

Financial Statements Lindley Catering Holdings Limited

For the year ended 31 May 2011

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Company No 05416831

Company information

Company registration number :	05416831
Registered office :	The Mellor Building Queens Road Penkhull Stoke On Trent ST4 7TR
Directors :	I Daly D Hulme M Needley
Principal bankers :	National Westminster Bank Plc 35 Fishergate Preston Lancs PR1 2BY
Solicitors :	Knight Solicitors LLP The Brampton Newcastle Under Lyme Newcastle Staffordshire ST5 0QW
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB

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Report of the directors

The directors present their report together with the audited financial statements for the year 31 May 2011

Principal activity

The company's principal activity is that of a holding company. The principal activity of the group is the provision of catering services, including trading as licensed victuallers.

Business review

Lindley Group has had an exciting year with the arrival of Adam Elliott as CEO. Much has happened with the rebranding of the group and in particular the launch of Lindley Heritage. Lindley won the contract to provide services at the prestigious Hepworth Gallery in Wakefield designed by David Chipperfield Architects, the redeveloped Winter Gardens and another soon to be announced prestigious contract in the south of the country.

Lindley Group has also won three significant contracts under its Venue Catering brand at Sheffield Wednesday, The Galpharm Stadium in Huddersfield and Gillingham FC.

In addition Lindley Group has invested in its operational and back office team at a time when competitors are cutting back. Lindley Group has taken the view that in these tough economic times, it has never been more important to invest in providing the best possible service for our customers. The newly created post of Lindley Group Development Director is testament to this.

The results have reflected in part the restructure and investment but with £9m of new business already won for 2011/2012 and more in the pipeline, the directors are confident of a good year ahead.

Results and dividends

The group loss for the year ended 31 May 2011 amounted to £1,432,164 (2010 profit £5,075,029) which has been transferred to/(from) reserves. This loss is after £317,000 of exceptional expenditure (note 1 to the financial statements) and £2.6 million of interest, depreciation and goodwill amortisation. The directors did not recommend the payment of a dividend (2010 £Nil) during the year.

Directors

The directors of the company are listed below. All served on the Board throughout the year unless otherwise stated.

P R Biffen (resigned 25 May 2011)

I Daly

D Hulme

M Needley (appointed 14 March 2011)

Financial risk management objectives and policies

The group uses financial instruments, these include a bank loan and overdraft, loan notes, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

- *Liquidity risk* – The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved by an overdraft facility.
- *Interest rate risk* – The group finances its operations through a mixture of cash, retained profits, a bank loan and overdraft and loan notes. The interest rate exposure of the financial assets and liabilities of the company as at 31 May 2011 is shown below. The table includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

	Interest rate			
	Fixed £	Floating £	Zero £	Total £
Financial assets				
Cash	–	3,207,889	–	3,207,889
Trade debtors	–	–	4,131,931	4,131,931
	<u>–</u>	<u>3,207,889</u>	<u>4,131,931</u>	<u>7,339,820</u>
Financial liabilities				
Bank loans and overdrafts	–	541,593	–	541,593
Loan notes	7,575,000	–	–	7,575,000
Trade creditors	–	–	6,168,545	6,168,545
	<u>7,575,000</u>	<u>541,593</u>	<u>6,168,545</u>	<u>14,285,138</u>

£5.05 million of the loan notes are classified in the financial statements as being due for repayment by 31 May 2012 along with associated accrued interest of £1.3 million. The issuer of the loan notes has indicated that it is their intention not to seek repayment of such amounts in the foreseeable future if it is prejudicial to the interests of the Group. Accordingly, while the financial statements reflect the contractual terms it is anticipated that repayment will take place over a longer period. Further information in this regard is given in the accounting policies and note 12 to the financial statements.

Directors' Responsibilities Statement

The directors are responsible for preparing the Report of the directors 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 laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 each of the directors is aware

- there is no relevant audit information of which the company's auditor are 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 are aware of that information.

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

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

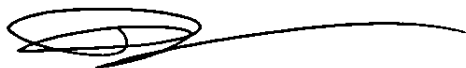
- settle the terms of payment with suppliers when agreeing the terms of each transaction
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with the company's contractual and other legal obligations

On average the group's trade creditors at the year end represented 49 days' purchases (2010 49 days)

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 485(4) of the Companies Act 2006

BY ORDER OF THE BOARD



D Hulme
Director

30 November 2011



Report of the independent auditors to the members of Lindley Catering Holdings Limited

We have audited the financial statements of Lindley Catering Holdings Limited for the year ended 31 May 2011 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



Report of the independent auditors to the members of Lindley Catering Holdings Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP" followed by a stylized signature.

Tobias Wilson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

30 November 2011

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice

The directors have reviewed the accounting policies in accordance with FRS18 "Accounting Policies" and have concluded that no changes were required from the previous year

Going concern

During the year, the group incurred a loss of £1,432,164 (2010 £5,075,029) and at the year end the group had a net current liability position of £6,327,451 (2010 £2,327,031) including £6.9 million of loan notes and accrued interest due within one year. Despite having net current liabilities the directors are confident that the group is a going concern and will be able to meet any liabilities as they fall due. Given their impact on net current liabilities particular consideration has been given to the loan notes and confirmation received from the lender that repayment will not be sought if prejudicial to the Group's interests. This reflects the fact that they also hold an equity interest in the Group and that the Group continues to be cash generative and otherwise materially free of debt. There is no indication that the loan note holders will recall any element of the loan notes which are past due.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities and (if appropriate) other facilities that have been offered to the Group. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate the results of Lindley Catering Holdings Limited and its subsidiary undertakings as at 31 May 2011 using the acquisition method of accounting. All intra-group transactions have been eliminated, including any unrealised profit.

Intangible fixed assets

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful life of 20 years.

Turnover

Turnover arises from trading in the United Kingdom and comprises the value of work performed and goods and services provided during the year outside of the group excluding value added tax. Income from direct sales is recognised at the point the service or good is provided.

Investments

Investments are included at cost less provision for impairment.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are

Furniture, fixtures, tools and equipment	33% straight line/life of contract
Computer equipment	15% of cost/life of contract
Motor vehicles	25% straight line

Stocks

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

Contract Advances

Incentives awarded to customers on contracts are amortised on a straight line basis over the contract term

Other income

Includes rebates awarded by suppliers, the income is recognised in line with agreed contractual terms

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Contributions to pension schemes

Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the year of the lease

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

Cash and liquid resources

Cash, for the purposes of the consolidated cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources consist of short term deposits which may be withdrawn only at more than 24 "working" hours notice

Employee share schemes

All share-based payment arrangements granted are recognised in the financial statements in accordance with *Financial Reporting Standard 20 Share-based Payment*. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets). All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "profit and loss reserve"

Consolidated profit and loss account

	Note	2011 £	2010 £
Turnover – continuing operations	1	44,504,922	50,416,737
Cost of sales		<u>(15,190,723)</u>	<u>(17,200,501)</u>
Gross profit		29,314,199	33,216,236
Other administrative expenses		(29,705,556)	(32,941,597)
Goodwill amortisation		(839,982)	(839,982)
Exceptional administrative (expense)/ income	1	(317,000)	771,087
Total administrative expenses		<u>(30,862,538)</u>	<u>(33,010,492)</u>
Other operating income		<u>1,273,422</u>	<u>1,011,239</u>
Operating (loss)/profit – continuing operations		(274,917)	1,216,983
Net interest	3	<u>(1,184,924)</u>	<u>3,618,824</u>
(Loss)/profit on ordinary activities before taxation	1	(1,459,841)	4,835,807
Tax on (loss)/profit on ordinary activities	4	27,677	239,222
Retained (loss)/profit transferred to reserves	15	<u>(1,432,164)</u>	<u>5,075,029</u>

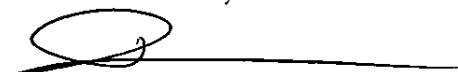
There were no recognised gains or losses other than the result for the financial year

The accompanying notes form part of these financial statements.

Consolidated balance sheet

	Note	2011 £	2010 £
Fixed assets			
Tangible fixed assets	6	1,198,710	1,414,578
Intangible assets	7	<u>11,960,395</u>	<u>12,800,377</u>
		13,159,105	14,214,955
Current assets			
Stocks	9	1,555,411	844,901
Debtors	10	6,686,183	8,932,686
Cash at bank and in hand		<u>3,207,889</u>	<u>2,547,189</u>
		11,449,483	12,324,776
Creditors : amounts falling due within one year	11	<u>(17,776,934)</u>	<u>(14,334,807)</u>
Net current liabilities		<u>(6,327,451)</u>	<u>(2,010,031)</u>
Total assets less current liabilities		6,831,654	12,204,924
Creditors : amounts falling due after more than one year	12	<u>(3,159,565)</u>	<u>(7,100,671)</u>
		<u>3,672,089</u>	<u>5,104,253</u>
Capital and reserves			
Called up share capital	14	32,210	32,210
Share premium account	15	678,609	678,609
Profit and loss account	15	<u>2,961,270</u>	<u>4,393,434</u>
Shareholders' funds	16	<u>3,672,089</u>	<u>5,104,253</u>

The financial statements were approved by the Board of Directors on 30 November 2011 signed on their behalf by



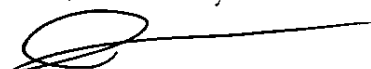
D Hulme
Director

Lindley Catering Holdings Limited
Company No. 05416831

Company balance sheet

	Note	2011 £	2010 £
Fixed assets			
Investments	8	<u>14,134,615</u>	<u>14,134,615</u>
Current assets			
Debtors	10	11,381	328,381
Cash at bank		<u>–</u>	<u>2,340,266</u>
		11,381	2,668,647
Creditors : amounts falling due within one year	11	<u>(17,839,648)</u>	<u>(15,030,819)</u>
Net current liabilities		<u>(17,828,267)</u>	<u>(12,362,172)</u>
Total assets less current liabilities		(3,693,652)	1,772,443
Creditors : amounts falling due after more than one year	12	<u>(3,159,565)</u>	<u>(7,100,671)</u>
		<u>(6,853,217)</u>	<u>(5,328,228)</u>
Capital and reserves			
Called up share capital	14	32,210	32,210
Share premium account	15	678,609	678,609
Profit and loss account	15	<u>(7,564,036)</u>	<u>(6,039,047)</u>
Shareholders' deficit	16	<u>(6,853,217)</u>	<u>(5,328,228)</u>

The financial statements were approved by the Board of Directors on 30 November 2011 signed on their behalf by



D Hulme
Director

Lindley Catering Holdings Limited
Company No. 05416831

Consolidated cash flow statement

	Note	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	17	<u>3,461,506</u>	<u>(244,116)</u>
Returns on investments and servicing of finance			
Interest received		3,119	4,776,067
Interest paid		<u>(848,665)</u>	<u>(817,865)</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>(845,546)</u>	<u>3,958,202</u>
Taxation		<u>(78,317)</u>	<u>(287,572)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(345,218)</u>	<u>(306,665)</u>
Net cash outflow from capital expenditure and financial investment		<u>(345,218)</u>	<u>(306,665)</u>
Cash inflow before financing		<u>2,192,425</u>	<u>3,119,849</u>
Financing			
Net repayment of loans	19	<u>(481,546)</u>	<u>(715,005)</u>
Capital element of finance lease rentals		—	(12,580)
Purchase of own shares		<u>—</u>	<u>(317,000)</u>
Net cash outflow from financing		<u>(481,546)</u>	<u>(1,044,585)</u>
Increase in cash	18	<u><u>1,710,879</u></u>	<u><u>2,075,264</u></u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Turnover and (loss)/profit on ordinary activities before taxation

The turnover and (loss)/profit on ordinary activities before taxation is attributable to the principal activity of the group and arises wholly within the United Kingdom

	2011	2010
	£	£
The (loss)/profit on ordinary activities before taxation is stated after		
Depreciation of tangible fixed assets	553,700	647,093
Amortisation of intangible assets	839,982	839,982
Auditors' remuneration payable for the audit of the group accounts	1,500	1,500
Auditors' remuneration payable for other services		
– audit of the company's subsidiaries	26,000	28,250
– taxation services	8,350	1,350,000
Operating lease rentals		
– land and buildings	20,000	20,000
– other	156,543	72,901
Exceptional administrative expense/(income)		
– VAT income	–	(353,729)
– key man insurance income	–	(501,326)
– other	–	83,968
– write down of investment in own shares (note 22)	317,000	–
	317,000	(771,087)

2 Directors and employees

	2011	2010
	£	£
Staff costs during the year were as follows		
Wages and salaries	14,834,369	15,704,747
Pension costs	17,676	14,806
	14,852,045	15,719,553

	2011	2010
	Number	Number
The average number of employees during the year was		
Management & administration	326	331
Catering	2,919	2,673
	3,245	3,004

Directors and employees (continued)

The total amounts for directors' remuneration and other benefits was as follows

	2011	2010
	£	£
Emoluments	268,256	286,022
Compensation for loss of office	84,658	—
Pension contributions	18,800	12,192
	<u>371,714</u>	<u>298,214</u>

During the year 2 directors (2010 2) participated in money purchase pension schemes

Directors remuneration shown above included the following amount payable in respect of the highest paid director

	2011	2010
	£	£
Emoluments	121,911	130,740
Compensation for loss of office	84,658	—
Pension contributions	12,310	6,096
	<u>218,879</u>	<u>136,836</u>

3 Net interest

	2011	2010
	£	£
On bank loans and overdrafts	89,703	60,350
On loan notes	1,098,340	1,096,893
Other interest receivable and similar income	(3,119)	—
Interest receivable on overpaid VAT recovered	—	(4,776,067)
	<u>1,184,924</u>	<u>(3,618,824)</u>

4 Tax on (loss)/profit on ordinary activities

The taxation credit is based on the (loss)/profit for the year and represents

	2011 £	2010 £
Current tax at 27.67% (2010: 28%)		
– current year charge	–	–
– adjustments in respect of previous years	(238,940)	(19,299)
	(238,940)	(19,299)
Deferred tax	211,263	(219,923)
	(27,677)	(239,222)

Factors affecting the tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 27.67% (2010: 28%). The differences are explained as follows

	2011 £	2010 £
(Loss)/profit on ordinary activities before taxation	(1,459,841)	4,835,807
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 27.67% (2010: 28%)	(403,938)	1,354,026
Effect of		
Income not chargeable for tax purposes	–	(2,019,003)
Accounting adjustments and transfers	–	120,072
Expenses not deductible for tax purposes	323,588	235,195
Depreciation in excess of capital allowances	16,010	(14,797)
Other short term timing differences	116,572	30,541
Trade losses (utilised)/ not utilised	(52,232)	293,966
Adjustment in respect of prior years	(238,940)	(19,299)
	(238,940)	(19,299)

5 Profit attributable to members of the parent company

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a loss of £1,524,989 (2010: £712,161) which is dealt with in the financial statements of the parent company.

6 Tangible fixed assets

Group

	Furniture, fixtures, tools and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 31 May 2010	3,926,238	199,493	51,133	4,176,864
Additions	345,218	—	—	345,218
Disposals	(36,033)	—	—	(36,033)
At 31 May 2011	<u>4,235,423</u>	<u>199,493</u>	<u>51,133</u>	<u>4,486,049</u>
Depreciation				
At 31 May 2010	2,594,394	119,064	48,828	2,762,286
Provided in the year	529,139	22,256	2,305	553,700
Disposals	(28,647)	—	—	(28,647)
At 31 May 2011	<u>3,094,886</u>	<u>141,320</u>	<u>51,133</u>	<u>3,287,339</u>
Net book amount				
At 31 May 2011	<u>1,140,537</u>	<u>58,173</u>	<u>—</u>	<u>1,198,710</u>
At 31 May 2010	<u>1,331,844</u>	<u>80,429</u>	<u>2,305</u>	<u>1,414,578</u>

7 Intangible fixed assets

Group

	Positive goodwill £
Cost	
At 31 May 2010 and 31 May 2011	<u>16,799,622</u>
Depreciation	
At 31 May 2010	3,999,245
Provided in the year	<u>839,982</u>
At 31 May 2011	<u>4,839,227</u>
Net book amount	
At 31 May 2011	<u>11,960,395</u>
At 31 May 2010	<u>12,800,377</u>

8 Fixed asset investments

Company

	£
Cost and net book value	
At 31 May 2010 and 31 May 2011	<u>14,134,615</u>

Subsidiary undertakings

The company had the following subsidiary undertakings as at 31 May 2011

Name of subsidiary	Class of share capital held	Proportion held by parent	Proportion held by group	Nature of business
Lindley Catering Limited	Ordinary	100%	100%	Provision of catering services
K & S (408) Limited	Ordinary	—	100%	Corporate Trustee of Lindley Catering Holdings Limited Employee Benefit Trust
Lindley Catering Investments Limited	Ordinary	—	100%	Dormant
Stadia Catering Services Limited	Ordinary	—	100%	Dormant
Heathcotes Outside Limited	Ordinary	100%	100%	Provision of catering services
Heathcotes Stadia Catering Services Limited	Ordinary	—	100%	Joint venture partnership

All of the above undertakings are registered in England and Wales

9 Stocks

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Goods for resale	<u>1,555,411</u>	<u>–</u>	<u>844,901</u>	<u>–</u>

10 Debtors

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade debtors	4,131,931	–	6,072,070	–
Amounts owed by subsidiary undertakings	–	11,381	–	11,064
Other debtors	438,758	–	767,695	317,317
Contract advances	1,000,000	–	1,125,000	–
Deferred tax (note 13)	353,363	–	564,626	–
Prepayments and accrued income	521,407	–	403,295	–
Corporation tax	240,724	–	–	–
	<u>6,686,183</u>	<u>11,381</u>	<u>8,932,686</u>	<u>328,381</u>

Contract advances relate to initial payments made at the inception of certain new contracts which are amortised over the length of the contract on a straight-line basis

11 Creditors : amounts falling due within one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Bank loan and overdraft	541,593	541,593	1,554,871	1,198,261
Loan notes	5,050,000	5,050,000	2,525,000	2,525,000
Trade creditors	6,168,545	–	6,466,441	–
Amounts owed to subsidiary undertakings	–	10,861,209	–	11,183,269
Other creditors	3,084,787	–	2,420,607	–
Corporation tax	–	–	66,533	–
Other taxation and social security	1,502,121	–	1,067,520	–
Accruals and other creditors	160,760	117,718	233,835	124,289
Interest on loan notes	1,269,128	1,269,128	–	–
	<u>17,776,934</u>	<u>17,839,648</u>	<u>14,334,807</u>	<u>15,030,819</u>

12 Creditors : amounts falling due after more than one year

	Group 2011	Company 2011	Group 2010	Company 2010
	£	£	£	£
Bank loan	—	—	498,447	498,447
Loan notes	2,525,000	2,525,000	5,050,000	5,050,000
Interest on loan notes	634,565	634,565	1,552,224	1,552,224
	<u>3,159,565</u>	<u>3,159,565</u>	<u>7,100,671</u>	<u>7,100,671</u>

The bank loan carries interest at 2.25% above the bank's base rate and is repayable in three annual instalments of £173,333 over seven years. Bank arrangement fees of £140,000 have been capitalised and are being released in line with the loan repayments over seven years. The bank loan is secured by guarantees and debentures over the Group's assets.

The loan notes carry an interest rate of 10% per annum which is payable quarterly in arrears together with compound interest at 4% which is payable as the loan notes are redeemed. The notes are redeemable as set out below, subject to redemption being requested by the lender.

On the 8 July 2010, one third of the principle amount of the loan notes then outstanding was due for repayment (£2,525,000) however repayment was not requested or made. There is no indication that the loan note holders will recall the element that is past due.

Borrowings are repayable as follows

	Group 2011	Company 2011	Group 2010	Company 2010
	£	£	£	£
<i>Within one year</i>				
Bank loans and overdrafts	541,593	541,593	1,554,871	1,198,261
Loan notes	5,050,000	5,050,000	2,525,000	2,525,000
Interest on loan notes	1,269,128	1,269,128	—	—
<i>After one and within two years</i>				
Bank loans and overdrafts	—	—	498,447	498,447
Loan notes	2,525,000	2,525,000	2,525,000	2,525,000
Interest on loan notes	634,565	634,565	—	—
<i>After two and within five years</i>				
Bank loans and overdrafts	—	—	—	—
Loan notes	—	—	2,525,000	2,525,000
Interest on loan notes	—	—	1,552,224	1,552,224
	<u>10,020,286</u>	<u>10,020,286</u>	<u>11,180,542</u>	<u>10,823,932</u>

During the year the allocation of accrued interest has been reviewed and revised. It has been allocated against the repayment schedule for the related loan notes. The prior year comparatives have not been restated.

13 Deferred taxation

At 31 May 2011, the group had a deferred tax asset which has been recognised in note 10 to the financial statements, as set out below. This asset will be recovered to the extent that sufficient trading profits arise in the future.

The amount of potential deferred taxation, which is provided is as follows:

Group	£
At 31 May 2010	564,626
Credited to profit and loss account	(211,263)
At 31 May 2011	<u><u>353,363</u></u>

Group	2011 £	2010 £
Accelerated capital allowances	226,217	241,124
Other timing differences	48,268	29,535
Trading losses	78,878	293,967
	<u><u>353,363</u></u>	<u><u>564,626</u></u>

At 31 May 2011, the company had a deferred asset which has not been recognised due to the uncertainty as to when this will be recovered, as set out below:

Company	2011 £	2010 £
Other timing differences	<u><u>272,981</u></u>	<u><u>198,547</u></u>

14 Share capital

	2011 £	2010 £
Authorised		
72,099 Ordinary shares of 10p each	5,127	7,210
20,834 A Ordinary shares of 10p each	2,083	–
250,000 Preferred Ordinary shares of 10p each	25,000	25,000
	<u><u>32,210</u></u>	<u><u>32,210</u></u>
Allotted, called up and fully paid		
72,099 Ordinary shares of 10p each	5,127	7,210
20,834 A Ordinary shares of 10p each	2,083	–
250,000 Preferred ordinary shares of 10p each	25,000	25,000
	<u><u>32,210</u></u>	<u><u>32,210</u></u>

During the financial year 20,834 of ordinary shares of 10p each were redesignated as A ordinary shares of 10p each. Such shares have been issued to members of the executive management team as set out in note 22.

The rights of the differing classes of shares are summarised below:

14 Share capital (continued)

On a return of assets on liquidation or otherwise, the assets of the company remaining after payment of its debts and liabilities and available for distribution to holders of Equity Shares shall be distributed between the holders of the Equity Shares as follows

- first, in paying to the holders of the Preferred Ordinary Shares the sum of £1 00 per Preferred Ordinary Shares held,
- secondly, the aggregate sum of £9,250,000 (nine million two hundred and fifty thousand pounds) less the aggregate cumulative amount distributed to the holders of the Preferred Ordinary Shares and the Ordinary Shares (up to a maximum of £9,250,000 (nine million two hundred and fifty thousand pounds)) under Article 4 1 (or such lesser distributed pro rata to all holders of Preferred Ordinary Shares and Ordinary Shares (pari passu as if the same constituted one class of share) pro rata to the number of Preferred Ordinary Shares and Ordinary Shares held by each of them respectively, and
- thirdly, the balance of the Remaining Assets shall belong to and be distributed among the holders of A Equity Shares (pari passu as if the same constituted one class of share) pro rata to the number of Equity Shares held by each of them respectively

Along with the Ordinary Share holders the Preferred Ordinary Shareholders have the right to attend and vote at any general meeting The A Ordinary Shareholders have the right to attend but not vote at any general meeting

15 Share premium account and reserves

	Company			
	Share premium account	Profit and loss account	Share premium account	Profit and loss account
	£	£	£	£
At 31 May 2010	678,609	4,393,434	678,609	(6,039,047)
Loss for the year	—	(1,432,164)	—	(1,524,989)
Disinvestment in own shares	—	—	—	—
At 31 May 2011	<u>678,609</u>	<u>2,961,270</u>	<u>678,609</u>	<u>(7,564,036)</u>

In the prior year a £317,000 investment in own shares was omitted from the consolidation, in the current year the shares were gifted to three employees as outlined in note 22 and the associated balance of £317,000 has been expensed The directors do not deem this to be a fundamental error and have not restated the prior year position

16 Reconciliation of movements in shareholders' funds/(deficit)

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
(Loss)/profit for the financial year	(1,432,164)	(1,524,989)	5,075,029	(712,161)
Opening shareholders' funds/(deficit)	5,104,253	(5,328,228)	29,224	(4,616,067)
Closing shareholders' funds/(deficit)	<u>3,672,089</u>	<u>6,853,217</u>	<u>5,104,253</u>	<u>(5,328,228)</u>

17 Net cash inflow/(outflow) from operating activities

	2011 £	2010 £
Operating (loss)/profit	(274,917)	1,216,983
Depreciation	553,700	674,093
Amortisation of intangible assets	839,982	839,982
Amortisation of deferred arrangement costs	20,000	20,000
Loss on disposal of fixed assets	7,386	29,008
(Increase)/decrease in stocks	(710,510)	591,297
Decrease/(increase) in debtors	2,285,964	(2,012,373)
Increase/(decrease) in creditors	739,901	(1,603,106)
Net cash inflow from operating activities	<u>3,461,506</u>	<u>(244,116)</u>

18 Reconciliation of net cash flow to movement in net debt

	2011 £	2010 £
Increase in cash in the year	1,710,879	2,075,264
Non-cash movement	(20,000)	(20,000)
Cash flow from financing	481,546	727,585
Movement in net debt	2,172,425	2,782,849
Net debt at 31 May 2010	<u>(7,081,129)</u>	<u>(9,863,978)</u>
Net debt at 31 May 2011	<u>(4,908,704)</u>	<u>(7,081,129)</u>

19 Analysis of changes in net debt

	At 31 May 2010 £	Cashflow £	Non-cash movement £	At 31 May 2011 £
Cash at bank and in hand	2,547,189	660,700	–	3,207,889
Overdraft	(1,054,871)	1,050,179	–	(4,692)
	<u>1,492,318</u>	<u>1,710,879</u>	<u>–</u>	<u>3,203,197</u>
Finance leases	–	–	–	–
Loan notes	(7,575,000)	–	–	(7,575,000)
Bank and other loans	(998,447)	481,546	(20,000)	(536,901)
	<u>(7,081,129)</u>	<u>2,192,425</u>	<u>(20,000)</u>	<u>4,908,704</u>

The non-cash movement relates to the amortisation of deferred arrangement costs as set out in note 12

20 Operating lease commitments

At 31 May 2011, the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011 £	2010 £	2011 £	2010 £
Operating leases which expire				
Within one year	–	–	35,762	19,967
In the second to fifth year inclusive	20,000	20,000	92,660	154,732
	<u>20,000</u>	<u>20,000</u>	<u>128,422</u>	<u>174,699</u>

21 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 “Related party disclosures” and has not disclosed transactions with group undertakings

A director of the company is also a partner in Sovereign Capital LLP which holds the loan notes detailed in note 12

22 Share based payments

During the year 20,834 A Ordinary Shares were gifted by the Company to three members of the Group's executive team. In accordance with Financial Reporting Standard 20 (Share based payments) it has been necessary for the Group to consider the fair value of these shares at the grant date

The Company's directors have assessed the fair value of the shares at their grant date as £nil, resulting in a fair value charge of £nil in the profit and loss account and no corresponding credit to other reserves. Their assessment reflects the fact that when the shares were re-designated to 'A' ordinary shares from ordinary shares on the 16 March 2011 the change in rights associated with the redesignation effectively reduced the value of such shares to £nil. Refer to note 14 for details of rights attached to 'A' ordinary shares relative to the Ordinary Shares