount rates, turnover projections, growth rates and expected gross margins. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to brands.

The Group prepares cash flow forecasts derived from the most recent budget information available. The growth rate used for the extrapolation of cash flows beyond budget projections for all intangible impairment reviews was 5%. The pre-tax discount rate applied to the cash flow projections is 5%.

#### 2006

£4,374,097 shown as goodwill in 2006 has been restated as intangible assets on acquisition.

Company	£
<b>Cost</b>	
At 1 October 2006	360,100
Additions	217,000
At 30 September 2007	<u>577,100</u>
<b>Amortisation</b>	
At 1 October 2006 and 30 September 2007	<u>56,020</u>
<b>Net book value</b>	
At 30 September 2007	<u>521,080</u>
At 30 September 2006	<u>304,080</u>

Intangible assets on acquisition represents the excess of consideration over net assets on the purchase of the 'Myhome' brand from Unilever. Since then the Myhome brand has been expanded successfully. The Directors are therefore confident that there has been no impairment to the value stated in the balance sheet.

## 12 Intangible assets – development costs

Group	Development costs £
<b>Cost</b>	
At 1 October 2006	252,643
Additions	491,245
At 30 September 2007	743,888
<b>Amortisation</b>	
Amortisation for year	74,388
At 30 September 2007	74,388
<b>Net book value</b>	
At 30 September 2007	669,500
At 30 September 2006	252,643

Expenditure on research and development comprises costs that are incurred in line with the code of ethics as set out by the British Franchise Association. Under the code the Group is expected to incur costs in respect of know-how and unbiased and scientific study into franchising. Know-how means a body of non-patented practical information resulting from experience and testing by the franchisor which is secret, substantial and identified. The development costs in the balance sheet reflect such costs and commitment by the Group towards its franchisees and ongoing development for further advancement in its services. As such, the Group considers these costs to have a ten year life in line with the average length of a franchise contract. Amortisation is provided on a straight-line basis over a ten year period.

Development expenditure is capitalised on the basis it is clearly identifiable and there is a clear indication of future benefits.

Company	Development costs £
<b>Cost</b>	
Additions	76,378
At 30 September 2007	76,378
<b>Amortisation</b>	
Amortisation for year	7,637
At 30 September 2007	7,637
<b>Net book value</b>	
At 30 September 2007	68,741

Development expenditure is capitalised on the basis it is clearly identifiable, there is a clear indication of future benefits and the costs are controllable in accordance with IAS 38.

**Notes to the Financial Statements** continued  
for the year ended 30 September 2007

**13 Property, plant and equipment**

Group	Freehold property £	Short leasehold £	Plant and machinery £
<b>Cost</b>			
Additions	1,641,210	22,789	22,044
At 30 September 2007	1,641,210	22,789	22,044
<b>Depreciation</b>			
Charge for year	-	687	2,479
At 30 September 2007	-	687	2,479
<b>Net book value</b>			
At 30 September 2007	1,641,210	22,102	19,565
At 30 September 2006	-	-	-

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
<b>Cost</b>				
At 1 October 2006	30,777	255,826	402,194	688,797
Additions	51,123	57,824	95,757	1,890,747
Disposals	-	(22,000)	-	(22,000)
At 30 September 2007	81,900	291,650	497,951	2,557,544
<b>Depreciation</b>				
At 1 October 2006	18,923	73,621	210,773	303,317
Charge for year	14,813	61,113	72,863	151,955
Eliminated on disposal	-	(15,714)	-	(15,714)
At 30 September 2007	33,736	119,020	283,636	439,558
<b>Net book value</b>				
At 30 September 2007	48,164	172,630	214,315	2,117,986
At 30 September 2006	11,854	182,205	191,421	385,480

**Depreciation charge 2006**

	Freehold property £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Charge	-	3,950	60,734	63,741	128,425

The net book value of Motor vehicles includes £21,289 (2006: £34,697) in respect of assets held under hire purchase contracts

Company	Freehold property £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
<b>Cost</b>					
At 1 October 2006	-	25,940	51,546	343,883	421,369
Additions	1,641,210	-	-	-	1,641,210
At 30 September 2007	1,641,210	25,940	51,546	343,883	2,062,579
<b>Depreciation</b>					
At 1 October 2006	-	17,714	22,551	196,244	236,509
Charge for year	-	2,056	7,249	36,909	46,214
At 30 September 2007	-	19,770	29,800	233,153	282,723
<b>Net book value</b>					
At 30 September 2007	1,641,210	6,170	21,746	110,730	1,779,856
At 30 September 2006	-	8,226	28,995	147,639	184,860

## 14 Investments

Group	Listed investments £
<b>Cost</b>	
At 1 October 2006 and 30 September 2007	100,000
<b>Net book value</b>	
At 1 October 2006 and 30 September 2007	100,000

Company	Shares in Group undertakings £	Listed investments £	Totals £
<b>Cost</b>			
At 1 October 2006	4,153,155	100,000	4,253,155
Additions	6,856,098	–	6,856,098
At 30 September 2007	11,009,253	100,000	11,109,253
<b>Net book value</b>			
At 30 September 2007	11,009,253	100,000	11,109,253
At 30 September 2006	4,153,155	100,000	4,253,155

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following

### Subsidiaries (consolidated)

#### Myhome Systems Limited

Nature of business Franchise recruitment

	% holding	30 9 07 £	30 9 06 £
Class of shares			
Ordinary	100.00		
Aggregate capital and reserves		10,214	433,165
(Loss)/profit for the year		(57,952)	390,107

#### Nicenstripy Limited

Nature of business Garden maintenance

	% holding	30 9 07 £	30 9 06 £
Class of shares			
Ordinary	100.00		
Aggregate capital and reserves		(239,080)	260,240
(Loss)/profit for the year		(56,831)	231,376

#### Ovenclean Limited

Nature of business Oven cleaning

	% holding	30 9 07 £	30 9 06 £
Class of shares			
Ordinary	100.00		
Aggregate capital and reserves		212,910	325,812
Profit for the year		174,098	417,627

# Notes to the Financial Statements continued for the year ended 30 September 2007

## 14 Investments continued

### **Autosheen Limited**

Nature of business Car valeting

	%		
Class of shares	holding		
Ordinary	100.00		
		30.9.07	30.9.06
		£	£
Aggregate capital and reserves		(40,084)	20,843
(Loss)/profit for the year		(39,498)	1,293

### **Surface Doctor (Europe) Limited**

Nature of business Resurfacing consultants

	%		
Class of shares	holding		
Ordinary	100.00		
		30.9.07	30.9.06
		£	£
Aggregate capital and reserves		(62,096)	(5,727)
Loss for the year		(56,369)	(5,738)

### **Franchise Alliance Limited**

Nature of business Ancillary services

	%		
Class of shares	holding		
Ordinary	100.00		
		30.9.07	30.9.06
		£	£
Aggregate capital and reserves		93,340	(3,720)
Profit/(loss) for the year		97,060	(5,458)

### **Clean Team (Windows) Limited**

Nature of business Window cleaning franchisor

	%		
Class of shares	holding		
Ordinary	100.00		
		30.9.07	
		£	
Aggregate capital and reserves		12,078	
Profit for the year		15,754	

### **Stainbusters Limited**

Nature of business Carpet cleaning franchisor

	%		
Class of shares	holding		
Ordinary	100.00		
		30.9.07	
		£	
Aggregate capital and reserves		73,500	
Profit for the year		417,399	



**14 Investments continued**

**Ferrum UK Group Limited**

Nature of business Ironing and dry cleaning franchisor

	%	
Class of shares	holding	
Ordinary	100 00	
		30 9 07 £

Aggregate capital and reserves	435,000
Profit for the year	309 100

**D S H Services Limited**

Nature of business Plumbing and electrical franchisor

	%	
Class of shares	holding	
Ordinary	100 00	
		30 9 07 £

Aggregate capital and reserves	67,431
Profit for the year	55,443

These are the investments in active subsidiaries. The Company has investments in non-active subsidiaries, which are listed below

Dents Away Ltd  
Franchise Marketing Solutions Ltd  
Myhome Improvement Ltd  
OvenKleen Ltd  
Ovenu Ltd  
Dent Surgeon Ltd  
Franchising Ltd  
MyHome Security Ltd  
Oven Shine Ltd  
The Oven Cleaning Company Ltd  
Ferrum UK Ltd  
Myhome.com Ltd  
Oven Clean Domestic Ltd  
Ovens Of Distinction Ltd  
Yourhome (Australia) Pty  
PlumbXpress Ltd  
Nicenstripy PTY  
ElecXpress Ltd  
Oven Clean Commercial Ltd  
Myhome International Ltd (Gibraltar)

The listed investment represents 10,000,000 shares of 1 pence per share in Equity Resources Plc (formerly Franchise Investment Strategies Plc) which was acquired on 18 August 2005

At the balance sheet date the market value of the shares was £2 55 (2006 £2 75), representing an unrealised gain of £155,000 (2006 £175,000). Equity Resources Plc also holds 1,625,000 shares in the Company

As there was no influence at Board level, Franchise Investment Strategies Plc is not considered an associated company

# Notes to the Financial Statements continued for the year ended 30 September 2007

## 15 Inventories

	30.9.07 £	30.9.06 £
Group		
Raw materials	126,807	11,750

## 16 Trade and other receivables

	Group		Company	
	30.9.07 £	30.9.06 £	30.9.07 £	30.9.06 £
Current				
Trade debtors	1,989,197	1,562,445	57,821	52,005
Amounts owed by Group undertakings	–	–	3,041,783	1,369,019
Other debtors	542,859	359,513	154,661	61,030
Prepayments	520,836	96,789	81,495	–
	3,052,892	2,018,747	3,335,760	1,482,054

All trade debtors are secured by way of personal guarantee by the franchisee and are payable within six months of the balance sheet date. Where any sums due are considered overdue from franchisees the Group reserves the right to terminate that agreement and resell the area to a third party willing purchaser.

### Bad debt provision

The Directors have made a provision of £568,782 in the year for bad debts.

## 17 Cash and cash equivalents

	Group		Company	
	30.9.07 £	30.9.06 £	30.9.07 £	30.9.06 £
Cash in hand	7,737	977	–	–
Bank accounts	2,941,044	807,504	2,439,192	577,951
	2,948,781	808,481	2,439,192	577,951

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

### Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are not of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

# 18 Trade and other payables

	Group		Company	
	30 9 07 £	30 9 06 £	30 9 07 £	30 9 06 £
Current				
Trade creditors	545,558	414,689	14,304	82,784
Social security and other taxes	172,870	393,598	13,596	-
Other creditors	1,353,473	862,919	1,254,137	734,890
Accrued expenses	32,250	4,000	-	-
Directors' loan accounts	1,139	-	-	-
	<u>2,105,290</u>	<u>1,675,206</u>	<u>1,282,037</u>	<u>817,674</u>
Non-current				
Other creditors	4,625,000	375,000	4,625,000	375,000
	<u>4,625,000</u>	<u>375,000</u>	<u>4,625,000</u>	<u>375,000</u>
Aggregate amounts	<u>6,730,290</u>	<u>2,050,206</u>	<u>5,907,037</u>	<u>1,192,674</u>

# 19 Financial liabilities – borrowings

	Group		Company	
	30 9 07 £	30 9 06 £	30 9 07 £	30 9 06 £
Current				
Other loans	56,146	-	-	-
Hire purchase contracts (see note 20)	83,789	118,615	7,818	57,198
	<u>139,935</u>	<u>118,615</u>	<u>7,818</u>	<u>57,198</u>
Non-current				
Bank loans – 1–2 years	1,265,536	500,000	1,062,000	500,000
Hire purchase contracts (see note 20)	111,805	127,555	-	-
	<u>1,377,341</u>	<u>627,555</u>	<u>1,062,000</u>	<u>500,000</u>

## Terms and debt repayment schedule

Group	1 year or less £	1–2 years £	2–5 years £	Totals £
Bank loans	-	1,213,643	51,893	1,265,536
Other loans	56,146	-	-	56,146
Hire purchase contracts	83,789	115,116	(3,311)	195,594
	<u>139,935</u>	<u>1,328,759</u>	<u>48,582</u>	<u>1,517,276</u>

The bank loan facility granted is over a period of two years and is repayable upon demand

The rate applicable is variable at 1% above base

The loan is secured by way of mortgage over the Parent Company's freehold property

# Notes to the Financial Statements continued for the year ended 30 September 2007

## 20 Leasing agreements

### Group

Minimum lease payments fall due as follows

#### Hire purchase contracts

	30 9 07 £	30 9 06 £
Gross obligations repayable		
Within one year	86,974	121,720
Between one and five years	115,116	134,133
	202,090	255,853
Finance charges repayable		
Within one year	3,185	3,105
Between one and five years	3,311	6,578
	6,496	9,683
Net obligations repayable		
Within one year	83,789	118,615
Between one and five years	111,805	127,555
	195,594	246,170

### Company

Minimum lease payments under hire purchase contracts fall due as follows

	30 9 07 £	30 9 06 £
Net obligations repayable		
Within one year	7,818	57,198

### Group

	Non-cancellable operating leases	
	30 9 07 £	30 9 06 £
Within one year	144,000	144,000
Between one and five years	144,000	144,000
In more than five years	46,000	96,000
	334,000	384,000

## 21 Financial instruments

### Financial and interest risk factors

The Group's debt financing exposes it to interest rate risk. All Group borrowings are exposed to interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects of interest rate fluctuations on the financial performance of the Group.

## 22 Called up share capital

### Authorised

Number	Class	Nominal value	30 9 07 £	30 9 06 £
100,000,000	Ordinary	5p	5,000 000	5 000 000

### Allotted issued and fully paid

Number	Class	Nominal value	30 9 07 £	30 9 06 £
50,688,020				
(30 9 06 ~ 34,626,280)	Ordinary	5p	2,534,401	1,731 314

### Share capital and premium

	Number of Shares	Nominal Value per share £	Share capital £	Share premium £	Total £
At 30 September 2006	34,626 280	0 05	1,731,314	3,468 263	5,199 577
Raised on AIM Float (29 12 06)	10,000,000	0 05	500 000	3 500 000	4 000,000
Issued to R O'Connell on AIM admission (29 12 06)	1,114 584	0 05	55,728	44,271	99 999
Proceeds from share option shares issued (29 12 06)	500,000	0 05	25 000	31 250	56 250
Fund-raising (30 06 07)	4,200,000	0 05	210,000	3,360,000	3,570,000
Issued as deferred consideration (15 08 07)	149 690	0 05	7,486	142,514	150,000
Issued on Ferrum Acquisition (12 07 07)	97,466	0 05	4,873	95 127	100 000
At 30 September 2007	50,688,020		2,534 401	10,641,425	13,175,826
Less Share issue costs				(743,949)	(743,949)
	50,688 020		2,534 401	9,897 476	12 431 877

## 23 Reserves

Group	Retained earnings £	Share premium £	Other reserves £	Total £
At 1 October 2006	(48,498)	3,468,263	–	3,419 765
Profit for the year	1,388 536	–	–	1,388 536
Cash share issue	–	7 173 162	–	7 173,162
Share issue costs	–	(743,949)	–	(743,949)
Other reserves	–	–	7,958	7,958
At 30 September 2007	1,340,038	9,897,476	7,958	11,245,472

Company	Retained earnings £	Share premium £	Other reserves £	Total £
At 1 October 2006	(147,349)	3 468,263	–	3,320 914
Deficit for the year	(15,459)	–	–	(15,459)
Cash share issue	–	7,173 162	–	7,173 162
Share issue costs	–	(743,949)	–	(743 949)
Other reserves	–	–	7,958	7 958
At 30 September 2007	(162 808)	9 897 476	7,958	9,742 626

Other reserves comprises £7,958 provision for share-based payments in the year (2006 £Nil)

## Notes to the Financial Statements continued for the year ended 30 September 2007

### 24 Contingent liabilities

#### Franchisee loans

Myhome International plc has guaranteed loans in respect of new franchisees. Under the terms should the franchisee default then the extent of the liability would be the potential interest due on the loans.

At the balance sheet date the interest element was £17,778. The total of loans plus interest was £82,539.

#### Deferred consideration

These financial statements do not include £1,500,000 of potential consideration that could become payable if targets are met (see note 31) by D S H Services Limited in future years. This will be reviewed annually in line with actual performance and forecasts.

### 25 Related party transactions

Included in trade creditors is an amount due to Franchise Results Limited of £107,525 in respect of technical services. Mr R O'Connell has an interest in this company.

Included in other debtors is an amount due from Shellbark Ltd of £52,005 (2006: £52,005). Mr R O'Connell has an interest in this company.

During the year a franchise licence was granted to Mr SL McNeill Ritchie in respect of Surface Doctor (Europe) Ltd for the London area. There are no amounts outstanding at the year end.

During the year a franchise licence was granted to Portaclean Ltd in respect of Myhome Clean. Mr R O'Connell has an interest in Portaclean Ltd.

The Group utilises the services of Franchise Academy Ltd for its franchisee training purposes. Mr R O'Connell has an interest in that company.

During the year a master franchise agreement was granted for Australia. Mr R O'Connell has an interest in the franchisee company Yourhome – Australia.

#### During the year the following amounts were paid to

Accountlets: £32,640 (2006: 37,890)

This company is related as Mr AB Virani is also Director of Accountlets.

The payments made were in respect of consultancy and taxation services.

The following amounts were paid in respect of management fees by Myhome Systems Ltd during the year to Group companies

	30 9 07 £	30 9 06 £
Autosheen Limited	14,000	–
Nicenstripy Limited	90,000	–
Stainbusters Limited	220,000	–
Clean Team (Windows) Limited	135,000	–
Ferrum UK Group Limited	100,000	–
Myhome International plc	154,285	–

The following were management fees paid to Myhome International plc by Group companies

	30 9 07 £	30 9 06 £
Ovenclean Limited	270,000	230,000
Myhome Systems Limited	109,285	365,000
Nicenstripy Limited	–	506,897
Autosheen Limited	30,000	–

## 26 Post-balance sheet events

On 7 November 2007 the Company purchased the entire share capital of Edwin Investments Limited (ChipsAway) for £16 million. ChipsAway is a leading franchise operator in the automotive industry with over 400 franchisees spread over 13 countries.

Details of the acquisition were as follows

	£
Fund-raising	8 000 000
Bank loan	8 000 000
	16 000 000
Net assets of ChipsAway	6 116 000
Intangible assets on acquisition	9 884 000

The acquisition means the enlarged Group will have over 750 franchisees and a combined network turnover of over £80 million.

On 10 December 2007 the Company sold its interests in Increase Decrease Ltd.

Details of the disposal are as follows

Net assets at disposal	£65 929
Consideration	£1
Loss on disposal	£65 928

This was considered part of the reorganisation of the Ferrum Group following the acquisition of ChipsAway.

## 27 Reconciliation of movements in Shareholders' funds

Group	30.9.07 £	30.9.06 £
Profit for the financial year	1,388 536	521 107
Shares issued	7,232,300	3,114 252
Share-based payment provision	7 958	-
Net addition to Shareholders' funds	8,628,794	3,635,359
Opening Shareholders' funds	5,151,079	1,515,720
Closing Shareholders' funds	13 779 873	5,151 079
Company	30.9.07 £	30.9.06 £
(Loss)/profit for the financial year	(15,458)	465,313
Shares issued	7,232,300	3,114 252
Share-based payment provision	7 958	-
Net addition to Shareholders' funds	7,224,800	3,579 565
Opening Shareholders' funds	5,052 227	1,472 662
Closing Shareholders' funds	12,277 027	5 052 227

## Notes to the Financial Statements continued for the year ended 30 September 2007

### 28 Share-based payment transactions

Share options are granted to Directors and to selected employees. The exercise price of the options is equal to the then market price of the shares on the date of the grant. Options are conditional on the employee completing a minimum period of service (the vesting period). The options are then exercisable subject to the Group achieving its target growth in earnings per share, taking into account inflation.

	2007 Average exercise price per share	Options	2006 Average exercise price per share	Options
<b>At 1 October</b>	<b>20p</b>	<b>6,550,000</b>	<b>20p</b>	<b>6,550,000</b>
Granted	62p	1,975,000	–	–
Forfeited	79p	5,000	–	–
Exercised	64p	500,000	–	–
Expired		3,900,000	–	–
<b>At 30 September</b>	<b>40p</b>	<b>4,120,000</b>	<b>20p</b>	<b>6,550,000</b>

The following provision on share-based payments have been made in the financial statements using the Black-Scholes valuation basis. The net effect is a charge to the income statement.

#### Share-based payments – provision for share options

The weighted fair value of options granted during the year determined using the Black-Scholes valuation method was £0.0202. The significant inputs into the model were:

Weighted average share price 74p at the grant date

Exercise price at grant date 62p

Volatility (based on historical volatility) of 20%

Expected option life of 5 years

Annual risk free rate of 5.5%

No options were granted in 2006.

### 29 Reconciliation of profit before tax to cash generated from operations

	30 9 07 £	30 9 06 £
Profit before tax	1,458,273	733,787
Depreciation charges	151,955	126,706
Loss on disposal of fixed assets	2,135	1,143
Finance costs	120,398	13,240
Finance income	(123,648)	(5,213)
	<b>1,609,113</b>	<b>869,663</b>
Increase in inventories	(115,057)	(11,750)
Increase in trade and other receivables	(1,448,949)	(1,419,474)
Increase/(decrease) in trade and other payables	(2,569,175)	1,933,186
Share based payment	7,958	–
Cash (absorbed)/generated from operations	<b>(2,516,110)</b>	<b>1,371,625</b>



### 30 Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts

#### Year ended 30 September 2007

	30 9 07 £	30 9 06 £
Cash and cash equivalents	2,948,781	808,481

#### Year ended 30 September 2006

	30 9 07 £	30 9 05 £
Cash and cash equivalents	808,481	368,566

### 31 Acquisition of business

During the year the Company acquired the following businesses

Name of business acquired	Principal activity	Date of acquisition	% of shares acquired
Clean Team (Windows) Ltd	Window cleaning	1 May 2007	100%
Stainbusters Ltd	Carpet cleaning	22 June 2007	100%
Ferrum UK Group Ltd	Ironing and dry cleaning	29 June 2007	100%
DSH Services Ltd	Plumbing	30 July 2007	100%

#### Components of the Acquisitions (£)

	Clean Team	Stainbusters	Ferrum	DSH
Cash	195,000	110,000	400,000	228,250
Equity instruments issued	—	—	100,000	—
Directly attributable acquisition costs	18,365	30,174	36,956	25,500
Deferred consideration	1,500,000	250,000	—	3,950,000
<b>Total</b>	<b>1,713,365</b>	<b>390,174</b>	<b>536,956</b>	<b>4,203,750</b>

The acquisition of DSH excludes £1,500,000 of deferred consideration not recognised in these accounts but which could become payable upon targets being met

# Notes to the Financial Statements continued for the year ended 30 September 2007

## 31 Acquisition of business continued

Net Assets Acquired	Fair Value prior to acquisition (£)			
	Clean Team	Stainbusters	Ferrum	DSH
<b>Current assets</b>				
Stock	–	31,631	–	–
Cash	(2,320)	(52,049)	(63,597)	(100)
Trade receivables	19,375	102,778	28,834	–
<b>Non-current assets</b>				
Property plant and equipment	46,875	7,753	5,268	5,095
Intangible assets	–	–	872,427	–
<b>Current liabilities</b>				
Trade payables	(310,791)	(464,074)	(500,956)	(316,874)
Bank overdraft	(1,480)	(54,423)	–	–
<b>Non-current liabilities</b>				
Payables greater than 1 year	–	–	(216,624)	–
<b>Net assets acquired</b>	<b>(248,341)</b>	<b>(428,384)</b>	<b>125,352</b>	<b>(311,879)</b>
<b>Purchase consideration</b>	<b>213,366</b>	<b>140,174</b>	<b>536,958</b>	<b>253,750</b>
<b>Deferred consideration</b>	<b>1,500,000</b>	<b>250,000</b>	<b>–</b>	<b>3,950,000</b>
Intangible assets on acquisition	1,961,707	818,558	411,606	4,515,629
Post-acquisition profit	260,414	197,339	209,100	379,212

Revenue disclosure: Due to the differing accounting period ends and nature of the structure of the acquisitions it is not practical to incorporate the revenue streams of each subsidiary acquisition since 1 October 2006.

## 32 Cost of fund-raising

Transactional costs incurred in raising additional funds amounted to the following:

	30.9.07 £	30.9.06 £
Costs	743,949	160,000

These costs, including the AIM flotation costs, have been charged to the share premium account.

## 33 Warrants

During the year the following warrants were issued:

	Issued	Price	Exercised	at 30.9.07
R O Connell	3,900,000	59p	1,114,584	2,785,416
N Wray	5,156,250	62p	–	5,156,250
S Hemsley	1,875,000	40p	–	1,875,000
Others	468,750	40p	–	468,750
<b>Total</b>	<b>11,400,000</b>		<b>1,114,584</b>	<b>10,285,416</b>

There were no warrants in issue in 2006.

## 34 Ultimate controlling party

Myhome International plc has no ultimate controlling party as it is listed on AIM.

**Myhome International plc**

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