



The small company specialists

# COMPANY INFORMATION

## Capital Ideas PLC (LSE - CAPT)

Info sheet compiled September 2006

Company Eye Ranking

34/50

### EDITOR'S NOTE

Capital Ideas PLC is an investment company which invests in private companies with sound business models, which are experiencing temporary distress due either to financial or management issues.

The current portfolio comprises seven investments. The company has made successful partial exits from three investments, twice more than recouping its initial investment in full while retaining valuable equity. Total cash returns already received exceed

the total sum invested. In addition, Capital Ideas Plc continue to receive income from five of its investments.

For the year ended 30 April 2006 The company announced profit of £301,000 (2005: Pre tax loss of £15,000)

We believe the company has a strong growth potential and it will make a good addition for any medium/long term portfolio investment.

### 3 YEARS CHART



### FUNDAMENTALS

Company Name	Capital Ideas PLC
Current Price	0.40
Status	AIM
Market Cap	£0.73 m.
Shares in Issue	160,128,129
Activities	specialising in the provision of financial and management solutions
Sector	Travel & Leisure
Corporate advisor	W H Ireland Ltd
Registrar	Capita Registrars

### HISTORY

Capital Ideas Plc, formerly Leisure Ventures plc, is a United Kingdom-based shell company. During the fiscal year ended April 30, 2004, the Company sold its subsidiary, The International Academy plc, to

Thomson Travel Group (Holdings) Ltd. The Company's registered office is in Manchester. In September 2006, one of the companies within the Company's investment portfolio, B Fresh Limited, was acquired by Consolidated Vending plc.

### THE BUSINESS

Capital Ideas portfolio operates in a number of sectors including debt, Eastern European property, SMS mobile marketing and high volume vending. The company has been able to identify a number of investment opportunities in its first year. As a result Capital

Ideas Plc has not only realised some strong gains but hold investments in some exciting growth companies. The company believes that the 'distressed company' niche in which Capital Ideas operate will continue to offer good profit opportunities.



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## ROLLING EPS



## P/E RATIO



## ACTIVITIES

Formerly known as Leisure Ventures PLC. The Group's principal activity is an investment company. It is seeking new investments and is currently negotiating two further acquisition opportunities.

The strategy is to build a strong portfolio of companies and actively seek the exit or partial exit from these investments as soon as the management action taken is demonstrating success.

## INVESTMENTS

### Europol International plc

Capital Ideas acquired a 15% equity interest in this company, including 5% share options, in exchange for a total investment of £30,000 of which £25,000 was in the form of a loan at 10% per annum repayable over 3 years. In addition Capital Ideas has loaned £100,000 to Europol on similar terms to the original investment. The business specialises in the repossession of leased assets, which consists mainly of motor vehicles. The business is one of the leaders in its field and benefits from a number of blue chip clients. The investment was made as part of a management buy out and refinancing of a company called DMIPI. DMIPI had previously lost a major customer and had gone into liquidation. Europol was formed to acquire the assets of this established business. New management was installed and a new marketing strategy put into place. The company has taken time to turn round and has recently won a major customer which should add significantly to the prospects for the business. The management of this company is currently engaging advisors to list the company and has secured new working capital to exploit further opportunities including entering the lucrative Individual Voluntary Arrangement ("IVA") market. With debt in the UK running at nearly £1.2bn this in the director's view is a good industry to be involved in and it is likely that the Company will hold the majority of this investment until after the company is admitted to a market.

### Forknall Limited

Capital Ideas invested £21,667 in Forknall Limited for an equity interest of 13%. The investment has been structured as a loan for £15,000 with a coupon of 9% per annum and the remaining £6,667 as equity. Forknall, based in Leicester, is a manufacturer, supplier and installer of fencing, balconies, internal balustrades and gates made from timber, steel and concrete. The Company supplies these products and services to the house building, Local Authority and other sectors, with a number of blue chip clients including Wimpey and Bovis. The Company was previously known as RK Forknall & Sons Ltd, had been

operating since 1997 and was one of the leading manufacturers in the Leicester area. Forknall however suffered from the effect of 'overtrading' and was unable to cope with a rapid increase in turnover. The Company was placed into administration in August 2005 and was subsequently purchased by a new company Forknall Limited with a funding package of £120,000 provided by the new management team and other external investors. In the year to 31 March 2005 RK Forknall & Sons had sales of £2,448,797 with a loss before tax of £68,037. Since the investment was made, the Company has bolstered its management team and concentrated on improving its sales and marketing functions. Forknall recently secured additional funding which it will use to further develop the business. Capital Ideas believe that this investment should produce income and capital growth. In the medium term The company expect to see the company growing by acquisition and exiting through a trade sale or management buy back.

### Eastern European Ventures plc

Capital Ideas acquired 15% of the issued share capital of recently established company Eastern European Ventures plc ("EEV") for a consideration of £100,000. EEV was created in order to purchase undervalued properties in Eastern Europe. EEV subsequently acquired a significant stake, on favourable terms, in a UK company which owns a portfolio of property investments based in Bulgaria. Prior to EEV's investment, the business had been experiencing financial difficulties resulting from certain management issues. With properties located in prime locations including the Black Sea coast, ski resorts of Bansko and Pamporavo and the capital, Sofia, the company benefits from a varied property portfolio. EEV has indicated its intention to float on AIM in due course. Capital Ideas has already exited part of this investment and will look to exit the remaining investment close to the planned flotation. EEV's management team is currently negotiating to increase its equity interest in the UK based Bulgarian property business which would enhance the asset backing of the Company.



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## **Phoenixchurch Limited t/a Miller Consulting**

Capital Ideas has invested £55,000 into Phoenixchurch Limited t/a Miller Consulting through a combination of loan and equity. The investment has been made in the form of a £30,000 loan repayable over 2 years with an interest rate of 5%, of which £5,000 has been repaid in the year, and the purchase of 15% of the share capital for a consideration of £25,000. Miller Consulting is a leading player in the mechanical and electrical engineering consultancy industry, although the absence of proper management constraints and procedures meant the company experienced financial difficulties in 2004/5 due to over expansion. Phoenixchurch Limited acquired the assets and goodwill of Miller Consulting from the Administrator and has restructured and strengthened the administrative side of the business. The business has continued to win new business and is currently operating at close to break even, while looking to make acquisitions in order to gain critical mass before seeking a listing. Capital Ideas is intending to hold this investment until the company is in a position to float.

## **Bfresh Limited**

Capital Ideas has invested £30,000 by way of a convertible loan at an interest rate of 10% per annum. An interest payment of £5,000 is also receivable upon conversion. Bfresh is an operator of vending machines located in health clubs and hotels. It currently has over 500 machines at various blue chip sites including national chains such as David Lloyd, Fitness First and JJB Sports. The company vends miniature toiletries and is growing its business rapidly and expects to install a further 300 machines by 31 December 2006. The funds are being used to help fund this expansion. Bfresh has also recently acquired significant equity interests in two other

vending machine businesses and is close to finalising further expansion capital which will see the company migrate to Ofex or AIM as a vending consolidator.

On 19 September 2006 The board of Capital Ideas announced that BFresh Limited, has been acquired by Consolidated Vending plc for a consideration of £1.5m to be satisfied by the issue of 50,000,000 ordinary shares of 0.1p each at 3p per share in Consolidated Vending.

Under the terms of the acquisition of BFresh by Consolidated Vending, the convertible loan, together with 1 ordinary share in BFresh which was allotted to Capital Ideas as commission upon making the convertible loan to BFresh in November 2005, has been converted into 2,834,483 Consideration Shares, which represents 1.77% of Consolidated Vending's issued ordinary share capital.

## **Aerodeon Holdings plc**

Capital Ideas invested £50,000 to acquire an equity interest of 5.08% or 4,134,644 shares in Aerodeon Holdings plc. With offices in London, Paris, New York and Istanbul, Aerodeon is the world's leading mobile phone marketing and advertising agency, specialising in short message service (SMS/Text) marketing for major blue chip clients. The Company has delivered campaigns for Diageo, Proctor and Gamble and Nestle and has promoted leading brands including Kit Kat, Haagen Dazs and L'Oreal Fructis via SMS.

Aerodeon was established in 2000 and has been profitable every year since its inception. The company is using its new funding to further expand the business, capitalising upon its good reputation within its industry. Aerodeon operates in a high growth area of the advertising market and the new investment is expected to lead to growth of the business. Capital Ideas has already exited £12,093 of this investment for proceeds of £70,000.

## **FUTURE PROJECTS**

### **Traction Technology plc**

Traction is a leading hybrid developer and manufacturer of low emission engines. The company purchased the assets of the business from Enenco Ltd which went into administration due to of poor management. Capital Ideas, along with a consortium of other investors, arranged the re-financing and restructuring of this company installing new management (the former CEO of Aston Martin and Range Rover as Chairman) and raising new capital. The company is running trials with Transport for London where it is at an advanced stage with trials in London buses. This is a very lucrative business which is being driven both from an ethical perspective and by EU regulations being implemented in 2007. Capital Ideas has been granted

0.5% of the equity in this business in exchange for assisting in the restructuring and refinancing of the business.

### **Turnaround Capital plc**

Capital Ideas is a founder investor in a company currently being established to invest in 'turnaround' situations. It is expected that this company will shortly be floated and that Capital Ideas will be allocated equity for its role in establishing this company together with a management fee based on the performance of the company. It allows Capital Ideas to co-invest in future investments, thereby increasing its 'fire power' and the size of the equity interests it is able to negotiate. Turnaround Capital plc was previously known as Public Network plc.

## **NEW GROWTH OPPORTUNITIES**

The future of the company is dependent on sourcing investment opportunities with good growth potential at attractive valuations where the board is able to influence both the management of the investment and the exit in order to achieve a strong uplift in value. In order to maximise returns when investing in small unquoted companies, it is crucial to be able to manage the exit

strategy. To date, The company has experienced success in following this strategy and will continue to search for investment opportunities in attractive high growth sectors which will appeal to investors when Capital Ideas exit its investments. The company is confident that it will continue to find suitable investment opportunities which meet these criteria.



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## DIRECTORS

**Renwick Haddow**  
Director  
**Stephen B. Turnock**  
Secretary, Director

**Alun Williams**  
Chief Executive  
**Harry Coe**  
Chairman

## SHAREHOLDINGS

	Number	%		Number	%
Renwick Haddow	55,000,000	23			
			Alun Williams	53,693,182	33.53
			Harry Coe	1,500,000	0.93

## FINANCIAL HISTORY

### Profit and loss account Year ended 30 April 2006

£'000	2006	2005
Turnover	438	-
Cost of sales	(46)	-
Gross profit	392	-
Administrative expense	(100)	(15)
Operating profit (loss)	292	(15)
Loss on disposal of operations	(4)	-
Interest payable and similar charges	-	-
Interest receivable and similar income	13	-
Profit / (loss) on ordinary activities before taxation	301	(15)
Tax on profit on ordinary activities	(34)	-
Retained profit / (loss) for the financial period	267	(15)
Earnings per ordinary share, basic and fully diluted	0.12p	(0.01)p

### Balance Sheet Year ended 30 April 2006

£'000	2006	2005
Investments	164	-
FIXED ASSETS	164	-
Debtors	281	4
Cash in bank and in hand	16	41
CURRENT ASSETS	297	45
Creditors: amount falling within one year	(67)	(47)
Net Current assets / (liabilities)	230	(2)
Creditors: amount falling after more than one year	-	-
NET ASSETS / (LIABILITIES)	394	(2)
Capital and reserves		
Called up share capital	1,410	1,360
Share premium account	1,093	1,014
Profit and loss account	(2,109)	(2,376)
Equity shareholders' funds	394	(2)

## TABLE OF INVESTMENTS

Company invested in	Date of Investment	Original Equity	Investment Loan	Original % of enlarged Capital acquired	Proceeds on part disposal	Gross Profit on Book Value	Current Value of Investments
<b>Europol</b>	16.05.05	5,000	25,000	15.0%	346,000	<b>342,139</b>	26,139
<b>Europol</b>	31.12.05		100,000				100,000
<b>Forknall</b>	21.09.05	6,667	15,000	13.0%			21,667
<b>Miller</b>	10.11.05	25,000	25,000	10.0%			50,000
<b>Bfresh</b>	28.11.05		30,000	3.0%			30,000
<b>EEV</b>	26.09.05	100,000		15.0%	50,000	<b>37,879</b>	87,879
<b>Aerodeon</b>	03.02.06	50,000		5.1%	70,000	<b>57,907</b>	37,907
<b>Public Network</b>		5,875					5,875
		192,542	195,000		466,000	<b>437,925</b>	359,467



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## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this

document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

## CONTACT

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Graham Street  
Birmingham  
B1 3JR  
United Kingdom

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	27
Customers	33
Low cost	31
Management	
- corporate governance	41
- quality	42
- shareholding	29
Product	34
Sector	34
<b>Financial evaluation</b>	
Early and profitable exit potential	30
Financial strength	
- cash flow	32
- conservative accounting	35
- need for funding	36
Growth at a reasonable price	37
Risk	35
<b>Overall average rating</b>	<b>34</b>



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## FURTHER INFORMATION ABOUT THE RANKING

### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's value chain of activities, such as

easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

## THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

### Competition

How intense is the competition and are there barriers to entry?

### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

### Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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