

LONGHIRST GROUP LIMITED
FINANCIAL STATEMENTS
31st MARCH 2008



LONGHIRST GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

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LONGHIRST GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

S Cowell
H D M Speed
C P Foreman
T R Levett

Company secretary

S Cowell

Registered office

6 Craster Court
Manor Walks
Cramlington
Northumberland
NE23 6UT

Auditor

Tait Walker
Chartered Accountants
& Registered Auditors
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Bankers

HSBC Bank plc
110 Grey Street
Newcastle upon Tyne
NE1 6JG

National Westminster Bank plc
South of England Corporate Service Centre
Audits Team
PO Box 333
Silbury House
300 Silbury Boulevard
Milton Keynes
MK9 2ZF

Solicitors

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

LONGHIRST GROUP LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31st MARCH 2008

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period was the provision of conference and hotel facilities

2007/8 was a year of major change for the company. In May 2007 there was a formal and total separation of the two operating divisions of the company. The training and venues divisions were separated by way of a corporate demerger. The demerger, approved by the Inland Revenue, allowed the shareholders to separate the two divisions into two distinct new companies. The logic for this separation had become increasingly obvious to the board of Longhirst Group Limited, given the radically different business models adopted by the two divisions.

With the training division being separated into a new company (Develop Training Limited), Longhirst Group Limited became a wholly owned subsidiary of a new holding company, Longhirst Venues Limited. Its principal activity was the ownership and management of two large hotel/conference centres. The freehold properties being at Longhirst Hall in Morpeth, Northumberland and Burn Hall, Huby, North Yorkshire.

The overall size of the company, in turnover terms, was substantially reduced as a result of the training division no longer being part of the group, but the balance sheet of the company was significantly strengthened by way of the demerger.

Financial results for the year were impressive with net profit being £3,634,106. These results are heavily influenced by the sale of Develop, which occurred as part of the demerger. Operationally the year saw the completion of the project to totally refurbish Burn Hall. This £4M project was completed on time and budget and saw the facility with increased number of bedrooms, all bedrooms refurbished to a high standard, new function rooms, and supporting infrastructure, e.g. kitchens, reception and gym. The operational team was strengthened once the project was finished in September 2007.

Good progress was made at Longhirst Hall in strengthening the conference business and the wedding business at weekends. The 36 houses on site were re-branded into a new business, Micklewood Park, with its own operational team and web site. This business focuses on holiday lets and leisure business and its business model is quite distinct from Longhirst Hall.

Outlook and plans

The outlook for both Longhirst and Burn is very promising, with strong order books and long term contracts in place. Significant growth is expected at Burn Hall, as a result of the new facilities being available for a full trading year.

At Longhirst detailed plans are being drawn up for a similar scheme to that at Burn Hall, with new function rooms, bars and bedrooms. The development is planned to commence in 2009, when the lease with Castle Morpeth Council comes to an end in August 2009. The lease will not be renewed as Castle Morpeth is being amalgamated into a new single authority for Northumberland.

LONGHIRST GROUP LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st MARCH 2008

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW *(continued)*

At both venues Key Performance Indicator information was in line with normal standards for the UK hospitality industry. Given the major building project at Burn Hall comparisons of KPIs are not meaningful. At Longhirst Hall rev par has marginally decreased by 1.4 whilst the average room rate has increased by 5.7%.

Pension fund

After the demerger Longhirst Group Limited remained the principal employer responsible for the WAEPS pension scheme. The scheme is in surplus according to FRS 17 calculations and the fund monies have been invested in bonds. The scheme is closed to future member contributions. Despite this positive position the pension fund remains a potential risk to the company.

Employees

The company employs approximately 200 fulltime staff. It is anticipated that this figure will remain broadly constant during 2008/09. The company is fully committed to investing in its staff and has achieved Investors in People status.

RESULTS AND DIVIDENDS

The profit for the year amounted to £3,634,106. Particulars of dividends paid are detailed in note 14 to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of credit, liquidity and cash flow, and interest rate risks. The company is not exposed to foreign exchange risk. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner. Financial assets that expose the company to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the company to financial risk consist principally of trade creditors and loans.

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The company performs ongoing credit evaluation of its customers' financial condition.

Liquidity risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open committed credit lines from its bankers to meet its funding requirements.

Interest rate risk re unfavourable movements in interest rates arises as a result of the company's long-term borrowings. It is, where appropriate, addressed by the use of derivative instruments provided by the company's bankers, whereby interest rate exposure is capped at a level which would limit potential interest costs to a level considered by the directors to be affordable by the business should there be significant interest rate rises during the life of the borrowings.

LONGHIRST GROUP LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st MARCH 2008

DIRECTORS

The directors who served the company during the year were as follows

S Cowell

H D M Speed

C P Foreman

T R Levett

S C Duckworth

(Resigned 29th November 2007)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 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 company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

LONGHIRST GROUP LIMITED

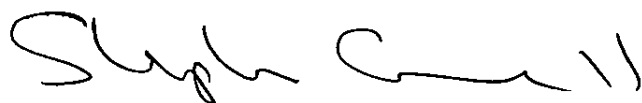
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st MARCH 2008

AUDITOR

A resolution to re-appoint Tait Walker as auditor for the ensuing year will be proposed at the annual general meeting

Signed on behalf of the directors



S Cowell
Company secretary

Approved by the directors on

10-11-08

LONGHIRST GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE COMPANY'S SHAREHOLDERS

YEAR ENDED 31st MARCH 2008

We have audited the financial statements of Longhirst Group Limited for the year ended 31st March 2008 set out on pages 8 to 38, which have been prepared on the basis of the accounting policies set out on pages 12 to 15

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

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

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

LONGHIRST GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE COMPANY'S SHAREHOLDERS (continued)

YEAR ENDED 31st MARCH 2008

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2008 and of its profit for the year then ended,
- 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



TAIT WALKER
Chartered Accountants
& Registered Auditors

Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

11.11.08

LONGHIRST GROUP LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st MARCH 2008

		2008		2007
		Continuing operations	Discontinued operations	Total
	Note	£	£	£
Turnover	2	4,967,764	1,121,133	6,088,897
Cost of sales		2,465,650	1,045,501	3,511,151
GROSS PROFIT		2,502,114	75,632	2,577,746
Net operating expenses	3	2,411,828	204,472	2,616,300
OPERATING PROFIT/(LOSS)	4	90,286	(128,840)	(38,554)
(Loss)/Profit on disposal of fixed assets	7	(20,429)	—	(20,429)
Profit on disposal of discontinued operations	8	—	4,544,194	4,544,194
Provision for cost of restructuring the company		—	—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		69,857	4,415,354	4,485,211
Income from shares in group undertakings	9	—	—	—
Interest receivable and similar income	10	30,187	—	30,187
Loss on disposal of investments	11	—	—	—
Interest payable and similar charges	12	(931,518)	—	(931,518)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,583,880	—	3,583,880
Tax on profit on ordinary activities	13	(50,226)	—	(50,226)
PROFIT FOR THE FINANCIAL YEAR		3,634,106	—	3,634,106

LONGHIRST GROUP LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

YEAR ENDED 31st MARCH 2008

	2008	2007
	£	£
Reported profit on ordinary activities before taxation	3,583,880	1,908,064
Realisation of gains recognised in previous periods	797,345	-
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	22,589	86,867
Historical cost profit on ordinary activities before taxation	<u>4,403,814</u>	<u>1,994,931</u>
Historical cost profit for the year after taxation	<u>4,454,040</u>	<u>1,591,721</u>

LONGHIRST GROUP LIMITED

BALANCE SHEET

31st MARCH 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets			
Goodwill		—	338,145
Negative goodwill		(14,115)	(128,169)
Intangible assets	15	(14,115)	209,976
Tangible assets	16	16,817,932	17,441,379
Investments	17	9,924	—
		<u>16,813,741</u>	<u>17,651,355</u>
CURRENT ASSETS			
Stocks	18	34,411	29,596
Debtors	19	881,773	3,546,338
Cash at bank and in hand		794,517	897,000
		<u>1,710,701</u>	<u>4,472,934</u>
CREDITORS: amounts falling due within one year, including convertible debts	20	<u>2,013,689</u>	<u>4,859,199</u>
NET CURRENT LIABILITIES		<u>(302,988)</u>	<u>(386,265)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,510,753</u>	<u>17,265,090</u>
CREDITORS: amounts falling due after more than one year, including convertible debts	21	<u>6,886,923</u>	<u>10,920,719</u>
		<u>9,623,830</u>	<u>6,344,371</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	25	170,000	120,226
Other provisions	26	234,151	338,324
		<u>9,219,679</u>	<u>5,885,821</u>

The Balance sheet continues on the following page

The notes on pages 12 to 38 form part of these financial statements

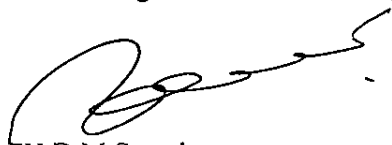
LONGHIRST GROUP LIMITED

BALANCE SHEET *(continued)*

31st MARCH 2008

	Note	2008 £	2007 £
ACCRUALS AND DEFERRED INCOME			
Government grants	28	592,922	792,758
CAPITAL AND RESERVES			
Called-up share capital	31	109,804	109,804
Share premium account	32	1,300,196	1,300,196
Revaluation reserve	32	2,585,013	3,404,947
Other reserves	32	—	(30,353)
Profit and loss account	32	<u>4,631,744</u>	<u>308,469</u>
SHAREHOLDERS' FUNDS			
(including non-equity interests)	33	<u>8,626,757</u>	<u>5,093,063</u>
		<u>9,219,679</u>	<u>5,885,821</u>

These financial statements were approved by the directors on the 10th November 2008 and are signed on their behalf by


H D M Speed
Director


S Cowell
Director

The notes on pages 12 to 38 form part of these financial statements

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and in accordance with applicable accounting standards

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Where the fair value of the separable net assets exceeds the fair value of consideration for an acquired undertaking the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered. In the case of fixed assets this is the period over which they are depreciated and in the case of current assets, the period over which they are sold or otherwise realised.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Goodwill	- over 5 or 20 years straight line
Negative Goodwill	- over period of recovery of associated non monetary assets

Fixed assets

All fixed assets are initially recorded at cost

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

1. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Property	- over 50 years straight line
Leasehold Property Improvements	- over 5 years straight line
Plant & Machinery	- over 5 years straight line
Fixtures & Fittings	- over 7 years straight line
Motor Vehicles	- over 4 years straight line
Technical Plant	- over 10 years straight line

Freehold properties are depreciated to their estimated residual value over their estimated remaining economic lives. The residual values of properties are regularly reviewed in order to identify any permanent diminution in value which would be charged to the profit and loss account.

The effect of the changes in useful economic lives during the period is to reduce depreciation charged by £36,700.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stocks

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The company operates both defined contribution and defined benefit retirement benefit schemes, both of which require contributions to be made to separately administered funds. Contributions to the defined contribution section are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Contributions to the defined benefit section (which is currently in surplus) were terminated in 2005/06 by agreement with the trustees of the scheme. Any future contributions required would be charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

1. ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below.

	2008 £	2007 £
United Kingdom	<u>6,088,897</u>	<u>18,207,637</u>

3. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing operations £	Discontinued operations £	Total £
YEAR ENDED 31st MARCH 2008			
Cost of sales	<u>2,465,650</u>	<u>1,045,501</u>	<u>3,511,151</u>
Administrative expenses	<u>2,411,828</u>	<u>204,472</u>	<u>2,616,300</u>
Net operating expenses	<u>2,411,828</u>	<u>204,472</u>	<u>2,616,300</u>

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

3. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES *(continued)*

	Continuing operations £	Discontinued operations £	Total £
YEAR ENDED 31st MARCH 2007			
Cost of sales	1,362,565	9,457,782	10,820,347
Administrative expenses	2,033,890	3,351,097	5,384,987
Net operating expenses	2,033,890	3,351,097	5,384,987

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting)

	2008 £	2007 £
Amortisation of government grants re fixed assets	(199,836)	(199,836)
Amortisation of intangible assets	(27,624)	(100,786)
Depreciation of owned fixed assets	318,071	495,936
Depreciation of assets held under hire purchase agreements	—	4,218
Operating lease costs		
- Plant and equipment	2,317	9,750
- Other	12,917	288,493
Auditor's remuneration - audit of the financial statements	15,000	36,354
Auditor's remuneration - other fees	56,518	41,748
Closure costs	2,823	77,540
Write off of loans from non trading subsidiaries	—	(211,001)
	2008 £	2007 £
Auditor's remuneration - audit of the financial statements	15,000	36,354
Auditor's remuneration - other fees		
- Accountancy	20,000	9,423
- Business consultancy	36,518	32,325
	56,518	41,748

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2008	2007
	No	No
Sales and marketing	171	302
Finance	9	18
	<u>180</u>	<u>320</u>

The aggregate payroll costs of the above were

	2008	2007
	£	£
Wages and salaries	2,466,870	6,430,208
Social security costs	202,444	603,796
Other pension costs	21,668	135,303
	<u>2,690,982</u>	<u>7,169,307</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2008	2007
	£	£
Emoluments receivable	150,169	298,297
Value of company pension contributions to money purchase schemes	14,007	19,950
	<u>164,176</u>	<u>318,247</u>

Emoluments of highest paid director:

	2008	2007
	£	£
Total emoluments (excluding pension contributions)	88,408	133,435
Value of company pension contributions to money purchase schemes	14,007	19,950
	<u>102,415</u>	<u>153,385</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2008	2007
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

7. (LOSS)/PROFIT ON DISPOSAL OF FIXED ASSETS

	2008 £	2007 £
(Loss)/profit on disposal of fixed assets	<u>(20,429)</u>	<u>7,952</u>
Included in the above are the following		
Leasehold property	–	9,776
Motor vehicles	–	(1,824)
Investments	<u>(20,429)</u>	<u>–</u>
	<u>(20,429)</u>	<u>7,952</u>

8. PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

	2008 £	2007 £
Disposal of discontinued operations (Profit)/Loss on sale of operation	<u>4,544,194</u>	<u>–</u>

The profit on disposal relates to the sale of the Training division on 1st May 2007. Results of the training division are classed as discontinued in both the current year and the previous year.

9. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2008 £	2007 £
Income from group undertakings	<u>–</u>	<u>1,487,656</u>

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	2007 £
Bank interest receivable	30,187	19,664
Other similar income receivable	–	2,367
	<u>30,187</u>	<u>22,031</u>

11. AMOUNTS WRITTEN OFF INVESTMENTS

	2008 £	2007 £
Amount written off investments	<u>–</u>	<u>669,244</u>

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

12. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Interest payable on bank borrowing	280,692	487,230
Finance charges	2,003	771
Other similar charges payable	648,823	321,633
	<u>931,518</u>	<u>809,634</u>

Other similar charges payable includes the following

	2008	2007
	£	£
Loan stock interest and redemption premium	386,250	177,500
Finance charges on shares classed as financial liabilities	262,550	140,157
Other interest payable	23	3,976
	<u>648,823</u>	<u>321,633</u>

13. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2008	2007
	£	£
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2007 - 30%)	(41,825)	100,000
Over/under provision in prior year	(58,175)	8,794
Total current tax	(100,000)	108,794
Deferred tax		
Origination and reversal of timing differences	49,774	294,416
Tax on profit on ordinary activities	<u>(50,226)</u>	<u>403,210</u>

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

13. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2007 - 30%)

The profit on the sale of the training divisions is not chargeable for corporation tax.

	2008 £	2007 £
	2008 £	2007 £
Profit on ordinary activities before taxation	<u>3,583,880</u>	<u>1,908,064</u>
Profit on ordinary activities by rate of tax	1,075,164	572,419
Items not deductible / (chargeable) for tax purposes	(1,213,229)	(256,271)
Capital allowances for period in excess of depreciation	(80,482)	(51,495)
Losses relieved and utilisation of tax losses	176,722	(164,653)
Adjustments to tax charge in respect of previous periods	<u>(58,175)</u>	<u>8,794</u>
Total current tax (note 13(a))	<u>(100,000)</u>	<u>108,794</u>

14. DIVIDENDS

Equity dividends

	2008 £	2007 £
Paid during the year		
Equity dividends on ordinary shares	<u>130,765</u>	<u>—</u>

Dividends on shares classed as financial liabilities

	2008 £	2007 £
Paid during the year		
Dividends on shares classed as financial liabilities	<u>155,822</u>	<u>94,178</u>
Proposed at the year-end (recognised as a liability)		
Dividends on shares classed as financial liabilities	<u>—</u>	<u>30,822</u>

Dividends were paid during the year on ordinary shares at £11 909 per share (2007 - £Nil per ordinary share)

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

15. INTANGIBLE FIXED ASSETS

	Goodwill £	Negative Goodwill £	Total £
COST			
At 1st April 2007	649,602	(444,987)	204,615
Disposals	(649,602)	313,274	(336,328)
At 31st March 2008	<u>–</u>	<u>(131,713)</u>	<u>(131,713)</u>
AMORTISATION			
At 1st April 2007	311,457	(316,818)	(5,361)
Charge for the year	–	(27,624)	(27,624)
On disposals	(311,457)	226,844	(84,613)
At 31st March 2008	<u>–</u>	<u>(117,598)</u>	<u>(117,598)</u>
NET BOOK VALUE			
At 31st March 2008	<u>–</u>	<u>(14,115)</u>	<u>(14,115)</u>
At 31st March 2007	<u>338,145</u>	<u>(128,169)</u>	<u>209,976</u>

Goodwill brought forward includes goodwill arising on the acquisition of the assets and liabilities of NTEC (Group) Limited, which was being amortised over twenty years but has now been disposed of

Negative goodwill arising on acquisition of the fixed assets and trade of WTI is being amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered

In the opinion of the directors, these represent prudent estimates of the periods over which the company will derive economic benefit from the goodwill purchased

The net amounts of positive and negative goodwill at the period end are disclosed on the face of the balance sheet

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

16. TANGIBLE FIXED ASSETS

	Freehold Property £	Assets under cons- truction £	Plant & Machinery £	Fixtures & Fittings £	Other Assets £	Total £
COST OR VALUATION						
At 1 Apr 2007	11,779,609	3,655,496	1,145,945	2,732,177	571,452	19,884,679
Additions	9,298	757,157	–	498,734	–	1,265,189
Disposals	–	–	(1,145,945)	(698,822)	(495,658)	(2,340,425)
Transfers	3,936,172	(4,412,653)	–	476,481	–	–
At 31 Mar 2008	<u>15,725,079</u>	<u>–</u>	<u>–</u>	<u>3,008,570</u>	<u>75,794</u>	<u>18,809,443</u>
DEPRECIATION						
At 1 Apr 2007	73,496	–	106,538	2,014,441	248,825	2,443,300
Charge for the year	41,064	–	10,330	262,586	4,091	318,071
On disposals	–	–	(116,868)	(475,870)	(177,122)	(769,860)
At 31 Mar 2008	<u>114,560</u>	<u>–</u>	<u>–</u>	<u>1,801,157</u>	<u>75,794</u>	<u>1,991,511</u>
NET BOOK VALUE						
At 31 Mar 2008	<u>15,610,519</u>	<u>–</u>	<u>–</u>	<u>1,207,413</u>	<u>–</u>	<u>16,817,932</u>
At 31 Mar 2007	<u>11,706,113</u>	<u>3,655,496</u>	<u>1,039,407</u>	<u>717,736</u>	<u>322,627</u>	<u>17,441,379</u>

Revaluation

Freehold properties were revalued to amounts totalling £11,600,000 at 31st March 2006. The valuations were at market value and were undertaken by MRICS qualified valuers working for Savills Commercial Limited. Properties have been valued as fully-equipped operational entities having regard to their trading potential.

Technical plant was revalued to £1,017,650 at 31st March 2006. The valuation was on a depreciated replacement cost basis by an FNAVA qualified valuer working for James Sutherland (Auctioneers) Ltd.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

16. TANGIBLE FIXED ASSETS *(continued)*

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows

	Freehold Property £	Technical Plant £	Total £
Net book value at end of year	15,610,519	-	15,610,519
Historical cost:			
At 1 Apr 2007	13,614,496	427,718	14,042,214
Cost of additions to revalued assets brought forward	3,945,470	-	3,945,470
Disposals in year	-	(427,718)	(427,718)
At 31 Mar 2008	17,559,966	-	17,559,966
Depreciation:			
At 1 Apr 2007	4,509,219	192,422	4,701,641
On disposals	-	(195,986)	(195,986)
Charge for year	25,241	3,564	28,805
At 31 Mar 2008	4,534,460	-	4,534,460
Net historical cost value:			
At 31 Mar 2008	13,025,506	-	13,025,506
At 1 Apr 2007	9,105,277	235,296	9,340,573

Hire purchase agreements

Included within the net book value of £16,817,932 is £Nil (2007 - £13,708) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2007 - £4,218)

Capital commitments

	2008 £	2007 £
Contracted but not provided for in the financial statements	-	758,397

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

17. INVESTMENTS

	Shares in group companies £	Investment in own shares £	Investments £	Total £
Cost				
Balance brought forward	2,601,593	–	–	2,601,593
Transfer	–	9,924	20,429	30,353
Disposals	(31,871)	–	(20,429)	(52,300)
Balance carried forward	<u>2,569,722</u>	<u>9,924</u>	<u>–</u>	<u>2,579,646</u>
Amounts provided				
Balance brought forward	2,601,593	–	–	2,601,593
Disposals	(31,871)	–	–	(31,871)
Balance carried forward	<u>2,569,722</u>	<u>–</u>	<u>–</u>	<u>2,569,722</u>
Net book value				
Balance carried forward	–	<u>9,924</u>	–	<u>9,924</u>
Balance brought forward	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Longhirst Group Employee Benefit Company Limited is a subsidiary undertaking. During a previous period, The Longhirst Group Employee Benefit Company Limited received a loan of £60,000 from Longhirst Group Limited. Subsequently, the Longhirst Group Employee Benefit Company Limited purchased 100,000 ordinary £0.10 shares in Longhirst Group Limited for a consideration of £60,000. During the previous year, 54,902 ordinary £0.10 shares were sold to a director of the company, for a consideration of £29,647. In accordance with Urgent Issues Task Force abstract 38, the loan was shown as an 'own shares held' reserve in the balance sheet of the company. Following the group reconstruction, the Longhirst Group Employee Benefit Company Limited owned shares in Longhirst Venues Limited and Develop Training Limited. The shares in Develop Training Limited therefore became an investment of Longhirst Group Limited. These shares were subsequently gifted to ex-employees of Longhirst Group Limited. Under Urgent Issues Task Force abstract 44, the 11,050 ordinary £0.10 shares owned in Longhirst Venues Limited are shown in Longhirst Group Limited as an investment in own shares.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

17. INVESTMENTS *(continued)*

Company

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
Direct holdings:				
Whitwell Learning Limited	England	Ordinary shares	100%	Dormant
Northumberland Guidance Company Limited	England	Ordinary shares	100%	Dormant
Northumberland Enterprise Limited	England	Ordinary shares	100%	Dormant
Longhirst Hall Limited	England	Ordinary shares	100%	Dormant
Longhirst Estates Limited	England	Ordinary shares	100%	Dormant
Longhirst Sports Limited	England	Ordinary shares	100%	Dormant
Develop Longhirst Limited	England	Ordinary shares	100%	Dormant
Monkcrest Limited	England	Ordinary shares	100%	Dormant
The Longhirst Group Employee Benefit Company Limited	England	Ordinary shares	100%	Dormant
Personnel Resource Management Limited	England	Ordinary shares	100%	Training

All of the above subsidiary undertakings are included within the Longhirst Venues Limited consolidated accounts

Under the provision of section 228 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity

18. STOCKS

	2008	2007
	£	£
Stock	<u>34,411</u>	<u>29,596</u>

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

19. DEBTORS

	2008	2007
	£	£
Trade debtors	563,249	1,964,999
Corporation tax repayable	41,825	—
Other debtors	23,401	50,761
Prepayments and accrued income	253,298	1,530,578
	<u>881,773</u>	<u>3,546,338</u>

20. CREDITORS: amounts falling due within one year, including convertible debts

	2008	2007
	£	£
Debenture loans (convertible)	—	1,563,750
Bank loans	163,077	—
Trade creditors	645,643	851,355
Amounts owed to group undertakings	430,163	256,405
Corporation tax	—	100,000
Other taxation and social security	133,793	607,350
Hire purchase agreements	—	7,477
Other creditors	15,015	182,566
Accruals and deferred income	625,998	1,290,296
	<u>2,013,689</u>	<u>4,859,199</u>

Secured convertible loan stock 2007 was due for redemption in full on 25th December 2007. As the stock is being redeemed after 25th December 2007 the amount repayable is at a premium of 20% of the nominal amount of the stock to be redeemed or repaid.

If the stock has not been previously converted or repaid in full (with interest) and if interest accrued in respect of the stock has not been paid in full within 14 days of four consecutive interest payment dates, then at any time thereafter the stockholder has the right to convert the stock registered in their name at the rate of ten ordinary shares of £0.10 for each £1.00 of stock.

The rate of interest payable on the loan stock is 10% per annum.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

20. CREDITORS: amounts falling due within one year, including convertible debts *(continued)*

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2008	2007
	£	£
Debenture loans	—	1,563,750
Bank loans	163,077	—
Hire purchase agreements	—	7,477
	<u>163,077</u>	<u>1,571,227</u>

The bank loan is secured by a debenture giving fixed and floating charges over company assets, a first legal mortgage over the freehold properties at Longhirst Hall, Longhirst, Northumberland and Burn Hall, Huby, North Yorkshire, and a company unlimited multilateral guarantee

The convertible loan stock is secured by a mortgage debenture over the property assets and undertakings of the company

Obligations under hire purchase agreements are secured by the asset to which they relate

21. CREDITORS: amounts falling due after more than one year, including convertible debts

	2008	2007
	£	£
Debenture loans (convertible)	1,800,000	—
Bank loans and overdrafts	3,836,923	9,668,845
Hire purchase agreements	—	1,874
Shares classed as financial liabilities	1,250,000	1,250,000
	<u>6,886,923</u>	<u>10,920,719</u>

Secured convertible loan stock 2007 was due for redemption in full on 25th December 2007. As the stock is being redeemed after 25th December 2007 the amount repayable is at a premium of 20% of the nominal amount of the stock to be redeemed or repaid

If the stock has not been previously converted or repaid in full (with interest) and if interest accrued in respect of the stock has not been paid in full within 14 days of four consecutive interest payment dates, then at any time thereafter the stockholder has the right to convert the stock registered in their name at the rate of ten ordinary shares of £0.10 for each £1.00 of stock

The rate of interest payable on the loan stock is 10% per annum

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

21. CREDITORS: amounts falling due after more than one year, including convertible debts (continued)

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2008 £	2007 £
Debenture loans	1,800,000	—
Bank loans and overdrafts	3,836,923	9,668,845
Hire purchase agreements	—	1,874
	<u>5,636,923</u>	<u>9,670,719</u>

The bank loan is secured by a debenture giving fixed and floating charges over company assets, a first legal mortgage over the freehold properties at Longhirst Hall, Longhirst, Northumberland and Burn Hall, Huby, North Yorkshire, and a company unlimited multilateral guarantee

The convertible loan stock is secured by a mortgage debenture over the property assets and undertakings of the company

Obligations under hire purchase agreements are secured by the asset to which they relate

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	2008 £	2007 £
Bank loans and overdrafts	<u>3,068,463</u>	<u>9,046,643</u>

The bank loan bears interest at a rate of 1 25% over the bank's base rate The loan is repayable by monthly instalments over the period from April 2008 to March 2023

22. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows

	2008 £	2007 £
Amounts repayable		
In one year or less or on demand	163,077	1,663,750
In more than one year but not more than two years	173,999	41,187
In more than two years but not more than five years	3,644,461	1,831,015
In more than five years	<u>3,068,463</u>	<u>9,046,643</u>
	<u>7,050,000</u>	<u>12,582,595</u>

Convertible instruments amounting to £1,800,000 (2007 - £1,563,750) are included in creditors

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

23. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	2008	2007
	£	£
Amounts payable within 1 year	-	7,477
Amounts payable between 2 to 5 years	-	1,874
	<u>-</u>	<u>9,351</u>

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

24. PENSIONS

The company operates a retirement benefit scheme for its employees with a defined contribution section and a defined benefit section, the Water Associated Employees Pension Scheme

Defined contribution section

The assets of the section are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £21,668 (2007 - £135,303). The unpaid contributions outstanding at the year end, included in other creditors were £1,101 (2007 - £16,557).

Defined benefit section

The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. No contributions were made to the scheme during the year (2007 - £Nil).

FRS 17 requires disclosure in the financial statements of the fair value of the assets and liabilities arising from the company's retirement benefit obligations and any related funding at each balance sheet date. It also requires disclosure of key actuarial assumptions, the operating costs of providing retirement benefits, the related finance costs and any other changes in value of the assets and liabilities. The information shown is to be updated by the scheme's actuary at each balance sheet date.

An actuarial update for the purpose of FRS 17 was carried out at 31st March 2008. The full triennial actuarial valuation of the scheme was at 31st March 2007.

	2008	2007
Main assumptions		
Pre retirement discount rate	6.90%	5.40%
Post retirement discount rate	6.90%	4.90%
Forward inflation rate	3.60%	3.25%
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in deferred pensions	3.60%	3.25%
	2008	2007
	£	£
Fair value of scheme assets	21,953,000	20,961,000
Present value of scheme liabilities	(16,527,000)	(19,034,000)
Surplus in the scheme	5,426,000	1,927,000
Irrecoverable surplus	(5,426,000)	(1,927,000)
Net pension asset /(liability)	—	—

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

24. PENSIONS *(continued)*

FRS 17 stipulates that a surplus should be recognised as an asset to the extent that the company is able to recover such a surplus, either through reduced contributions in the future or through refunds from the scheme. As the accrual of benefits ceased with effect from 31st July 2005, the surplus as at 31st March 2008 has been deemed to be an irrecoverable surplus. The cost of early retirements on enhanced terms or other actuarial losses that take place after 31st March 2008 will be able to be offset against this irrecoverable surplus in future years.

The fair value of the scheme assets invested in the following classes, along with their expected rate of return was

	2008 Investment £	Expected rate of return	2007 Investment £	Expected rate of return
Equities	–	7.00%	–	7.00%
Corporate bonds	21,953,000	6.90%	20,961,000	5.00%
Cash	–	5.25%	–	5.25%
Total market value of assets	21,953,000		20,961,000	
Present value of scheme liabilities	(16,527,000)		(19,034,000)	
Surplus in scheme	5,426,000		1,927,000	
Irrecoverable surplus	(5,426,000)		(1,927,000)	
Net pension asset /(liability)	–		–	

Reconciliations of net assets and reserves under FRS17

If this net pension liability was to be recognised in the accounts, the effect on net assets and shareholders funds as at 31st March 2008 would be as follows

	2008 £	2007 £
Net assets as stated in balance sheet	8,626,757	5,093,063
Net pension asset /(liability)	–	–
Net assets as restated	8,626,757	5,093,063

Analysis of the amount that would be charged to operating profit under FRS 17

	2008 £	2007 £
Current service cost	–	–
Past service cost	–	–
Decrease in irrecoverable surplus	–	–
Total operating charge	–	–
Restricted due to irrecoverable surplus	–	–
Charged to operating profit	–	–

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

24. PENSIONS *(continued)*

Analysis of the amount that would be credited to other finance income under FRS 17

	2008 £	2007 £
Expected return on pension scheme assets	1,059,000	955,000
Interest on pension scheme liabilities	(1,001,000)	(920,000)
Net return	58,000	35,000
Restricted due to irrecoverable surplus	(58,000)	(35,000)
Credited to other finance income	—	—

Analysis of the amount that would be recognised in statement of total recognised gains and losses (STRGL) under FRS 17

	2008 £	2007 £
Actual return less expected return on pension scheme assets	1,105,000	(774,000)
Experience gains and losses arising on the scheme liabilities	(7,022,000)	1,025,000
Changes in assumptions underlying the present value of the scheme liabilities	2,547,000	301,000
Actuarial gain/(loss) in pension plan	(3,370,000)	552,000
Increase/(decrease) in irrecoverable surplus	3,499,000	(515,000)
Actuarial gain/(loss)	129,000	37,000
Restricted due to irrecoverable surplus	(129,000)	(37,000)
Actuarial gain/(loss) recognised in STRGL	—	—

Movement in deficit during the year

	2008 £	2007 £
Surplus/(deficit) in scheme at beginning of the year	—	—
Current service cost	—	—
Employer contributions	—	—
Other expenses	(187,000)	(72,000)
Past service costs	—	—
Impact of settlements and curtailments	—	—
Other finance income	58,000	35,000
Actuarial gain/(loss)	129,000	37,000
Surplus/(deficit) in scheme at end of year	—	—

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

24. PENSIONS *(continued)*

History of experience gains and losses

	2008 £	% of scheme assets	2007 £	% of scheme assets
Difference between the expected and actual return on scheme assets	<u>1,105,000</u>	5.03%	<u>(744,000)</u>	-3.69%
	2006 £	% of scheme assets	2005 £	% of scheme assets
Difference between the expected and actual return on scheme assets	<u>1,689,000</u>	7.83%	<u>1,024,000</u>	5.24%
	2008 £	% of scheme assets	2007 £	% of scheme assets
Experience gains and losses on scheme liabilities	<u>(7,022,000)</u>	-42.49%	<u>1,025,000</u>	5.39%
	2006 £	% of scheme assets	2005 £	% of scheme assets
Experience gains and losses on scheme liabilities	<u>(1,374,000)</u>	-7.18%	<u>(2,210,000)</u>	-12.07%
	2008 £	% of scheme assets	2007 £	% of scheme assets
Total amount recognised in statement of total recognised gains and losses	<u>(129,000)</u>	0.68%	<u>(37,000)</u>	0.20%
	2006 £	% of scheme assets	2005 £	% of scheme assets
Total amount recognised in statement of total recognised gains and losses	<u>494,000</u>	-2.58%	<u>(123,000)</u>	-0.67%

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

25. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	2008 £	2007 £
Provision brought forward	120,226	(174,190)
Profit and loss account movement arising during the year	49,774	294,416
Provision carried forward	<u>170,000</u>	<u>120,226</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2008		2007	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	240,000	-	120,226	-
Tax losses available	(70,000)	(50,741)	-	(50,741)
	<u>170,000</u>	<u>(50,741)</u>	<u>120,226</u>	<u>(50,741)</u>

Capital losses carried forward are not recognised as an asset due to uncertainty as to the availability of future capital gains

26. OTHER PROVISIONS

	2008 £
Provision for closure costs:	
Balance brought forward	338,324
Movement for year	(104,173)
	<u>234,151</u>

Provision for closure of discontinued operations

A provision is recognised for the closure costs of the Personal Development Division, which ceased to trade on 31st March 2006. It is expected that these costs will all have been incurred within three years of the balance sheet date.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

27. DERIVATIVES

Fair Value of Derivatives

Derivative financial instruments held to manage the interest rate and currency profile

	2008	2007
	£	£
Interest rate swaps and forward rate agreements	<u>—</u>	<u>—</u>

Extent and nature of derivatives

Interest rate cap from March 2006 to September 2007, against loans of up to £5,800,000 hedging against movements in LIBOR above 7.00%

Interest rate swap from September 2007 to September 2022, against loans of up to £10,200,000 hedging against movements in LIBOR above 6.00%, with a knock in floor if LIBOR falls below 3.75%

28. GOVERNMENT GRANTS

	2008	2007
	£	£
Received and receivable:		
At 1st April 2007	<u>6,646,925</u>	<u>6,646,925</u>
At 31st March 2008	<u>6,646,925</u>	<u>6,646,925</u>
Amortisation:		
At 1st April 2007	<u>5,854,167</u>	<u>5,654,331</u>
Credit to profit and loss account	<u>199,836</u>	<u>199,836</u>
At 31st March 2008	<u>6,054,003</u>	<u>5,854,167</u>
Net balance at 31st March 2008	<u>592,922</u>	<u>792,758</u>

Should the conditions surrounding the initial award of the government grants not be maintained or are broken then the grants, or parts thereof, may become repayable. The directors are of the belief that the likelihood of the conditions of the grants not being maintained or broken is so remote that the grants will never have to be repaid and therefore no liability is likely to arise in the future.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

29. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2008 the company had annual commitments under non-cancellable operating leases as set out below

	2008		2007	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	-	3,750	9,680
Within 2 to 5 years	55,000	23,431	141,000	157,524
After more than 5 years	-	-	232,380	-
	<u>55,000</u>	<u>23,431</u>	<u>377,130</u>	<u>167,204</u>

30. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 8 not to disclose related party transactions with group companies

The Longhirst Group Employee Benefit Company Limited is a related party by virtue of the common directorship of S Cowell. During a previous year The Longhirst Group Employee Benefit Company Limited received a loan from the Longhirst Group Limited, which was used to purchase ordinary shares in Longhirst Group Limited. In accordance with Urgent Issues Task Force abstract 38 the loan balance was shown as an 'own shares held' reserve in the balance sheet of the company. Following the group reconstruction The Longhirst Group Employee Benefit Company Limited now owns shares in Longhirst Venues Limited, as a result under Urgent Issues Task Force abstract 44 the loan balance is shown as an investment.

Norham House 1108 Limited was a related party during the year by virtue of having the same directors and shareholders as Longhirst Group Limited. During the year Longhirst Group Limited sold the assets and trade of its training division to Norham House Limited for net consideration of £6,300,000. Subsequently, as part of a s110 members voluntary liquidation, Norham House 1108 Limited exchanged the assets and trade of the training division for ordinary shares, preference shares and loan stock in Develop Training Limited. At 31st March 2008 there were no balances outstanding.

Develop Training Limited is a related party by virtue of the having the same directors and shareholders as Longhirst Venues Limited, the parent company of Longhirst Group Limited. During the year Longhirst Group Limited made sales to Develop Training Limited of £2,265,375 and purchased services from Develop Training Limited of £1,465,768, all transactions were on normal commercial terms. At 31st March 2008 included in trade debtors is £261,271 owed by Develop Training Limited and included in trade creditors is £171,965 owed to Develop Training Limited.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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31. SHARE CAPITAL

Authorised share capital:

	2008 £	2007 £
2,240,900 Ordinary shares of £0.10 each	224,090	224,090
1,250,000 Cumulative redeemable preference shares of £1 each	1,250,000	1,250,000
	<u>1,474,090</u>	<u>1,474,090</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £0.10 each	1,098,039	109,804	1,098,039	109,804
Cumulative redeemable preference shares of £1 each	1,250,000	1,250,000	1,250,000	1,250,000
	<u>2,348,039</u>	<u>1,359,804</u>	<u>2,348,039</u>	<u>1,359,804</u>

Amounts presented in equity:

	2008 £	2007 £
Ordinary shares of £0.10 each	<u>109,804</u>	<u>109,804</u>

Amounts presented in liabilities:

	2008 £	2007 £
Cumulative redeemable preference shares of £1 each	<u>1,250,000</u>	<u>1,250,000</u>

The cumulative redeemable preference shares are redeemable by the shareholders in one tranche on 30th June 2009. The company may redeem the shares at any time having given one month's notice to shareholders in writing. If the preference shares are redeemed on or before 30th June 2009 the amount repayable is at a premium of 5% of the nominal amount of the shares redeemed. If the preference shares are redeemed on or after 1st July 2009 the amount repayable is at a premium of 20% of the nominal amount of the preference shares redeemed.

The preference shares carry a dividend of 10% per annum, payable quarterly in arrears on 31st March, 30th June, 30th September and 31st December. The dividend rights are cumulative.

The preference shares carry no votes at meetings.

On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share, as well as any redemption premium plus any accrued dividend.

LONGHIRST GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st MARCH 2008

32. RESERVES

	Share premium account £	Revaluation reserve £	Own shares held reserve £	Profit and loss account £
Balance brought forward	1,300,196	3,404,947	(30,353)	308,469
Profit for the year	–	–	–	3,634,106
Equity dividends	–	–	–	(130,765)
Other movements				
- transfer to/from revaluation reserve	–	(819,934)	–	819,934
Other	–	–	30,353	–
Balance carried forward	<u>1,300,196</u>	<u>2,585,013</u>	<u>–</u>	<u>4,631,744</u>

33. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	3,634,106	1,504,854
Equity dividends	(130,765)	–
Transfer from revaluation reserve	819,934	86,867
Transfer to profit and loss account	(819,934)	(86,867)
Sale of own shares held	–	29,647
Transfer to investments	30,353	–
Net addition to shareholders' funds	<u>3,533,694</u>	<u>1,534,501</u>
Opening shareholders' funds	<u>5,093,063</u>	<u>3,558,562</u>
Closing shareholders' funds	<u>8,626,757</u>	<u>5,093,063</u>

34. ULTIMATE PARENT COMPANY

Following the group reconstruction during the period the ultimate parent company is now Longhirst Venues Limited. It has included the company in its group accounts, copies of which are available from its registered office 6 Craster Court, Manor Walks, Cramlington, Northumberland NE23 6UT.

35. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there was no ultimate controlling party of the company in the year ended 31st March 2008.