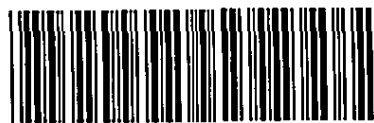


**Consolidated Vending Plc**

**Directors' report and financial  
statements**

Registered number 5838528  
For the year ended 31 December 2007

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## **Company information**

### **Directors**

RJ Steele  
AP Coll  
JC Dowse  
RR Haddow

### **Secretary**

Woodside Corporate Services

### **Company number**

5838528

### **Registered office**

Woodside Corporate Services  
4th Floor  
150-152 Fenchurch Street  
London  
EC3M 6BB

### **Auditors**

KPMG Audit Plc  
2 Cornwall Street  
Birmingham  
B3 2DL

### **Bankers**

Bank of Scotland  
Beauleys House  
3 Queens Road  
Reading  
Berkshire  
RG1 4AR

Alliance and Leicester Commercial Bank  
Bootle  
Merseyside  
GIR 0AA

### **Solicitors**

Tollers  
Castilian Chambers  
2 Castilian Street  
Northampton  
NN1 1JX

## Chairman's statement

Our first full year as an AIM company has been challenging and difficult. As previously reported, we ceased the development of Aqua Polar (pure water vending), ceased our activities with Powerpod (mobile telephone battery recharging vending) and sold the trade, assets and liabilities of BFresh (toiletry vending). We acquired Kiddies Rides (UK) Limited, which operates children's rides. We have not been able to place our stock-pile of ex-post office photobooths in suitable retailers because the market terms dictated by the dominant company in photobooth vending (our main competitor) remain commercially unattractive. In summary, we have made some progress towards the promises made when we listed on AIM, but not enough progress.

We currently have 407 photobooths in operation (approximately 7% of the UK market) and 330 children's rides in operation (approximately 4% of the UK market). These are similar levels of machines to those which we had on 31 December 2006 for photobooths and as at 28 June 2007 for children's rides (the day after the acquisition of Kiddies Rides (UK) Limited).

Revenue for the year from continuing operations was £3,403,000 (2006 £1,459,000), which analyses as £2,962,000 (2006 £1,459,000) from photobooths and £441,000 (2006 £Nil) from children's rides and revenue from discontinued operations was £111,000 (2006 £86,000) from BFresh units (the children's ride turnover is effectively six months turnover from the date of acquisition). Loss before taxation was £1,160,000 (2006 £1,268,000), adding back interest, depreciation and amortisation produces a continuing operations EBITDA figure of a loss of £353,000 (2006 loss of £677,000) which is a more appropriate way of looking at our achievements. The comparative figures for 2006 are not comparable as they cover some seven months of photobooth turnover and include the period of the run off of the post office contract and they do not include any turnover for children's rides.

Our control of overheads and cash flows remains tight as is to be expected of such a relatively small company.

We continue to seek new opportunities to grow the business. This can be frustrating because of our cash constraints and the commercial conditions set by our main competitor. To retailers, we are the only realistic alternative for photobooths and children's rides as a package of operating equipment.

I applaud the determination shown by the executive team in their search for commercially viable opportunities.

RJ Steele  
Chairman



27 June 2008

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### Principal activity

The principal activity of the company is that of a holding company, heading a group which is involved in the operation of photobooths and children's rides. The group operates in excess of 730 machines in the UK.

### Business review and strategy

The results show a pre-tax loss from continuing operations of £1,160,000 (*£1,268,000*). Turnover from continuing operations was £3,403,000 (*2006 £1,459,000*). The company has net debt of £551,000. Net cash generated from operating activities for the year was a decrease of £508,000 (*2006 decrease of £1,060,000*).

During the year, the group successfully completed the acquisition of Kiddies Rides (UK) Limited and the sale of the assets of the loss making business of BFresh Limited. Both transactions have had a positive impact on the group's results.

The group continues to seek growth through acquisition and product development via partnership.

### Business environment

The group operates in the coin operated vending market. The group concentrates its activities in the niche non-food and drink sectors where there is one main player and a number of smaller operators. The main competition continues to maintain its market share through aggressive pricing.

### Future outlook

The aggressive competitive practices encountered in the photobooth market remain and it is difficult to see this changing in the near future.

### Principal risks and uncertainties

Competitive pressures are a continuing risk for the group. To manage this risk, the group strives to maintain strong relationships with customers by understanding and meeting their expectations and through the provision of high quality products and services.

The financial statements are prepared on a going concern basis notwithstanding the consolidated deficit of current assets over current liabilities position at 31 December 2007. The directors believe this to be appropriate for the following reason. The directors have prepared projected cash flow information for the period to December 2009. On the basis of this cash flow information, the directors consider that the company will continue to operate within its available cash resources and bank facilities. Any financial forecasts by their nature contain uncertainty.

Technology changes to "off the shelf" components used in photobooths are managed by a program of continual development. Photo standards are managed by the Government and set by international bodies so are out of the group's control. Developments in this area are continually monitored.

In common with many businesses, the resignation of key individuals could have an adverse affect on the group's results.

### Key performance indicators

The group monitors gross margins achieved on contracts in place on a regular basis and also continually reviews its pricing policy when bidding for new work. The level of operating cash generated by trading activity is also monitored on a continual basis.

## Directors' report *(continued)*

### Proposed dividends

The directors do not recommend the payment of a dividend (2006 £Nil)

### Policy and practice on payment of creditors

The group agrees trading terms with suppliers when orders are placed. The group does not follow any particular code or standard although the group seeks to adhere to the terms agreed with suppliers.

At the period end there were 90 days' purchases in trade creditors for the group (2006 191 days). The company does not have any trade creditors.

### Directors and directors' interests

The directors who held office during the year and their interests in the number of ordinary shares of the company were as follows:

	Interest at beginning and end of period
RR Haddow	12,209,556
JC Dowse	-
AP Coll	-
RJ Steele	-

The following options were in issue during the year, no further options were granted during the period and no options were exercised during the period.

	Number of options	Option exercise price
AP Coll	34,000,000	0 1p
AP Coll	6,000,000	3p
RJ Steele	6,000,000	0 1p
RJ Steele	4,000,000	3p
JC Dowse	6,000,000	3p

All of the options are exercisable at any time following grant on 23 June 2006 until 23 June 2016. The holders of 0 1p options have entered into an agreement with the company, SVS Securities Plc (the company's broker) and Blomfield Corporate Finance Limited (the company's nominated advisor) under which they have accepted a 24 month restriction on their ability to dispose of any options held by them and on any shares deriving from their exercise, this expires on 22 June 2008. Further details in relation to the share options may be found at note 20.

### Political and charitable contributions

During the year, the group made charitable donations of £Nil (2006 £Nil).

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Directors' report** *(continued)*

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting

Approved by the board of directors on 27 June 2008 and signed on its behalf

AP Coll  
Director



c/o Woodside Corporate Services  
4th Floor  
150-152 Fenchurch Street  
London  
EC3M 6BB

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM rules of the London Stock Exchange, they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company.

In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





## KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

### **Independent auditors' report to the members of Consolidated Vending Plc**

We have audited the group and parent company financial statements (the "financial statements") of Consolidated Vending Plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity, the company reconciliations of movements in shareholders' funds and the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### ***Respective responsibilities of directors and auditors***

The directors' responsibilities for preparing the directors' report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 6.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

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

We read the other information contained in the directors' report and financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Independent auditors' report to the members of Consolidated Vending Plc** *(continued)*

### ***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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

27 June 2008

**Consolidated income statement**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>Year ended 31 December 2007 £000</b>	209 day period ended 31 December 2006 £000
<b>Continuing operations</b>			
<b>Revenue</b>	<i>2</i>	<b>3,403</b>	1,459
Cost of sales		(2,190)	(765)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>1,213</b>	694
Other operating income		<b>2</b>	155
Distribution expenses		(736)	(437)
Administrative expenses		(2,089)	(1,675)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(1,610)</b>	(1,263)
Financial income (including exceptional item of £450,000 (2006 £Nil))	<i>9</i>	<b>479</b>	48
Financial expenses	<i>9</i>	(29)	(53)
		<hr/>	<hr/>
<b>Net financing costs</b>		<b>450</b>	(5)
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(1,160)</b>	(1,268)
Taxation	<i>10</i>	<b>233</b>	67
		<hr/>	<hr/>
<b>Loss from continuing operations</b>		<b>(927)</b>	(1,201)
<b>Discontinued operation</b>			
(Loss)/profit from discontinued operations, net of tax	<i>3</i>	<b>(25)</b>	76
		<hr/>	<hr/>
<b>Loss for the year being attributable to equity holders of the parent</b>		<b>(952)</b>	(1,125)
<b>Earnings per share</b>			
Loss per share	<i>11</i>	<b>0 4p</b>	0 8p
		<hr/>	<hr/>
<b>Continuing operations</b>			
Loss per share	<i>11</i>	<b>0.4p</b>	0 8p
		<hr/>	<hr/>

**Consolidated statement of changes in equity**  
*for the year ended 31 December 2007*

	Issued share capital £000	Share premium account £000	Retained earnings £000	Total £000
<b>Year ended 31 December 2007</b>				
At 1 January 2007	206	1,387	43	1,636
Loss for the period being total recognised income and expense for the period	-	-	(952)	(952)
Shares issued	54	466	-	520
Issue of convertible debt	94	-	-	94
Share based payments	-	-	274	274
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	354	1,853	(635)	1,572
	<hr/>	<hr/>	<hr/>	<hr/>
<b>209 day period ended 31 December 2006</b>				
At 6 June 2006	-	-	-	-
Loss for the period being total recognised income and expense for the period	-	-	(1,125)	(1,125)
Share-based payments	-	-	1,168	1,168
Shares issued	206	1,387	-	1,593
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	206	1,387	43	1,636
	<hr/>	<hr/>	<hr/>	<hr/>

**Consolidated balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>Year ended 31 December 2007</b>	209 day period ended 31 December 2006
		<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	1,495	1,688
Intangible assets	13	978	1,052
Other receivables	16	-	42
		<hr/> 2,473	<hr/> 2,782
<b>Current assets</b>			
Inventories	15	299	336
Trade and other receivables	16	398	591
Cash and cash equivalents		171	955
		<hr/> 868	<hr/> 1,882
<b>Total assets</b>		<hr/> 3,341	<hr/> 4,664
<b>Current liabilities</b>			
Interest bearing loans and borrowings	17	210	1,335
Trade and other payables	18	940	1,069
		<hr/> 1,150	<hr/> 2,404
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	17	341	309
Deferred tax liabilities	14	278	315
		<hr/> 619	<hr/> 624
<b>Total liabilities</b>		<hr/> 1,769	<hr/> 3,028
<b>Net assets</b>		<hr/> 1,572	<hr/> 1,636
<b>Equity attributable to equity holders of the parent</b>			
Share capital	19	354	206
Share premium		1,853	1,387
Retained earnings		(635)	43
<b>Total equity</b>		<hr/> 1,572	<hr/> 1,636

These financial statements were approved by the board of directors on 27 June 2008 and were signed on its behalf by

AP Coll  
Director



**Consolidated cash flow statement**  
*for the year ended 31 December 2007*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
<b>Cash flows from operating activities</b>		
Loss for the year/period	(952)	(1,125)
Adjustments for		
Depreciation and amortisation	1,257	586
Impairment of negative goodwill	-	(70)
Financial income	(479)	(48)
Financial expense	29	53
Loss on sale of property, plant and equipment	-	(126)
Equity settled share-based payment expenses	140	1,168
Gain on sale of discontinued operation	(8)	-
Taxation	(233)	(67)
	<hr/> (246)	<hr/> 371
Decrease/(increase) in trade and other receivables	329	(180)
Decrease(increase) in inventories	25	(272)
(Decrease) in trade and other payables	(616)	(979)
	<hr/> (508)	<hr/> (1,060)
<b>Cash flows from investing activities</b>		
Interest received	29	48
Proceeds from sale of property, plant and equipment	87	377
Disposal of discontinued operation, net of cash disposed of	85	-
Acquisition of subsidiary, net of cash acquired	(275)	774
Acquisition of property, plant and equipment	(52)	(12)
	<hr/> (126)	<hr/> 1,187
<b>Cash flows from financing activities</b>		
Proceeds from the issue of share capital	370	1,511
Proceeds from new loan	692	1,300
Repayment of borrowings	(1,183)	(1,930)
Interest payable	(29)	(53)
	<hr/> (150)	<hr/> 828
<b>Net cash from investing activities</b>		
	<hr/> (150)	<hr/> 828
Net (decrease)/increase in cash and cash equivalents	(784)	955
Cash and cash equivalents at start of year/period	955	-
	<hr/> 171	<hr/> 955
<b>Cash and cash equivalents at end of year/period</b>	<hr/> <hr/> 171	<hr/> <hr/> 955

## Notes

*(forming part of the financial statements)*

### 1 Transition to International Financial Reporting Standards

These annual financial statements are the first annual financial statements following the adoption of International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs") for Consolidated Vending Plc and its subsidiaries ("the Group"). These financial statements have been prepared in accordance with the accounting policies set out below and take into account the requirements in IFRS 1 "First time adoption of International Financial Reporting Standards".

The transition date for the Group's application of adopted IFRS was the date of incorporation on 6 June 2006 and the comparative figures for 31 December 2006 have been restated accordingly. Reconciliations of the income statement, balance sheet and net equity from previously reported UK GAAP to IFRS are shown in note 26. The consolidated statements are prepared on the basis of adopted IFRS published by the International Accounting Standards Board ("IASB") that are currently in issue.

The information presented for the year ended 31 December 2007 represents the consolidated results of the Consolidated Vending Group for that period.

### 2 Accounting policies

Consolidated Vending Plc ("the Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP, these are presented on pages 43 to 51.

The Group's significant accounting policies are listed below.

#### *First time adoption*

The Group has applied IFRS 1 "First time adoption of International Financial Reporting Standards" in its initial application of IFRS. The Group is required to select appropriate accounting policies under IFRS and apply them retrospectively to its financial statements such that all comparative information is presented on the same basis.

#### *Basis of preparation*

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The financial statements are prepared on a going concern basis notwithstanding the consolidated deficit of current assets over current liabilities position at 31 December 2007. The directors believe this to be appropriate for the following reason. The directors have prepared projected cash flow information for the period to December 2009. On the basis of this cash flow information, the directors consider that the company will continue to operate within its available cash resources and bank facilities. Any financial forecasts by their nature contain uncertainty.

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

## Notes (continued)

### 2 Accounting policies (continued)

#### *Basis of preparation (continued)*

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes

- Note 5 – business combination
- Note 10 – utilisation of tax losses
- Note 20 – measurement of share based payments

#### *Basis of consolidation*

##### *Subsidiaries*

Subsidiaries are entities controlled by Consolidated Vending Plc (“the Company”) Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

##### *Transactions eliminated on consolidation*

Intra-group balances and any unrealised gains and losses, or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

#### *Property, plant and equipment*

##### *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy)

##### *Leased assets*

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases Assets acquired by finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses

#### *Depreciation*

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment Land is not depreciated The estimated useful lives are as follows

Photobooths	-	6 years straight line
Plant and machinery	-	3 years straight line
Motor vehicles	-	3-4 years straight line
Fixtures and fittings	-	3-4 years straight line
Children's rides	-	14% reducing balance

The residual value, if significant, is reassessed annually

#### *Intangible assets*

##### *Goodwill*

All business combinations are accounted for by applying the purchase method Goodwill represents amounts arising on acquisition of subsidiaries In respect of business acquisitions that have occurred since 6 June 2006, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities



## Notes (continued)

### 2 Accounting policies (continued)

#### *Intangible assets (continued)*

##### *Customer relationships*

Customer relationships relate to the fair value of agreements and relationships in place to allow photobooths and children's rides to operate in specified locations at the date of acquisition of subsidiaries. Such costs are being amortised to nil over their estimated useful lives as follows:

Photobooths	-	3 years
Children's rides	-	1 year

#### *Financial instruments*

Financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are stated initially at their fair value and then subsequently at their amortised cost.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with a maturity of 3 months or less.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

#### *Inventories*

Inventory consists of consumable supplies for photobooths and children's rides and photobooths held for sale or placement.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first in, first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

#### *Impairment*

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

## Notes (continued)

### 2 Accounting policies (continued)

#### Impairment (continued)

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Any impairment of goodwill is never reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Employee benefits

##### Pensions

The Group operates a defined contribution pension plan for certain employees. Obligations for contributions are recognised as an expense in the income statement as incurred.

##### Share based payment transactions

The Group operates an equity settled share based payment programme that allows certain directors to acquire shares of the Company.

The fair value of shares or options granted is recognised as an employee expense on a straight line basis in the income statement with a corresponding movement in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the shares or options (the vesting period). The fair value of the shares or options granted is measured using a valuation model, taking into account the terms and conditions upon which the shares or options were granted. All of the company's share options vested immediately upon the date of grant.

The fair value of options granted under the Group's share option scheme has been determined using the Black-Scholes option pricing model.

#### Revenue

##### Goods sold

Revenue from the sale of services is recognised in the income statement when cash is received in the company's vending machines.

#### Expenses

##### Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

##### Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Finance charges are calculated so as to produce a constant periodic rate of interest on the remaining balance of liability.

##### Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested.

Interest income is recognised in the income statement as it accrues.

## Notes (continued)

### 2 Accounting policies (continued)

#### *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method and represents the tax payable or recoverable on most temporary differences which arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). Deferred tax is not recognised on temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates expected to apply in the period in which the liability is settled or the asset is realised and is based upon tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised against future taxable profits. The carrying amounts of deferred tax assets are reviewed at each balance sheet date.

#### *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different to those of other segments.

#### *Discontinued operations*

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

#### *New standards and interpretations not yet adopted*

The following Adopted IFRS's were available for early application but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- IFRS 8 "Operating segments" introduces the "management approach" to segment reporting. 2008 financial statements will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business and geographical segments (see note 4). Under the management approach, the Group does not expect the presentation of its segment information to be significantly different.

## Notes (continued)

### 3 Discontinued operations

#### *Discontinued operation*

In October 2007, the Group sold the trade, assets and liabilities of BFresh Limited

The company could no longer continue to suffer the losses of BFresh Limited (toiletries vending) and successfully sold the trade, assets and liabilities of the company on 3 October to Underlease Limited. The consideration for the sale was £85,000 which was fully paid with a final instalment of £60,000 on 15 January 2008.

A pre-tax gain of £8,000 was recorded. The attributable tax was £Nil, leaving a gain after tax of £8,000.

During the year ended 31 December 2007, BFresh Limited had cash inflows from operating activities of £31,000 (2006 £263,000), cash inflows from investing activities of £58,000 (2006 £3,000) and cash flows from financing activities of £17,000 outflow (2006 £273,000 inflow).

#### *Results of the discontinued operations*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Revenue	111	86
Expenses	(144)	(10)
Profit before tax	(33)	76
Tax on profit	-	-
Gain recognised on disposal of assets	8	-
Tax on gain on disposal	-	-
	<u>0p</u>	<u>0p</u>
(Loss)/profit per share (see note 11)	<u>0p</u>	<u>0p</u>

Due to the tax losses generated in both the current and preceding periods, there is no tax expense on the discontinued operation.

#### *Effect of the disposals on individual assets and liabilities*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Property, plant and equipment	58	75
Inventories	28	35
Trade payables	(9)	(161)
	<u>77</u>	<u>(51)</u>
Net identifiable assets and liabilities	<u>77</u>	<u>(51)</u>
Consideration received, satisfied in cash	<u>85</u>	
Gain recognised on disposal	<u>8</u>	

## Notes (continued)

### 4 Segmental analysis

The directors consider that substantially all of the group's turnover originates from and is sold into the United Kingdom. An analysis of the group's turnover by market segment is as follows:

	Year ended 31 December 2007			Total	209 day period ended 31 December 2006		
	Children's rides £000	Photobooths £000	Toiletries (discontinued) £000		Photobooths £000	Toiletries (discontinued) £000	Total £000
Turnover	441	2,962	111	3,514	1,459	86	1,545
Depreciation	50	415	17	482	353	11	364
Segment (loss)/profit before taxation	(321)	(495)	(33)	(849)	(223)	76	(147)
Share based payments charge				(140)			(1,168)
Central (expenses)/income				(196)			123
<b>Group loss before taxation</b>				<b>(1,185)</b>			<b>(1,192)</b>

Substantially all of the group's net assets originate in the United Kingdom. An analysis of the group's net assets by market segment is as follows:

	Year ended 31 December 2007			Total	209 day period ended 31 December 2006		
	Children's rides £000	Photobooths £000	Toiletries (discontinued) £000		Photobooths £000	Toiletries (discontinued) £000	Total £000
Capitalised expenditure	-	52	-	52	12	-	12
Net segment assets	162	971	-	1,133	825	212	1,037
Unallocated net assets				439			599
<b>Consolidated net assets</b>				<b>1,572</b>			<b>1,636</b>

## Notes (continued)

### 5 Acquisitions of subsidiaries

On 27 June 2007, the Group acquired 100% of the ordinary shares in Kiddies Rides (UK) Limited for £638,000, satisfied by £338,000 of cash on completion, £150,000 of contingent cash payment and the issue of £150,000 of ordinary shares in Consolidated Vending Plc. Kiddies Rides (UK) Limited's clients include Tesco, Mothercare and Asda. In the year to 31 December 2007, the subsidiary contributed a profit of £29,000 before amortisation to the consolidated net loss for the year.

As the financial statements for Kiddies Rides (UK) Limited were historically prepared for 12 months to October, management cannot estimate the impact on the group revenue and loss as if the acquisition took place on 1 January 2007.

#### Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Recognised values on acquisition £000
<b>Acquiree's net assets at the acquisition date</b>			
Customer relationships	-	701	701
Property, plant and equipment	382	-	382
Inventories	16	-	16
Trade and other receivables	94	-	94
Cash and cash equivalents	63	-	63
Interest-bearing loans and borrowings	(126)	-	(126)
Trade and other payables	(296)	-	(296)
Deferred tax liabilities	-	(196)	(196)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	133	505	638
			<hr/>
Contingent consideration			150
Shares allotted			150
			<hr/>
			300
			<hr/>
Consideration paid satisfied in cash			338
Cash (acquired)			(63)
			<hr/>
Net cash outflow to date			275
			<hr/>

The contingent consideration is due on 30 June 2008, management expect the conditions for the consideration to be paid to be substantially met.

## Notes (continued)

### 5 Acquisitions of subsidiaries (continued)

#### Acquisitions in prior years

##### Snap Digital Imaging Limited

	Acquiree's book values £000	Fair value adjustments £000	Recognised values on acquisition £000
Net assets acquired			
Customer relationships	-	1,274	1,274
Property, plant and equipment	2,047	-	2,047
Trade and other receivables	410	-	410
Cash and cash equivalents	807	-	807
Trade and other payables	(1,910)	-	(1,910)
Interest bearing loans and borrowings	(2,200)	-	(2,200)
Deferred tax liabilities	-	(382)	(382)
	<hr/>	<hr/>	<hr/>
Net liabilities	(846)	892	46
	<hr/>	<hr/>	<hr/>
Total consideration			46
			<hr/>
Consideration paid satisfied in cash			46
Cash (acquired)			(807)
			<hr/>
Net cash inflow			761
			<hr/>

##### BFresh Limited

	Acquiree's book values and acquisition amounts £000
Net assets acquired	
Property, plant and equipment	244
Inventories	64
Trade and other receivables	43
Cash and cash equivalents	13
Trade and other payables	(138)
Interest bearing loans and borrowings	(74)
	<hr/>
Net assets	152
Negative goodwill	(70)
	<hr/>
Total consideration	82
	<hr/>
Satisfied by	
Shares allotted	82
	<hr/>
Cash (acquired)	13
	<hr/>
Net cash inflow	13
	<hr/>

## Notes (continued)

### 5 Acquisitions of subsidiaries (continued)

The full value of the negative goodwill of £70,000 was taken to the income statement in 2006 and is included within administrative expenses

### 6 Expenses and auditors' remuneration

*Included in profit/loss are the following*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
<i>Auditors' remuneration</i>		
Audit of these financial statements	9	9
	<hr/>	<hr/>
Amounts receivable by auditors and their associates in respect of		
	£000	£000
Audit of financial statements of subsidiaries pursuant to legislation	25	18
Other services pursuant to such legislation	27	-
Other services relating to taxation	10	7
	<hr/>	<hr/>

Amounts paid to the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

### 7 Remuneration of directors

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Directors' emoluments	231	110
Company contributions to money purchase pension schemes	15	7
	<hr/>	<hr/>
	246	117
	<hr/>	<hr/>

The aggregate emoluments of the highest paid director were £149,000 and company pension contributions of £15,000 were made to a money purchase pension scheme on his behalf



## Notes (continued)

### 8 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	Year ended 31 December 2007	209 day period ended 31 December 2006
Sales and support	21	25
Management	2	2
Administrative	3	4
	<u>26</u>	<u>31</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	756	428
Share based payments charge	-	1,168
Social security costs	78	50
Other pension costs	24	12
	<u>858</u>	<u>1,658</u>

### 9 Finance income and expense

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Gain on repayment of borrowings	450	-
Interest income on bank deposits	29	48
Finance income	<u>479</u>	<u>48</u>
Financial expenses	29	53
Interest expense on financial liabilities being net finance income/(expenses) attributable to equity holders of the company	<u>450</u>	<u>(5)</u>

The gain on repayment of borrowings arose on the exit of 3i from the group where £450,000 of the £1,550,000 loan outstanding was waived

## Notes (continued)

### 10 Taxation

#### *Recognised in the income statement*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	233	67
	<hr/>	<hr/>
Deferred tax credit	233	67
	<hr/>	<hr/>
Total tax expense	233	67
	<hr/> <hr/>	<hr/> <hr/>

#### *Reconciliation of effective tax rate*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Loss for the year	(952)	(1,125)
Total tax credit (including tax on discontinued operations)	(233)	(67)
	<hr/>	<hr/>
Loss excluding taxation	(1,185)	(1,192)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 30% (2006 30%)	(356)	(358)
<i>Effects of</i>		
Capital allowances for the period in excess of depreciation	(36)	(83)
Expenses not deductible for tax purposes	32	256
Increase in tax losses	129	85
Other items	(2)	33
	<hr/>	<hr/>
Total tax credit	(233)	(67)
	<hr/> <hr/>	<hr/> <hr/>

#### *Factors that may affect future tax charges*

The group has unrecognised tax losses of approximately £839,000. The net resulting deferred tax asset at 28% of £235,000 has not been recognised due to the level of uncertainty regarding its utilisation through the generation of future taxable trading profits.

The corporation tax rate applicable to the company changed from 30% to 28% from 1 April 2008.

Due to the tax losses generated in both the current and preceding periods, there is no tax expense on the discontinued operation.

## Notes (continued)

### 11 Loss per share

#### Basic

The basic loss per share is calculated by dividing the loss after taxation of £952,000 (2006 £1,125,000) by the weighted average number of ordinary shares in issue during the period of 233,873,230 (2006 153,412,178) ordinary shares of 0.1p each

#### Loss attributable to ordinary shareholders

	2007			2006		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000	£000	£000	£000	£000	£000
Loss attributable to ordinary shareholders	(927)	(25)	(952)	(1,201)	76	(1,125)

#### Weighted average number of ordinary shares

	2007	2006
Issued ordinary shares at 1 January	205,789,474	-
Effect of shares issued	28,083,756	153,412,178
Weighted average number of ordinary shares at 31 December	233,873,230	153,412,178

	Loss	2007 Weighted number of shares	Loss per share (pence)	Loss/ (profit)	2006 Weighted number of shares	Loss per share (pence)
	£000			£000		
Basic earnings per share	952	233,873,230	0.4	1,125	153,412,178	0.8
Basic earnings per share from continuing operations	927	233,873,230	0.4	1,201	153,412,178	0.8
Basic earnings per share from discontinued operations	25	233,873,230	0.0	(76)	153,412,178	0.0

## Notes (continued)

### 12 Property, plant and equipment

	Fixtures, fittings and equipment £000	Photoboosts, plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost</b>				
Balance at 6 June 2006	-	-	-	-
Acquisitions through business combinations	91	2,185	15	2,291
Other acquisitions	5	-	7	12
Disposals	-	(474)	-	(474)
Balance at 31 December 2006	96	1,711	22	1,829
Balance at 1 January 2007	96	1,711	22	1,829
Acquisitions through business combinations	8	345	29	382
Other acquisitions	16	5	31	52
Disposals	(37)	(406)	-	(443)
Balance at 31 December 2007	83	1,655	82	1,820
<b>Depreciation</b>				
Balance at 6 June 2006	-	-	-	-
Depreciation charge for the year	37	320	7	364
Disposals	-	(223)	-	(223)
Balance at 31 December 2006	37	97	7	141
Balance at 1 January 2007	37	97	7	141
Charge for the year	31	430	21	482
Disposals	(36)	(262)	-	(298)
Balance at 31 December 2007	32	265	28	325
<b>Net book value</b>				
At 6 June 2006	-	-	-	-
At 31 December 2006 and 1 January 2007	59	1,614	15	1,688
At 31 December 2007	51	1,390	54	1,495

The net book value of motor vehicles includes £54,000 (2006 £13,000) in respect of assets held under finance leases. Depreciation for the period on these assets was £21,000 (2006 £7,000).

**Notes (continued)**

**13 Intangible assets**

	<b>Customer relationships £000</b>
<i><b>Cost</b></i>	
Balance at 6 June 2006	-
Acquisitions through business combinations	1,274
	<hr/>
Balance at 31 December 2006	1,274
	<hr/>
Balance at 1 January 2007	1,274
Acquisitions through business combinations	701
	<hr/>
Balance at 31 December 2007	1,975
	<hr/>
<i><b>Amortisation</b></i>	
Balance at 6 June 2006	-
Amortisation for the period	222
	<hr/>
Balance at 31 December 2006	222
	<hr/>
Balance at 1 January 2007	222
Amortisation for the period	775
	<hr/>
Balance at 31 December 2007	997
	<hr/>
<i><b>Net book value</b></i>	
At 6 June 2006	-
	<hr/>
At 31 December 2006 and 1 January 2007	1,052
	<hr/>
At 31 December 2007	978
	<hr/>

The amortisation charge is recognised in administrative expenses in the income statement

## Notes (continued)

### 14 Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following

	2007 £000	2006 £000
Property, plant and equipment	78	193
Losses	(78)	(193)
Intangible assets	278	315
	<hr/>	<hr/>
Net tax liabilities	278	315
	<hr/>	<hr/>

#### *Movement in deferred tax during the year*

	1 January 2007 £000	Recognised in income £000	Acquired in business combination £000	31 December 2007 £000
Intangible assets	315	(233)	196	278
	<hr/>	<hr/>	<hr/>	<hr/>

#### *Movement in deferred tax in 2006*

	6 June 2006 £000	Recognised in income £000	Acquired in business combination £000	31 December 2006 £000
Intangible assets	-	(67)	382	315
	<hr/>	<hr/>	<hr/>	<hr/>

### 15 Inventories

	2007 £000	2006 £000
Finished goods and consumables	299	336
	<hr/>	<hr/>

In 2007, £64,000 (2006 £97,000) of finished goods and consumables were recognised in cost of sales

In 2007, the write down of inventories to net realisable value amounted to £45,000 (2006 £67,000)

## Notes (continued)

### 16 Trade and other receivables

	2007 £000	2006 £000
<i>Non-current assets</i>		
Pre-contract costs	-	42
	<hr/>	<hr/>
	2007 £000	2006 £000
<i>Current assets</i>		
Trade receivables	47	190
Other receivables	277	316
Pre-contract costs	42	50
Prepayments	32	35
	<hr/>	<hr/>
	398	591
	<hr/>	<hr/>

Pre-contract costs relate to expenses incurring in tendering for a 6 year contract. These costs are being written off over the life of the contract which ends in October 2008.

### 17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 24.

	2007 £000	2006 £000
<i>Non-current liabilities</i>		
Finance lease liabilities	14	5
Trafalgar capital loan	273	-
3i Group plc	-	250
Arc convertible debt	54	54
	<hr/>	<hr/>
	341	309
	<hr/>	<hr/>
<i>Current liabilities</i>		
Current portion of bank loans	-	29
Current portion of finance lease liabilities	25	6
Other loan	68	-
Trafalgar capital loan	117	-
3i Group plc	-	1,300
	<hr/>	<hr/>
	210	1,335
	<hr/>	<hr/>

The bank loan shown in 2006 represented an amount advanced to a subsidiary under the Small Firms Loan Guarantee Scheme and was unsecured.

Obligations under finance leases are secured on the assets to which they relate.

The other loan of £68,000 is payable to Lawrence Collins and was part of the Share Purchase Agreement on acquisition of Kiddies Rides (UK) Limited. The debt is payable in equal instalments of £5,667 until December 2008. No interest is payable.

## Notes (continued)

### 17 Interest-bearing loans and borrowings (continued)

The ARC loan of £54,000 was a convertible loan agreement set up between BFresh and Arc, which has since moved into the holding company Consolidated Vending Plc. This loan is for a term of five years from 6 February 2006 and is interest bearing at 7% per annum. The loan is convertible at the option of the lender in exchange for 2,834,483 ordinary shares of Consolidated Vending plc. The fair value of the convertible element of the loan is immaterial to these financial statements.

The debt due to 3i Group plc of £1,550,000 was repaid in 2007 with a discount of £450,000 as part of their exit from the group.

A convertible loan agreement was entered into on 27 June 2007 with Trafalgar Capital Specialised Investment Fund for an amount of £625,000. This carries an initial interest rate of 8%. The first capital repayment becomes due in June 2008 and the loan is repaid by July 2009. From July 2008, the interest rate increases to 12% and is then incremental by 1% per month to 24% at the end of the term. The loan becomes convertible at the request of the lender.

#### Trafalgar loan

	£000
Face value of loan	625,000
Transaction costs paid in cash	(54,000)
Transaction costs paid through share issue	(134,000)
Transaction costs taken to income statement	47,000
Amount classified as equity	(94,000)
	<hr/>
Carrying amount as at 31 December 2007	390,000
	<hr/>

#### Finance lease liabilities

Finance lease liabilities are payable as follows

	2007			2006		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	27	2	25	6	-	6
Between one and five years	18	4	14	6	1	5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	45	6	39	12	1	11
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 18 Trade and other payables

#### Group

	2007 £000	2006 £000
<i>Current</i>		
Trade payables	539	701
Other taxes and social security	82	144
Accruals	319	224
	<hr/>	<hr/>
	940	1,069
	<hr/>	<hr/>



## Notes (continued)

### 19 Share capital

	Ordinary shares	
	2007	2006
On issue at 1 January	205,789,474	-
Issued for cash	54,524,352	205,789,474
	<hr/>	<hr/>
On issue at 31 December – fully paid	260,313,826	205,789,474
	<hr/>	<hr/>
	2007	2006
	£000	£000
<i>Authorised:</i>		
Ordinary shares of 0.1p each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of 0.1p each	260	206
Equity element of convertible debt	94	-
	<hr/>	<hr/>
	354	206
	<hr/>	<hr/>

On 27 June 2007, the company issued 3,361,344 shares to Lawrence Collins at 1.4875p per share as part of the Share Purchase Agreement of Kiddies Rides (UK) Limited

On 27 June 2007, the company issued 10,084,034 shares to Collins Holdings at 1.4875p per share as part of the purchase consideration of Kiddies Rides (UK) Limited

On 27 June 2007, the company issued 22,667,209 shares to Arc Shares Nominees at 1.4875p per share in exchange for an investment in the company of £350,000. This was used to part fund the purchase of Kiddies Rides (UK) Limited

On 27 June 2007, the company issued 2,689,076 shares to Arc Fund Management Limited at 0.1p per share which was satisfied in cash of £2,689.08. The shares were issued at a discount to market value in order to reimburse Arc Shares Nominees for their fees in relation to their investment in the business. The difference between issue cost and market value of £40,000 has been treated as a share based payment.

On 27 June 2007, the company issued 6,722,689 shares to SVS Securities at 0.1p per share satisfied in cash of £6,722.69. The shares were issued at a discount to market value in order to reimburse SVS Securities for their fees in relation to their introduction of Trafalgar Capital to the business. The difference between issue cost and market value of £100,000 has been treated as a share based payment.

On 27 June 2007, the company issued 9,000,000 shares to Trafalgar Capital at 0.1p per share as a condition of the loan agreement. This was part used to repay 31 debt and aid the purchase of Kiddies Rides (UK) Limited. The shares were issued at a discount to market value in order to reimburse Trafalgar Capital for their fees in relation to their investment in the business. The difference between issue cost and market value of £134,000 has been treated as a share based payment and offset against the debt.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## Notes (continued)

### 20 Share based payments

#### *Employee share scheme*

The following options over the company shares were in issue and unexercised at the beginning and end of the year

Name of Option Holder	Number of Option Shares	Option Exercise Price
AP Coll	34,000,000	0 1p
AP Coll	6,000,000	3p
RJ Steele	6,000,000	0 1p
RJ Steele	4,000,000	3p
JC Dowse	6,000,000	3p
Other	4,000,000	3p

#### *Share based payments*

All of the options are exercisable at any time following grant on 23 June 2006 until 23 June 2016. The holders of 0 1p options have entered into an agreement with the company, SVS Securities Plc (the company's broker) and Blomfield Corporate Finance Limited (the company's nominated advisor) under which they have accepted a 24 month restriction on their ability to dispose of any options held by them and on any shares deriving from their exercise, this expires on 22 June 2008.

#### *Measurement*

In order to measure the value of the shares under the options granted, a version of the Black-Scholes model was used. The following factors were used in arriving at the value of the scheme:

Exercise price	-	0 1p or 3p respectively
Fair value per option	-	2 9p per option and 0 04p per option respectively
Life of option	-	vested immediately upon date of grant
Risk free interest rate	-	6%
Volatility	-	54%

#### *Shares issued in exchange for services*

Shares were issued in exchange for services as outlined in note 19. As the shares were issued on the same day as the service was performed their fair value has been taken as the market price on that day of 1 4875p per share.

Total shares issued were 18,411,765 with a total market value of £274,000.

£134,000 of these costs were eligible to be capitalised as loan issue costs, the remaining £140,000 has been charged to the income statement.

The total charge to the income statement in respect of equity settled share based payments was £140,000 (2006 £1,168,000). This charge is shown within administrative expenses.

## Notes (continued)

### 21 Contingent liability

#### *Powerpod Holdings Plc*

On 20 February 2006, BFresh entered into a share sale agreement with some of the shareholders of Powerpod Holdings Plc whereby for a consideration of £5,000, BFresh acquired 6,500,000 ordinary shares in Powerpod Holdings comprising 65% of the issued ordinary share capital of Powerpod Holdings. This triggered an obligation on BFresh under the City Code on Takeovers and Mergers to make an offer to acquire the remaining shares in Powerpod Holdings not already owned by it. The acquisition cost of the compulsory offer was estimated to be £2,692.31. As at 31 December 2007, BFresh owned 94.1% of Powerpod Holdings Plc and initiated the process of Compulsory Share Purchase Procedure for the remaining shares, via our company secretary (Woodside Corporate Services Limited).

### 22 Related parties

#### *Transactions with key management personnel*

Directors of the Company and their immediate relatives control 4.7 (2006: 6.0) per cent of the voting shares of the Company.

The compensation of key management personnel (the directors) is as follows:

	2007 £000	2006 £000
Key management emoluments	231	110
Social security costs	22	16
Company contributions to money purchase pension schemes	15	7
Share options granted	-	1,166
	<hr/> 268 <hr/>	<hr/> 1,299 <hr/>

The share options granted are still outstanding as at 31 December 2007.

On 23 June 2006, the company issued 8,200,000 ordinary shares of 0.1p each at the subscription price of 1.65p each to Arc Fund Management Limited, a company of which RR Haddow is a director, in consideration for services in coordinating the raising of equity finance for the company.

On 23 June 2006, the company issued 7,600,000 ordinary shares of 0.1p each at the subscription price of 1.65p each to Arc Management Services Limited, a company of which RR Haddow is a director, in consideration for a finders fee in respect of the investment made by the Arc EIS 4 Fund and corporate finance advice in relation to the structure of the investment in the company.

On 23 June 2006, the company issued 800,000 ordinary shares of 0.1p each at the subscription price of 1.65p each to Arc Corporate Services Limited, a company of which RR Haddow is a director, in consideration for corporate services.

On 27 June 2007, the company issued 22,667,209 ordinary shares of 0.1p each to Arc Shares Nominees at 1.4875p per share, a company of which RR Haddow is a director, in consideration for corporate services.

On 27 June 2007, the company issued 2,689,076 ordinary shares to Arc Shares Nominees at 0.1p per share which was satisfied in cash of £2,689.08, a company of which RR Haddow is a director, in consideration for corporate services.

## Notes (continued)

### 23 Pension costs

The group makes contributions to defined contribution pension arrangements on behalf of certain employees. The pension cost charge for the period represents the contributions payable by the group and amounted to £24,000 (2006 £12,000)

The amount outstanding at the end of the financial period amounted to £3,000 (2006 £3,000)

### 24 Financial instruments

#### (a) Fair values of financial instruments

##### *Trade and other receivables*

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

##### *Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements

## Notes (continued)

### 24 Financial instruments (continued)

#### *Fair values*

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows

	2007		2006	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and cash equivalents	171	171	955	955
Trade receivables (note 16)	47	47	190	190
<b>Total loans and receivables</b>	<b>218</b>	<b>218</b>	<b>1,145</b>	<b>1,145</b>
<b>Total financial assets</b>	<b>218</b>	<b>218</b>	<b>1,145</b>	<b>1,145</b>
Interest-bearing loans and borrowings (note 17)	(551)	(551)	(1,644)	(1,644)
Trade payables (note 18)	(539)	(539)	(701)	(701)
<b>Total financial liabilities measured at amortised cost</b>	<b>(1,090)</b>	<b>(1,090)</b>	<b>(2,345)</b>	<b>(2,345)</b>
<b>Total financial liabilities</b>	<b>(1,090)</b>	<b>(1,090)</b>	<b>(2,345)</b>	<b>(2,345)</b>
<b>Total financial instruments</b>	<b>(872)</b>	<b>(872)</b>	<b>(1,200)</b>	<b>(1,200)</b>

Due to the nature and/or short term maturity of these financial instruments, management believe carrying values approximate to fair values

#### **(b) Credit risk**

##### *Financial risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities

The group trade is highly cash generative through vending machine cash collections, therefore, the directors believe the credit risk to be very low

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £218,000 (2006 £1,145,000), being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above

## Notes (continued)

### 24 Financial instruments (continued)

The maximum exposure to credit risk for trade receivables at the balance sheet date was

	2007 £000	2006 £000
Trade receivables	47	190

#### *Credit quality of financial assets and impairment losses*

The aging of trade receivables at the balance sheet date was

	2007 £000	Gross 2006 £000
Not past due	45	166
Past due 0-30 days	1	-
Past due 31-90 days	-	-
More than 90 days	1	24
	47	190

There were no other receivables past due as at 31 December 2007 (2006 £Nil)

### (c) Liquidity risk

#### *Financial risk management*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due

Management believe the principal liquidity risk to the Group is the potential failure on the markets on which it depends

This potential failure may arise from Government Legislation on the processing of passport photographs in Snap Digital or the fact that no contracts exist within the Kiddies Rides (UK) Limited business for the major clients of Tesco, Mothercare and Asda. Failure to keep booths and/or rides sited with clients will significantly impact the liquidity of the business

## Notes (continued)

### 24 Financial instruments (continued)

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	2007					2006				
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000
<b>Financial liabilities</b>										
Bank loans	-	-	-	-	-	29	29	29	-	-
Finance lease liabilities	39	45	27	14	4	11	12	12	-	-
Trafalgar Capital loan	390	740	25	715	-	-	-	-	-	-
3i Group plc	-	-	-	-	-	1,550	1,606	1,333	273	-
Arc convertible debt	54	73	-	-	73	54	73	-	-	73
Other loan	68	68	68	-	-	-	-	-	-	-
Trade and other payables	940	940	940	-	-	1,069	1,069	1,069	-	-
	<u>1,491</u>	<u>1,866</u>	<u>1,060</u>	<u>729</u>	<u>77</u>	<u>2,713</u>	<u>2,789</u>	<u>2,443</u>	<u>273</u>	<u>73</u>

## Notes (continued)

### 24 Financial instruments (continued)

#### (d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

#### (e) Market risk

##### Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Groups' income or the value of its holdings of financial instruments.

All of the groups' loans are at fixed interest rates which minimises the exposure to market risk, therefore, the directors do not believe it is appropriate to prepare a sensitivity on this basis.

##### Market risk – Interest rate risk

##### Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was

	2007 £'000	2006 £'000
<b>Fixed rate instruments</b>		
Financial liabilities	(551)	(94)
	<hr/>	<hr/>
<b>Variable rate instruments</b>		
Financial assets	171	955
Financial liabilities	-	(1,550)
	<hr/>	<hr/>
	171	(595)
	<hr/>	<hr/>

### 25 Operating leases

Non-cancellable operating lease rentals are payable as follows

	2007 £000	2006 £000
Less than one year	81	81
Between one and five years	159	240
	<hr/>	<hr/>
	240	321
	<hr/>	<hr/>

The Group leases two warehouse and factory facilities under operating leases. Land and buildings have been considered separately for lease classification.

During the year £81,000 was recognised as an expense in the income statement in respect of operating leases (2006 £38,000).



## Notes *(continued)*

### **26 Explanation of transition to Adopted IFRSs**

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs

The accounting policies set out in notes 1 and 2 have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the 209 day period ended 31 December 2006 and in the preparation of an opening IFRS balance sheet at 6 June 2006 (the Group's date of transition)

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables

No reconciliation at the date of transition (6 June 2006) has been presented since the company was newly incorporated on that date and therefore no adjustments arose on transition to IFRS

## Notes (continued)

### 26 Explanation of transition to Adopted IFRSs (continued)

#### Reconciliation of equity

		31 December 2006 Effect of transition to Adopted IFRSs	Adopted IFRSs
	UK GAAP £000	£000	£000
<b>Non-current assets</b>			
Property, plant and equipment	1,688	-	1,688
Intangible assets			
Goodwill	800	(800)	-
Customer relationships	-	1,052	1,052
Other receivables	42	-	42
	<u>2,530</u>	<u>252</u>	<u>2,782</u>
<b>Current assets</b>			
Inventories	336	-	336
Trade and other receivables	591	-	591
Cash and cash equivalents	955	-	955
	<u>1,882</u>	<u>-</u>	<u>1,882</u>
<b>Total assets</b>	<u>4,412</u>	<u>252</u>	<u>4,664</u>
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	(1,335)	-	(1,335)
Trade and other payables	(1,069)	-	(1,069)
	<u>(2,404)</u>	<u>-</u>	<u>(2,404)</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	(309)	-	(309)
Deferred tax liability	-	(315)	(315)
	<u>(309)</u>	<u>(315)</u>	<u>(624)</u>
<b>Total liabilities</b>	<u>(2,713)</u>	<u>(315)</u>	<u>(3,028)</u>
<b>Net assets</b>	<u>1,699</u>	<u>(63)</u>	<u>1,636</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	206	-	206
Share premium	1,387	-	1,387
Retained earnings	106	(63)	43
<b>Total equity</b>	<u>1,699</u>	<u>(63)</u>	<u>1,636</u>

## Notes (continued)

### 26 Explanation of transition to Adopted IFRSs (continued)

#### Notes to the reconciliation of equity

- (a) Under Adopted IFRS an exercise has been undertaken to restate previous acquisitions under IFRS 3 "Business combinations" which has resulted in the derecognition of goodwill previously arising on business combinations under UK GAAP and the recognition of customer contracts as intangible assets arising from previous acquisitions. These amounts have further increased at 30 June 2007 following the acquisition of Kiddies Rides (UK) Limited
- (b) The decrease in retained earnings at 31 December 2006 is made up as follows
- net adjustments to income statement of £63,000

#### Reconciliation of loss

	UK GAAP £000	2006 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
<b>Revenue</b>	<b>1,545</b>	<b>(86)</b>	<b>1,459</b>
Cost of sales	(856)	91	(765)
<b>Gross profit</b>	<b>689</b>	<b>5</b>	<b>694</b>
Other operating income	369	(214)	155
Distribution expenses	(502)	65	(437)
Administrative expenses	(1,613)	(62)	(1,675)
<b>Operating loss before net financing costs</b>	<b>(1,057)</b>	<b>(206)</b>	<b>(1,263)</b>
Financial income	48	-	48
Financial expenses	(53)	-	(53)
<b>Net financing costs</b>	<b>(5)</b>	<b>-</b>	<b>(5)</b>
<b>Loss before tax</b>	<b>(1,062)</b>	<b>(206)</b>	<b>(1,268)</b>
Taxation	-	67	67
<b>Loss after tax but before gain on discontinued operation</b>	<b>(1,062)</b>	<b>(139)</b>	<b>(1,201)</b>
Profit from discontinued operation, net of tax	-	76	76
<b>Loss for the year</b>	<b>(1,062)</b>	<b>(63)</b>	<b>(1,125)</b>
<b>Attributable to:</b>			
Equity holders of the parent	(1,062)	(63)	(1,125)
<b>Loss for the year</b>	<b>(1,062)</b>	<b>(63)</b>	<b>(1,125)</b>

## Notes (continued)

### 26 Explanation of transition to Adopted IFRSs (continued)

#### *Notes to the reconciliation of loss*

(a) Under UK GAAP, goodwill was amortised over its estimated useful life. Under IFRS 3 "Business combinations, goodwill is not amortised but is subject to annual impairment review. In addition, the directors have reviewed the balance of negative goodwill upon transition to IFRS and in accordance with IFRS 3 they have written off this balance of negative goodwill. The reversal of goodwill amortisation resulted in a credit of £21,000. The write off of negative goodwill resulted in a credit of £68,000 and the amortisation of the customer contracts and the associated deferred tax liability resulted in a debit of £152,000. The net effect on the loss for the year was a debit of £63,000.

(b) The trade assets and liabilities of BFresh Limited were sold in 2007. Under IFRS this has resulted in all income and expenditure relating to BFresh being reclassified into the profit from discontinued operations line in the income statement.

#### *Reconciliation of cash flow*

There has been no effect on the company's cash flows as a result of the transition to Adopted IFRS.

**Company balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Investments	30	720	128
<b>Current assets</b>			
Debtors	31	2,672	2,384
Cash at bank and in hand		121	727
		<b>2,793</b>	<b>3,111</b>
<b>Creditors: amounts falling due within one year</b>	32	<b>(328)</b>	<b>(806)</b>
<b>Net current assets</b>		<b>2,465</b>	<b>2,305</b>
<b>Total assets less current liabilities</b>		<b>3,185</b>	<b>2,433</b>
<b>Creditors: amounts falling due after more than one year</b>	33	<b>(327)</b>	<b>(695)</b>
<b>Net assets</b>		<b>2,858</b>	<b>1,738</b>
<b>Capital and reserves</b>			
Called up share capital	35	354	206
Share premium account	36	1,853	1,387
Profit and loss account	36	651	145
<b>Shareholders' funds</b>		<b>2,858</b>	<b>1,738</b>

These financial statements were approved by the board of directors on 27 June 2008 and were signed on its behalf by

AP Coll  
Director



**Company reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2007*

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Profit/(loss) for the financial period	332	(1,023)
Credit in relation to share based payments	174	1,168
New share capital subscribed (net of issue costs)	520	1,593
Issue of convertible debt	94	-
<b>Net addition to shareholders' funds</b>	<b>1,120</b>	<b>1,738</b>
Opening shareholders' funds	1,738	-
<b>Closing shareholders' funds</b>	<b>2,858</b>	<b>1,738</b>

## Notes

*(forming part of the financial statements)*

### 27 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards under UK GAAP and under the historical cost accounting rules

#### ***Basis of consolidation***

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account

#### ***Investments***

Investments in subsidiary undertaking, are stated at cost less amounts written off

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

#### ***Taxation***

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by FRS 19 full provision, without discounting, is made for all timing differences which have arisen but not reversed at the balance sheet date

#### ***Leases***

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments. All other leases are treated as operating leases and rentals are charged to the profit and loss account on a straight line basis over the life of the lease

#### ***Post-retirement benefits***

The company makes contributions to defined contribution pension arrangements on behalf of certain employees. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable for the period

#### ***Share based payments***

The fair value of shares or options granted after 7 November 2002 is recognised as an employee expense on a straight line basis in the profit and loss account with a corresponding movement in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect an estimate of the number of shares or options that are expected to vest

The fair value of shares or options granted has been determined using the Black-Scholes model

## Notes (continued)

### 27 Accounting policies (continued)

#### Cash

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand less creditors payable on demand

#### Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers, the substantial majority of which arose in the United Kingdom in relation to its principal activities

### 28 Remuneration of directors

	Year ended 31 December 2007 £000	209 day period ended 31 December 2006 £000
Directors' emoluments	231	110
Company contributions to money purchase pension schemes	15	7
	<u>246</u>	<u>117</u>

The aggregate emoluments of the highest paid director were £149,000 and company pension contributions of £15,000 were made to a money purchase pension scheme on his behalf

### 29 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees Year ended 31 December 2007	209 day period ended 31 December 2006
Directors	2	2

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	228	109
Share based payments charge	-	1,166
Social security costs	22	16
Other pension costs	15	7
	<u>265</u>	<u>1,298</u>



## Notes (continued)

### 30 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At beginning of period	128
Additions	592
	<hr/>
At end of period	720
	<hr/>

The companies in which the Company's interest at the year end is more than 20% are as follows

Subsidiary	Nature of business	Percentage of ordinary shares held
Snap Digital Imaging Limited	Photo booths	100
Photo You International Limited *	Dormant	100
BFresh Limited	Toiletries vending - discontinued	100
B Snappy Limited *	Dormant	100
Powerpod Holdings plc *	Dormant	94
Powerpod Limited *	Dormant	100
Kiddies Rides (UK) Limited	Children's rides	100
Aqua Polar Limited	Dormant	100

\* Denotes indirect subsidiary

The above companies are incorporated in Great Britain and registered in England and Wales

### 31 Debtors

	2007 £000	2006 £000
Amounts due from group undertakings	2,642	2,141
Other debtors	30	243
	<hr/>	<hr/>
	2,672	2,384
	<hr/>	<hr/>

### 32 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Other loan		
Trafalgar loan	117	-
31 plc loan	-	750
Other creditors	41	56
Accruals	20	-
Kiddies Rides (UK) contingent fee	150	-
	<hr/>	<hr/>
	328	806
	<hr/>	<hr/>

## Notes (continued)

### 33 Creditors: amounts falling due after one year

	2007 £000	2006 £000
Amounts due to group undertakings	-	445
Other loan		
Trafalgar loan	273	-
Arc convertible debt	54	-
3i plc loan	-	250
	<u>327</u>	<u>695</u>

#### Analysis of debt

	2007 £000	2006 £000
Debt can be analysed as falling due		
In one year or less, or on demand	117	750
Between one and two years	273	250
After two years	54	-
	<u>444</u>	<u>1,000</u>

The ARC loan of £54,000 was a convertible loan agreement set up between BFresh and Arc, which has since moved into the holding company Consolidated Vending Plc. This loan is for a term of five years from 6 February 2006 and is interest bearing at 7% per annum. The loan is convertible at the option of the lender in exchange for 2,834,483 ordinary shares of Consolidated Vending plc. The fair value of the convertible element of the loan is immaterial to these financial statements.

A convertible loan agreement was entered into on 27 June 2007 with Trafalgar Capital Specialised Investment Fund for an amount of £625,000. This carries an initial interest rate of 8%. The first capital repayment becomes due in July 2008 and the loan is repaid by July 2009. From July 2008, the interest rate increases to 12% and is then incremental by 1% per month to 24% at the end of the term. The loan becomes convertible at the request of the lender.

#### *Trafalgar loan*

	£000
Face value of loan	625,000
Transaction costs paid in cash	(54,000)
Transaction costs paid through share issue	(134,000)
Transaction costs taken to income statement	47,000
Amount classified as equity	<u>(94,000)</u>
Carrying amount as at 31 December 2007	<u>390,000</u>

## Notes (continued)

### 34 Employee share scheme

#### *Share based payments*

The following options over the company shares were in issue and unexercised at the beginning and end of the year

Name of Option Holder	Number of Option Shares	Option Exercise Price
AP Coll	34,000,000	0 1p
AP Coll	6,000,000	3p
RJ Steele	6,000,000	0 1p
RJ Steele	4,000,000	3p
JC Dowse	6,000,000	3p
Other	4,000,000	3p

#### *Share based payments*

All of the options are exercisable at any time following grant on 23 June 2006 until 23 June 2016. The holders of 0 1p options have entered into an agreement with the company, SVS Securities Plc (the company's broker) and Blomfield Corporate Finance Limited (the company's nominated advisor) under which they have accepted a 24 month restriction on their ability to dispose of any options held by them and on any shares deriving from their exercise, this expires on 22 June 2008.

#### *Measurement*

In order to measure the value of the shares under the options granted, a version of the Black-Scholes model was used. The following factors were used in arriving at the value of the scheme:

Exercise price	-	0 1p or 3p respectively
Fair value per option	-	2 9p per option and 0 04p per option respectively
Life of option	-	vested immediately upon date of grant
Risk free interest rate	-	6%
Volatility	-	54%

#### *Shares issued in exchange for services*

Shares were issued in exchange for services as outlined in note 35. As the shares were issued on the same day as the service was performed their fair value has been taken as the market price on that day of 1 4875p per share.

Total shares issued were 18,411,765 with a total market value of £274,000.

£134,000 of these costs were eligible to be capitalised as loan issue costs, the remaining £140,000 has been charged to the income statement.

The total charge to the income statement in respect of equity settled share based payments was £140,000 (2006 £1,168,000). This charge is shown within administrative expenses.

### 35 Share capital

	Ordinary shares	
	2007	2006
On issue at 1 January	205,789,474	-
Issued for cash	54,524,352	205,789,474
	<hr/>	<hr/>
On issue at 31 December – fully paid	260,313,826	205,789,474
	<hr/>	<hr/>

## Notes (continued)

### 35 Share capital (continued)

	2007 £000	2006 £000
<b>Authorised:</b>		
Ordinary shares of 0.1p each	1,000	1,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of 0.1p each	260	206
Equity element of convertible debt	94	-
	<hr/>	<hr/>
	354	206
	<hr/>	<hr/>

On 27 June 2007, the company issued 3,361,344 shares to Lawrence Collins at 1.4875p per share as part of the Share Purchase Agreement of Kiddies Rides (UK) Limited

On 27 June 2007, the company issued 10,084,034 shares to Collins Holdings at 1.4875p per share as part of the purchase consideration of Kiddies Rides (UK) Limited

On 27 June 2007, the company issued 22,667,209 shares to Arc Shares Nominees at 1.4875p per share in exchange for an investment in the company of £350,000. This was used to part fund the purchase of Kiddies Rides (UK) Limited

On 27 June 2007, the company issued 2,689,076 shares to Arc Fund Management Limited at 0.1p per share which was satisfied in cash of £2,689.08. The shares were issued at a discount to market value in order to reimburse Arc Shares Nominees for their fees in relation to their investment in the business. The difference between issue cost and market value of £40,000 has been treated as a share based payment.

On 27 June 2007, the company issued 6,722,689 shares to SVS Securities at 0.1p per share satisfied in cash of £6,722.69. The shares were issued at a discount to market value in order to reimburse SVS Securities for their fees in relation to their introduction of Trafalgar Capital to the business. The difference between issue cost and market value of £100,000 has been treated as a share based payment.

On 27 June 2007, the company issued 9,000,000 shares to Trafalgar Capital at 0.1p per share as a condition of the loan agreement. This was part used to repay 31 debt and aid the purchase of Kiddies Rides (UK) Limited. The shares were issued at a discount to market value in order to reimburse Trafalgar Capital for their fees in relation to their investment in the business. The difference between issue cost and market value of £134,000 has been treated as a share based payment and offset against the debt.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 36 Share premiums and reserves

	Share premium account £000	Profit and loss account £000
At beginning of period	1,387	145
Arising on share issues (net of issue costs)	466	-
Profit for the financial period	-	232
Share based payments	-	274
	<hr/>	<hr/>
<b>At end of period</b>	1,853	651
	<hr/>	<hr/>

The profit of the holding company dealt with in these accounts amounted to £232,000 (2006 £145,000)

## **Notes** *(continued)*

### **37 Commitments**

The company had no annual commitments under non-cancellable operating leases at the period end