

Co. House

Room Service Group Plc
(formerly The Cube8 Group plc)

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2002

Company Registration No: 3916791



Room Service Group Plc
(formerly The Cube8 Group plc)

COMPANY INFORMATION

Directors : G S Gold
R S Pearl

Company Secretary : B M Sumner

Registered Office : 1st floor
159 Brent Street
Hendon
London NW4 4DH

Registered Number : 3916791

Independent Auditors : Baker Tilly
2 Bloomsbury Street
London
WC1B 3ST

Registrars : Capita IRG
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

**Nominated Adviser and
Broker** : John East & Partners
Crystal Gate
28-30 Worship Street
London
EC2A 2AM

Solicitors : Lawrence Stephens
14/16 Great Portland Street
London
W1W 8QW

Room Service Group Plc
(formerly The Cube8 Group plc)

CHAIRMAN'S STATEMENT

I am pleased to present my report on the Group's activities and financial results for the year ended 31 December 2002.

Trading

The year ended 31 December 2002 proved to be very difficult for the Company. The Company's food delivery subsidiary Room Service (UK) Limited, having made a loss of £430,000 during the year, was put into members' voluntary liquidation in January 2003.

The results of Room Service (UK) Limited have not been included in these consolidated financial statements, on the basis that to do so would be inconsistent with the requirement to give a true and fair view.

The consolidated profit and loss account shows that the Group incurred an operating loss for the year of £1.091 million (2001: loss £3.574 million) from turnover of £0.017 million (2001: £0.991 million).

The loss on ordinary activities before taxation was £2.837 million (2001: loss £5.504 million).

As a result of the liquidation the preparation and audit of the Company's financial statements for the year ended 31 December 2002 was delayed resulting in a temporary suspension of the Company's shares pending publication of the Company's Report and Financial Statements.

The auditors have drawn attention to the 'going concern' status of the Group because there are at present no trading businesses while there remain a number of creditors outstanding. On 3 April 2002, Hanover Capital Group plc announced that it was to acquire the outstanding debt of £216,000 from the creditors of Room Service Group plc.

In the event, Hanover only succeeded in acquiring debt of £119,760 from the creditors of the Group, leaving £96,740 outstanding. The directors have been notified that Chiddingfold Investments Limited ("Chiddingfold") has acquired the Hanover debt and has accordingly become a creditor of the Group.

Your directors now understand that Chiddingfold will enter into arrangements to make a loan of £100,000 to the Company, convertible, subject to shareholder consent, into ordinary shares at 1p per share after the capital reorganisation referred to below, to enable it to discharge its remaining creditors.

During the course of the year, the company incurred a liability to Coran Investments Limited ("Coran") for the provision of services. The company has agreed to discharge this liability by transferring its remaining investments to Coran. On realisation, Coran shall be entitled to retain the first £50,000 of sale proceeds with any surplus over £50,000 being shared equally between Coran and the Company.

Included in the notice of meeting accompanying the financial statements are details of a capital reorganisation, designed as a first step towards placing the company in a position to seek an acquisition, which would be a reverse takeover, intended to restore some value to shareholders.

Board Changes


Alexander Duma resigned as Chairman on 23 January 2003 and I took over as Chairman on that date. Nicolas Greenstone and Raymond Harris are proposed to be appointed to the board at the forthcoming Annual General Meeting.

**Room Service Group Plc
(formerly The Cube8 Group plc)**

CHAIRMAN'S STATEMENT
(continued)

Prospects

Following the liquidation of Room Service (UK) Limited, the Company has no trading operations but still holds a small number of investments. The directors are actively seeking to realise the Company's investments in order to satisfy amounts due to creditors. They are also actively seeking suitable acquisitions or investment opportunities, which are likely to be classified as a reverse takeover under the AIM Rules and require shareholder approval.



Gerald Gold
Chairman

19 September 2003

Room Service Group Plc
(formerly The Cube8 Group plc)

REPORT OF THE DIRECTORS
for the year ended 31 December 2002

The directors present their report and the financial statements for the year ended 31 December 2002.

Change of name

The Company changed its name to Room Service Group plc on 8 January 2002.

Results and dividends

The results of the Group for the year ended 31 December 2002 are set out in the financial statements on pages 10 to 22.

No dividend can be proposed.

Review of the business

The principal activities of the Group during the year were those of investment in technology companies and the provision of delivery services.

The Chairman's Statement on pages 2 and 3 includes a review of the Group's business and development during the year.

Directors

The interests of the directors, all of which are beneficial, holding office on 31 December 2002 in the shares of the Company (including family interests) according to the register of directors' interests were as shown below:

| | Number of ordinary shares | |
|---|----------------------------------|--|
| | 31 December 2002 | 31 December 2001 (or date of appointment) |
| G S Gold (appointed 7 January 2002) | 28,946,828 | 28,566,828 |
| R S Pearl (appointed 7 January 2002) | 29,326,828 | 28,566,828 |
| A A Duma (appointed 7 January 2002, resigned 23 January 2003) | 751,190 | 493,690 |
| | <hr/> | <hr/> |

T J A Dean-Smith, B Hindson, S Masters, D Dobson, L Beverley and T Kreimeia resigned as directors on 7 January 2002.

Room Service Group Plc
(formerly The Cube8 Group plc)

REPORT OF THE DIRECTORS

for the year ended 31 December 2002
(continued)

At the EGM in January 2002, the Company adopted an Executive Management Incentive (EMI) Share Option Scheme. Details of directors' outstanding share options at 31 December 2002 were:

| | Number of options | Date of grant | Exercise price | Date from which exercisable | Expiry date |
|-----------|-------------------|-----------------|----------------|-----------------------------|-----------------|
| G S Gold | 1,614,926 | 31 January 2002 | 2.1p | 31 January 2003 | 31 January 2006 |
| R S Pearl | 1,614,926 | 31 January 2002 | 2.1p | 31 January 2003 | 31 January 2006 |
| A A Duma | 372,675 | 31 January 2002 | 2.1p | 31 January 2003 | 31 January 2006 |

The market price of the Company's shares at the end of the financial year was 0.2p and the range of market prices during the year ended 31 December 2002 was between 0.2p and 1.5p.

Substantial shareholders

At 19 September 2003, the following had notified the Company of an interest in 3 percent or more of the Company's ordinary shares.

| | Shareholding percentage |
|-----------------------------|--------------------------------|
| A W Cook | 3.8% |
| T J A Dean-Smith | 4.5% |
| G S Gold & L H Gold | 20.3% |
| Tryway Investment Limited | 6.0% |
| M Gold & A Gold | 9.4% |
| J G Hallsworth | 3.2% |
| Merrill Lynch International | 3.4% |
| R S Pearl | 14.9% |

Policy on payment of suppliers

During the year the Group's policy on supplier payments varied across its subsidiaries. The companies have no formal code or standard which deals specifically with the payment of suppliers. However, their policy is to ensure that the terms of payment, as specified by and agreed with the supplier at the outset, are not exceeded.

The directors are actively seeking to realise the Group's investments in order to satisfy amounts due to creditors.

**Room Service Group Plc
(formerly The Cube8 Group plc)**

REPORT OF THE DIRECTORS

**for the year ended 31 December 2002
(continued)**

Post Balance Sheet Events

The Company's subsidiary undertaking, Room Service (UK) Limited, was placed into members' voluntary liquidation on 23 January 2003. The balance sheet, profit and loss account and cash flows of Room Service (UK) Limited have not been included in these consolidated financial statements (see note 10 to the financial statements).

On 3 April 2003, Hanover Capital Group plc announced that they were to acquire the outstanding debt of £216,000 from the creditors of Room Service Group plc. This transaction was not completed

In the event, Hanover only succeeded in acquiring debt of £119,760 from the creditors of the Group, leaving £96,740 outstanding. The directors have been notified that Chiddingfold Investments Limited ("Chiddingfold") has acquired the Hanover debt and has accordingly become a creditor of the Group.

The directors now understand that Chiddingfold will enter into arrangements to make a loan of £100,000 to the Company, convertible, subject to shareholder consent into ordinary shares, to enable it to discharge its remaining creditors.

During the course of the year, the company incurred a liability to Coran Investments Limited ("Coran") for the provision of services. The company has agreed to discharge this liability by transferring its remaining investments to Coran. On realisation, Coran shall be entitled to retain the first £50,000 of sale proceeds with any surplus over £50,000 being shared equally between Coran and the Company.

Auditors

Baker Tilly have expressed their willingness to continue in office and a resolution proposing their re-appointment as auditors will be put to the forthcoming annual general meeting.

Approved by the board
and signed on its behalf by



G Gold
Director

Registered Office:

1st floor
159 Brent Street
Hendon
London NW4 4DH

19 September 2003

Room Service Group Plc
(formerly The Cube8 Group plc)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records 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.

Room Service Group Plc
(formerly The Cube8 Group plc)

INDEPENDENT AUDITORS' REPORT

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ROOM SERVICE GROUP PLC**

We have audited the financial statements on pages 10 to 22.

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

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

Room Service Group Plc
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INDEPENDENT AUDITORS' REPORT
(continued)

Fundamental uncertainty: going concern

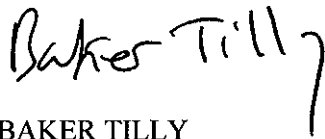
In forming our opinion, we have considered the adequacy of the disclosures made in note 1(j) to the financial statements in respect of preparation on the going concern basis. The financial statements have been prepared on the going concern basis, the validity of which depends on additional funding being available with which the Company and Group can settle expenses as they fall due. The financial statements do not include any adjustments that would result from a failure to obtain such funding. Our opinion is not qualified in this respect.

Exclusion of subsidiary undertaking from the consolidation

In forming our opinion, we have considered the disclosures made in note 10 to the financial statements in respect of the non-inclusion of Room Service (UK) Limited in these consolidated financial statements. The subsidiary has been excluded from the consolidation on the grounds that the circumstances described in note 10 mean that, under Section 227(6) of the Companies Act 1985, inclusion of Room Service (UK) Limited would be inconsistent with the requirement to give a true and fair view. Whilst we draw attention to this matter, our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs at 31 December 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

19 September 2003

Room Service Group Plc
(formerly The Cube8 Group plc)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

| | Note | 2002 Total £'000 | 2001 Total £'000 |
|--|------|------------------------|------------------------|
| Turnover | 2 | 17 | 991 |
| Cost of sales | | - | (380) |
| | | <hr/> | <hr/> |
| Gross profit | | 17 | 611 |
| Administrative expenses - amortisation of goodwill | | - | (618) |
| - other | | (1,108) | (3,567) |
| | | <hr/> | <hr/> |
| Operating loss | | (1,091) | (3,574) |
| Profit on discontinuation of operations | | - | 684 |
| Interest receivable and similar income | | 2 | 90 |
| Amounts written off investments | | (1,748) | (2,704) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | 2,3 | (2,837) | (5,504) |
| Taxation | 6 | - | - |
| | | <hr/> | <hr/> |
| Loss on ordinary activities after taxation | | (2,837) | (5,504) |
| Minority interest | | (22) | 25 |
| | | <hr/> | <hr/> |
| Loss for the year | 18 | (2,859) | (5,479) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Loss per share | 7 | (2.33p) | (13.87p) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Fully diluted loss per share | 7 | (2.33p) | (13.77p) |
| | | <hr/> <hr/> | <hr/> <hr/> |

The Group has no recognised gains or losses other than the loss for the year.

All of the Group's activities are classed as discontinued.

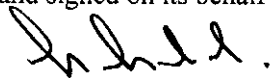
Room Service Group Plc
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BALANCE SHEETS

at 31 December 2002

| | Note | Group | | Company | |
|---|------|--------------|--------------|-------------|--------------|
| | | 2002 | 2001 | 2002 | 2001 |
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible fixed assets | 8 | - | - | - | - |
| Tangible fixed assets | 9 | - | 7 | - | - |
| Investments | 10 | - | 75 | - | 75 |
| | | <u>-</u> | <u>82</u> | <u>-</u> | <u>75</u> |
| Current assets | | | | | |
| Investments | 11 | 133 | 425 | - | 197 |
| Debtors | 12 | 68 | 376 | 126 | 457 |
| Cash at bank and in hand | | 1 | 728 | - | 655 |
| | | <u>202</u> | <u>1,529</u> | <u>126</u> | <u>1,309</u> |
| Creditors: amounts falling due within one year | 13 | (343) | (409) | (209) | (208) |
| Net current (liabilities)/assets | | <u>(141)</u> | <u>1,120</u> | <u>(83)</u> | <u>1,101</u> |
| Total assets less current liabilities | | (141) | 1,202 | (83) | 1,176 |
| Provisions for liabilities and charges | 15 | - | (200) | - | (200) |
| Net (liabilities)/assets | | <u>(141)</u> | <u>1,002</u> | <u>(83)</u> | <u>976</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | 5,004 | 4,180 | 5,004 | 4,180 |
| Share premium account | 17 | 10,241 | 9,371 | 10,241 | 9,371 |
| Profit and loss account | 17 | (15,386) | (12,527) | (15,328) | (12,575) |
| Equity shareholders' funds | | (141) | 1,024 | (83) | 976 |
| Minority interest | | - | (22) | - | - |
| Total capital and reserves | 18 | <u>(141)</u> | <u>1,002</u> | <u>(83)</u> | <u>976</u> |

Approved by the board on 19 September 2003
and signed on its behalf by:


G S Gold
Director

Room Service Group Plc
(formerly The Cube8 Group plc)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2002

| | Note | 2002 £'000 | 2001 £'000 |
|--|------|---------------|----------------|
| Cash outflow from operating activities | 19 | (723) | (2,673) |
| Returns on investments and servicing of finance | | | |
| Interest received | | <u>2</u> | <u>90</u> |
| | | 2 | 90 |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (27) | (36) |
| Sale of tangible fixed assets | | <u>-</u> | <u>18</u> |
| | | (27) | (18) |
| Acquisitions | | | |
| Acquisition of fixed asset investments | | (207) | (649) |
| Loans and advances to fixed asset investments | | - | (98) |
| Loans and advances to associates | | - | (509) |
| Acquisition of subsidiaries | | <u>-</u> | <u>(18)</u> |
| | | (207) | (1,274) |
| Disposals | | | |
| Cash balances of discontinued activities | | - | (77) |
| Sale of business | | <u>-</u> | <u>684</u> |
| | | - | 607 |
| Financing | | | |
| Issue of equity shares | | 265 | - |
| Share issue costs | | <u>(37)</u> | <u>-</u> |
| | | 228 | - |
| Decrease in cash in the year | 20 | <u>(727)</u> | <u>(3,268)</u> |

Room Service Group Plc
(formerly The Cube8 Group plc)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies of the Group are set out below.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention.

(b) Turnover

Turnover represents the amount invoiced, excluding value added tax.

(c) Basis of preparation of Group financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings (with the exception of Room Service (UK) Limited - see note 10) and have been prepared using both merger accounting principles and acquisition accounting principles.

The Company has not presented its own profit and loss account as permitted by Section 230(3) of the Companies Act 1985. The Company's loss for the financial year was £2,753,000.

(d) Associated undertakings

Associated undertakings are accounted for by the equity method of accounting except where ownership is temporary or where the investment is in the course of disposal in which case investments are carried as current asset investments at the lower of cost and net realisable value.

(e) Depreciation

Depreciation is calculated to write off the cost less estimated residual value of fixed assets over their estimated useful lives which are as follows.

| | | |
|--------------------|---|--------------------------------|
| Computer equipment | - | 50% per annum straight line |
| Motor vehicles | - | 15% per annum reducing balance |
| Other | - | 15% per annum reducing balance |

In the opinion of the directors, all tangible fixed assets were fully impaired at 31 December 2002.

(f) Investments

Fixed asset investments are stated at cost, less provision for any impairment in value. Current asset investments are stated at the lower of cost and net realisable value.

(g) Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

(h) Goodwill

The Group's policy is to capitalise purchased goodwill and amortise over its useful economic life of 10 years. Appropriate provision is made for impairment of goodwill.

(i) Deferred taxation

Provision is made at current rates for taxation liabilities deferred in respect of all material timing differences. Deferred tax assets are recognised where recovery is more likely than not.

Room Service Group Plc
(formerly The Cube8 Group plc)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

1 Accounting policies (continued)

(j) Going concern

During the year the Group made losses of £2.9 million and had net liabilities at 31 December 2002 of £141,000.

Since the Group's major trading subsidiary was placed into members' voluntary liquidation on 23 January 2003, the directors have entered into the process of securing funding from new investors. Based on these discussions, the directors are confident that they will be able to procure sufficient finance to enable the Group to meet its liabilities as they fall due for the foreseeable future.

Based on the above, the directors have prepared the financial statements on the going concern basis. The financial statements do not include any adjustments that might arise if this basis was inappropriate.

2 Turnover and segmental analysis

| | Loss before tax 2002 £'000 | Net liabilities 2002 £'000 | Turnover 2002 £'000 |
|--|---|---|------------------------------------|
| Investment in technology companies and e-business consultancy services | (297) | (141) | 17 |
| Provision against investment in and loan to Room Service (UK) Limited | <u>(2,540)</u> | <u>-</u> | <u>-</u> |
| | <u>(2,837)</u> | <u>(141)</u> | <u>17</u> |
| | Loss before tax 2001 £'000 | Net assets 2001 £'000 | Turnover 2001 £'000 |
| Investment in technology companies and e-business consultancy services | <u>(5,504)</u> | <u>1,002</u> | <u>991</u> |

All turnover is attributable to the UK market.

Room Service Group Plc
(formerly The Cube8 Group plc)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

| | | | |
|---|--|----------------------|----------------------|
| 3 | Operating loss | 2002 £'000 | 2001 £'000 |
| | Operating loss is stated after charging: | | |
| | Depreciation of owned tangible fixed assets (note 10) | 34 | 263 |
| | Auditors' remuneration: | | |
| | Audit fee | 11 | 12 |
| | Other services (i) | 7 | 38 |
| | Operating lease rentals | - | 176 |
| | Amortisation of goodwill | - | 618 |
| | Amounts written off current asset investments | <u>292</u> | <u>-</u> |
| | (i) In addition, £45,000 is included in the cost of the investment in Room Service (UK) Limited (see note 10). | | |
| 4 | Staff costs | 2002 £'000 | 2001 £'000 |
| | Staff costs, including directors' emoluments: | | |
| | Wages and salaries | 15 | 1,616 |
| | Social security costs | <u>2</u> | <u>175</u> |
| | | <u>17</u> | <u>1,791</u> |
| | The average number of persons, including directors, employed by the Group during the year was as follows: | | |
| | | Number | Number |
| | Administration and operations | <u>5</u> | <u>27</u> |
| 5 | Directors' emoluments | 2002 £'000 | 2001 £'000 |
| | Salaries and fees | <u>168</u> | <u>395</u> |
| | Directors' salaries and fees for the year ended 31 December 2002 were paid by Room Service (UK) Limited (see note 10). | | |

Room Service Group Plc
(formerly The Cube8 Group plc)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

(continued)

6 Taxation

Factors affecting taxation:

The tax charge for the year does not equate to the loss before tax at the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

| | 2002 | 2001 |
|---|--------------------|--------------------|
| | £'000 | £'000 |
| Loss on ordinary activities before taxation | <u>(2,837)</u> | <u>(5,504)</u> |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2001: 30%) | (851) | (1,651) |
| Effects of: | | |
| Expenses not deductible for tax purposes (including provisions) | 524 | 807 |
| Difference between depreciation and capital allowances | 10 | 29 |
| Trading losses for the year | <u>317</u> | <u>815</u> |
| | <u> -</u> | <u> -</u> |

7 Loss per share

Loss per share is calculated on a net basis using the loss on ordinary activities and the weighted average number of shares detailed below.

For fully diluted loss per share, the weighted average number of shares is adjusted for the effect of potentially dilutive share options issued under Group share option schemes.

| | 2002 | 2001 |
|--|--------------------|-------------------|
| | £'000 | £'000 |
| Basic and diluted losses attributable to ordinary shareholders | <u>(2,859)</u> | <u>(5,479)</u> |
| | Number | Number |
| Weighted average number of ordinary shares | 122,870,118 | 39,502,988 |
| Dilutive share options | <u> -</u> | <u>277,780</u> |
| Adjusted weighted average number of ordinary shares | <u>122,870,118</u> | <u>39,780,768</u> |
| Loss per share | <u>(2.33p)</u> | <u>(13.87p)</u> |
| Fully diluted loss per share | <u>(2.33p)</u> | <u>(13.77p)</u> |

The comparative loss per share disclosures have been restated as if the share consolidation on 6 January 2002 had occurred on 1 January 2001.

Room Service Group Plc
(formerly The Cube8 Group plc)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

8 Intangible fixed assets

| | | |
|--|--|-----------------|
| Group | | Goodwill |
| | | £'000 |
| Cost | | |
| At 1 January 2002 and 31 December 2002 | | <u>1,390</u> |
| Amortisation | | |
| At 1 January 2002 and 31 December 2002 | | <u>1,390</u> |
| Net book value | | |
| At 31 December 2002 and 31 December 2001 | | <u><u>-</u></u> |

9 Tangible fixed assets

| | Plant and equipment | Computer equipment and software | Total |
|---------------------------------|--------------------------------|--|-----------------|
| Group | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1 January 2002 | 159 | 130 | 289 |
| Additions | <u>27</u> | <u>-</u> | <u>27</u> |
| At 31 December 2002 | <u>186</u> | <u>130</u> | <u>316</u> |
| Accumulated depreciation | | | |
| At 1 January 2002 | 159 | 123 | 282 |
| Charge for the year | <u>27</u> | <u>7</u> | <u>34</u> |
| At 31 December 2002 | <u>186</u> | <u>130</u> | <u>316</u> |
| Net book value | | | |
| At 31 December 2002 | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| At 31 December 2001 | <u><u>-</u></u> | <u><u>7</u></u> | <u><u>7</u></u> |

Room Service Group Plc
(formerly The Cube8 Group plc)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

| | | |
|----|--------------------------------|-----------------------------|
| 10 | Fixed asset investments | Unlisted investments |
| | | £'000 |
| | Group and Company | |
| | Cost | |
| | At 1 January 2002 | 75 |
| | Additions | <u>1,673</u> |
| | At 31 December 2002 | <u>1,748</u> |
| | Provisions | |
| | At 1 January 2002 | - |
| | Charge for the year | <u>1,748</u> |
| | At 31 December 2002 | <u>1,748</u> |
| | Net book value | |
| | At 31 December 2002 | <u>-</u> |
| | At 31 December 2001 | <u>75</u> |

Loans made to Group undertakings are shown as part of debtors due within one year (see note 12).

Additional information on principal subsidiary undertakings included in these Group financial statements:

| Name | Country of registration | Class of shares held | Percentage of shares held | Nature of business |
|------------------------|-------------------------|----------------------|---------------------------|------------------------------|
| Cube8 Ventures Limited | England and Wales | Ordinary | 100% | Intermediate holding company |

The following companies ceased trading during the year:

| | | | | |
|------------------------------|-------------------|----------|------|--------------------|
| Portal Management Limited | England and Wales | Ordinary | 100% | Management company |
| Blue Carrots Nominee Limited | England and Wales | Ordinary | 100% | Holding company |
| Blue Carrots plc | England and Wales | Ordinary | 100% | Non-trading |

The Company acquired the entire issued share capital of Room Service (UK) Limited on 7 January 2002. On 23 January 2003, Room Service (UK) Limited was placed into members' voluntary liquidation. The profit and loss account, cash flows and balance sheet of Room Service (UK) Limited have not been included in these consolidated financial statements, on the basis that to do so would be inconsistent with the requirement to give a true and fair view.

The unaudited management accounts of Room Service (UK) Limited show a loss for the year ended 31 December 2002 of £430,000 on turnover of £3,172,000, and net liabilities at 31 December 2002 of £1,249,000.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

| | | | | | |
|----|---|--------------|-------------|----------------|-------------|
| 11 | Current asset investments | Group | | Company | |
| | | 2002 | 2001 | 2002 | 2001 |
| | | £'000 | £'000 | £'000 | £'000 |
| | Listed investments | - | 197 | - | 197 |
| | Unlisted investments | <u>133</u> | <u>228</u> | <u>-</u> | <u>-</u> |
| | | <u>133</u> | <u>425</u> | <u>-</u> | <u>197</u> |
| | Market value of listed investments at 31 December 2002 | <u>-</u> | <u>602</u> | <u>-</u> | <u>602</u> |

Current asset unlisted investments at 31 December 2002 include minority interests in Articulate Communication Limited, Freeloader.com Limited, Harden's Limited, The Plain English Group Limited and Unmissable Limited.

| | | | | | |
|----|------------------------------------|--------------|-------------|----------------|-------------|
| 12 | Debtors | Group | | Company | |
| | | 2002 | 2001 | 2002 | 2001 |
| | | £'000 | £'000 | £'000 | £'000 |
| | Due within one year: | | | | |
| | Trade and other debtors | 68 | 312 | 55 | 163 |
| | Amounts owed by Group undertakings | - | - | 71 | 289 |
| | Prepayments and accrued income | <u>-</u> | <u>64</u> | <u>-</u> | <u>5</u> |
| | | <u>68</u> | <u>376</u> | <u>126</u> | <u>457</u> |

| | | | | | |
|----|---|--------------|-------------|----------------|-------------|
| 13 | Creditors: amounts falling due within one year | Group | | Company | |
| | | 2002 | 2001 | 2002 | 2001 |
| | | £'000 | £'000 | £'000 | £'000 |
| | Trade creditors | 180 | 154 | 180 | 125 |
| | Amounts owed to Group undertakings | - | - | - | 2 |
| | Other taxation and social security | 27 | 12 | 17 | 77 |
| | Other creditors and accruals | <u>136</u> | <u>243</u> | <u>12</u> | <u>4</u> |
| | | <u>343</u> | <u>409</u> | <u>209</u> | <u>208</u> |

14 **Other financial commitments**

At 31 December 2002 the Group and Company were committed to making the following payments under non-cancellable operating leases in the forthcoming year:

| | | | | |
|--------------------------------|---------------------------|-------------|---------------------------|-------------|
| | Group | | Company | |
| | Land and buildings | | Land and buildings | |
| | 2002 | 2001 | 2002 | 2001 |
| | £'000 | £'000 | £'000 | £'000 |
| Operating leases which expire: | | | | |
| Within two to five years | <u>-</u> | <u>177</u> | <u>-</u> | <u>-</u> |

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

| | | |
|----|--|--------------|
| 15 | Provisions for liabilities and charges | £'000 |
| | At 1 January 2002 | 200 |
| | Release of provision for liability under operating lease | <u>(200)</u> |
| | At 31 December 2002 | <u>—</u> |

No provision or potential provision for deferred taxation arises in the Group or the Company for 2002 or 2001.

| | | | |
|----|--|---------------|--------------|
| 16 | Share capital | 2002 | 2001 |
| | | £'000 | £'000 |
| | Authorised: | | |
| | 423,810,095 (2001: 800,000,000) ordinary shares of 1p each | 8,000 | 8,000 |
| | 417,988,783 (2001: Nil) deferred shares of 0.9p each | <u>3,762</u> | <u>—</u> |
| | | <u>11,762</u> | <u>8,000</u> |
| | Allotted, called up and fully paid: | | |
| | 124,225,069 (2001: 417,988,783) ordinary shares of 1p each | 1,242 | 4,180 |
| | 417,988,783 deferred shares of 0.9p each | <u>3,762</u> | <u>—</u> |
| | | <u>5,004</u> | <u>4,180</u> |

On 7 January 2002, each Room Service Group plc existing ordinary share was subdivided into one 0.1p reconstruction share and one 0.9p deferred share, and then 10 reconstruction shares were consolidated into 1 new ordinary share. At the same time, the Company acquired the remaining issued share capital of Room Service (UK) Limited via the issue of 69,807,145 new ordinary shares of 1p each in the Company at an issue price of 2.1p per share. 12,619,046 ordinary 1p shares were subsequently issued at a price of 2.1p per share.

Share option schemes

At 31 December 2001, the executive directors and some staff members held options to subscribe for shares in the Company at 1p under an unapproved share option scheme established with the approval of the shareholders in 2000.

At the EGM in January 2002, the Company adopted an Executive Management Incentive (EMI) Share Option Scheme. 9,704,777 options were granted over ordinary shares of 1p in the Company on 31 January 2002. The exercise price is 2.1p and the options are exercisable between 31 January 2003 and 31 January 2006.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

| | | | | |
|----|---|--|--|-----------------------------------|
| 17 | Reserves | Share premium account £'000 | Profit and loss account £'000 | Total £'000 |
| | Group | | | |
| | Cost | | | |
| | At 1 January 2002 | 9,371 | (12,527) | (3,156) |
| | Shares issued on acquisition of Room Service (UK) Limited | 768 | - | 768 |
| | Shares issued for cash | 139 | - | 139 |
| | Costs of share issue | (37) | - | (37) |
| | Loss for the year | <u>-</u> | <u>(2,859)</u> | <u>(2,859)</u> |
| | At 31 December 2002 | <u>10,241</u> | <u>(15,386)</u> | <u>(5,145)</u> |
| | Company | | | |
| | Cost | | | |
| | At 1 January 2002 | 9,371 | (12,575) | (3,204) |
| | Shares issued on acquisition of Room Service (UK) Limited | 768 | - | 768 |
| | Shares issued for cash | 139 | - | 139 |
| | Costs of share issue | (37) | - | (37) |
| | Loss for the year | <u>-</u> | <u>(2,753)</u> | <u>(2,753)</u> |
| | At 31 December 2002 | <u>10,241</u> | <u>(15,328)</u> | <u>(5,087)</u> |
| 18 | Reconciliation of movements in capital and reserves | | Group 2002 £'000 | Company 2002 £'000 |
| | Loss for the financial year | | (2,859) | (2,753) |
| | Issue of shares, less expenses | | <u>1,694</u> | <u>1,694</u> |
| | | | (1,165) | (1,059) |
| | Opening capital and reserves | | <u>1,024</u> | <u>976</u> |
| | Closing capital and reserves | | <u>(141)</u> | <u>(83)</u> |
| 19 | Reconciliation of operating loss to net cash outflow from operating activities | | 2002 £'000 | 2001 £'000 |
| | Operating loss | | (1,091) | (3,574) |
| | Depreciation | | 34 | 263 |
| | Amortisation | | - | 618 |
| | Loss on discontinued business | | - | 87 |
| | Decrease in current asset investments | | 292 | - |
| | Decrease in debtors | | 308 | 177 |
| | Decrease in creditors | | (66) | (429) |
| | (Decrease)/increase in provisions | | <u>(200)</u> | <u>185</u> |
| | Net cash outflow from operating activities | | <u>(723)</u> | <u>(2,673)</u> |

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002
(continued)

| 20 | Analysis of net funds | At 1 January 2002 £'000 | Cash Flow £'000 | At 31 December 2002 £'000 |
|----|------------------------------|--|--------------------------------|--|
| | Cash at bank | <u>728</u> | <u>(727)</u> | <u>1</u> |

21 Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard No. 8 *Related Party Disclosures*, not to disclose related party transactions between Group companies.

During the year ended 31 December 2001, Room Service Group plc entered into a loan agreement with Itchy Limited, in which the Company had a 28% investment, under which Room Service Group plc advanced £112,148 to Itchy Limited. On 22 October 2002, Room Service Group plc assigned the loan to a third party for the sum of £65,000.

22 Post balance sheet events

The Company's subsidiary undertaking, Room Service (UK) Limited, was placed into members' voluntary liquidation on 23 January 2003. See Note 10.

On 3 April 2003, Hanover Capital Group plc announced that they were to acquire the outstanding debt of £216,000 from the creditors of Room Service Group plc. This transaction was not completed. In the event, Hanover only succeeded in acquiring debt of £119,760 from the creditors of the Group, leaving £96,740 outstanding. The directors have been notified that Chiddingfold Investments Limited ("Chiddingfold") has acquired the Hanover debt and has accordingly become a creditor of the Group. The directors now understand that Chiddingfold will enter into arrangements to make a loan of £100,000 to the Company, convertible, subject to shareholder consent, into ordinary shares, to enable it to discharge its remaining creditors.

During the course of the year, the company incurred a liability to Coran Investments Limited ("Coran") for the provision of services. The company has agreed to discharge this liability by transferring its remaining investments to Coran. On realisation, Coran shall be entitled to retain the first £50,000 of sale proceeds with any surplus over £50,000 being shared equally between Coran and the Company.