

Hare Newco Limited

Report and Financial Statements

Year Ended

31 March 2012

Company Number 06539986

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Hare Newco Limited

Report and financial statements for the year ended 31 March 2012

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Directors

N Temple-Heald
D J Graham
D Spruzen
R A Ramsey
K J Terry

Secretary and registered office

D J Graham, Landscapes House, 3 Rye Hill Office Park, Birmingham Road, Allesley, Coventry, CV5 9AB

Company number

06539986

Auditors

BDO LLP, Bridgewater House, Finzels Reach, Counterslip, Bristol, BS1 6BX

Hare Newco Limited

Report of the directors for the year ended 31 March 2012

The directors present their report together with the audited financial statements for the year ended 31 March 2012

Results and dividends

The profit and loss account is set out on page 9 and shows the loss for the year

During the year dividends of £1,341,189 (2011 £1,342,094) were accrued, but not paid, in respect of amounts due to the preference shareholders

The directors have not recommended a dividend

Principal activities, review of business and future developments

Hare Newco Limited is a holding company for the wider trading group ("the group") and supported and funded by private equity fund Elysian Capital 1LP. The group is a leading provider of specialist clean and green services, delivering grounds management, arboriculture, cleansing and landscape construction services. Despite a continued headwind of public spending cuts, both profit and cash flow performance improved in the group compared to prior year.

The group derives the majority of its income from long-term maintenance contracts. The group has an enviable record for the quality of its service delivery and consequently for retaining contracts when they come up for renewal.

During the year the group commenced a number of new grounds maintenance contracts, notably at Winchester, South Staffordshire and Aylesbury, plus extensions were achieved at Wiltshire and North Somerset.

Furthermore, the two most significant wins during the year were

An extension of our grounds maintenance contract with the Metropolitan Borough of Sefton, which will mean we continue to provide the grounds maintenance service for their parks and open spaces for the next seven years from April 2013, and

The Estates and Facilities Management contract for the Queen Elizabeth Olympic Park in legacy which will commence in November 2012 for a period of twelve years. This contract, which over the next few years is expected to develop to be the group's largest contract, will be operated in Alliance with our partner Balfour Beatty Work Place.

The group did not lose any significant contracts during the year and retained key contracts at East Hampshire and East Staffordshire.

We continue therefore to be successful in implementing the group's three point strategy for growth namely

- Retaining and renewing existing contracts through the continued quality of service provision
- Organic growth via new contracts
- Acquisitive growth from selective strategic acquisitions

We have also concentrated this year on opportunities that are presented for longer term contracts that significantly increase order book and hence shareholder value. Examples of this are

East Hampshire and Winchester - 8 years plus 9 year extension option
Olympic Park - 12 years
Sefton Extension - 7 years

Consequently, the group has successfully increased its forward order book on grounds maintenance to £218m, including available extension periods totalling £69m. The bid pipeline remains healthy, with a number of

Hare Newco Limited

Report of the directors for the year ended 31 March 2012 *(continued)*

Principal activities, review of business and future developments *(continued)*

significant tenders in the pipeline for 2012

We continue to address the issue of the reducing budgets of our public sector clients, working even closer with clients to help them to achieve their budget reductions and service delivery objectives. This approach has ensured the group protects its margin at the same time as delivering client objectives. As at the 31 March 2012, over 90% of the term contracts, by value, have been re-engineered, with solutions either implemented or in the course of implementation. Over £2.5million of client budget reductions have been delivered whilst at the same time improving gross profit on continuing contracts, considerably improving the quality of earnings at these contracts. This approach together with the group's enviable track record of securing contract extensions has meant that it continues to develop its strategic objective to "keep and improve what we have got".

The landscape construction business continued with its policy of delivering a quality product in the face of a difficult economic environment. Throughout the downturn in the construction industry, the group has continued to win quality-based projects through competitive pricing, further improving its business development capability and leveraging its reputation as a reliable deliverer of quality projects. This commitment to quality was illustrated twice during the year. Firstly, the group's landscape construction business won the British Association of Landscape Industries' (BALI) Grand Award for its outstanding construction of the landscape at BBC Media City, Salford and it completed a number of high profile contracts at the Athletes Village, in Stratford, ahead of the London 2012 Olympics. The prospects for the UK construction market do not look set to improve in 2012/13 and management therefore will ensure that appropriate cost reductions in this business are commensurate with what will inevitably be reduced turnover. This will ensure that we continue to have a viable Landscape Construction business able to deliver a quality product once the economic cycle turns.

The group's financial position continues to be very strong and this is reflected in industry recognised credit reports for both Hare Newco and its operating subsidiaries. The directors consider that the financial instruments relating to loan stock and preference shares are better understood as part of the shareholders' funds invested in the business, although these instruments are classified as long term liabilities in the balance sheet as required under UK GAAP. This is because the loan stock and preference shares, together with the associated accrued interest and dividends, will not result in any cash outflows until 2018. If the total £19,435,000 relating to the long term financial instruments of the loan stock and preference shares (together with the associated accrued interest and dividends) was reclassified to shareholders' funds, the adjusted consolidated net asset position at 31 March 2012 would be £8,917,000. The group continues to generate a positive cash flow after repaying its short term debt obligations.

Hare Newco Limited

Report of the directors for the year ended 31 March 2012 (continued)

The key performance indicators of the group are as follows

	2012 £'000	2011 £'000	Commentary
Turnover	47,119	50,975	Group turnover reduced in the year principally due to the intended reduction in the size of the landscape construction business
Gross profit %	13.1	12.2	Gross profit margin is the ratio of gross profit to turnover expressed as a percentage. The improvement underpins the grounds maintenance operational efficiency delivered in the year to the benefit of clients and the group.
Adjusted EBITDA**	3,255	3,184	EBITDA improved compared to the prior year with Grounds Maintenance margins increasing
Cash Cover	1.1	1.5	The group continues to operate with adequate headroom on its cash flow. This demonstrates the group's positive management of its cash flow and ability to service its short term finance commitments. Prior year cash cover benefited from £0.653m of advance customer receipts. 2012 restated to include this gives cash cover of 1.4. 2011 restated gives cover of 1.1.
Grounds Maintenance Order Book	218,000	212,000	With 7 new contracts won during the year, the group has significantly increased the term order book, providing solid future revenue generation beyond 2022.

** Adjusted EBITDA is defined as follows

	2012 £'000	2011 £'000
Operating profit/(loss)	442	(251)
Add back		
- depreciation	1,590	1,309
- amortisation	1,454	1,588
- exceptional costs	-	530
- exceptional costs - onerous provision release	(378)	(107)
- investors' fees/other charges	147	115
Adjusted EBITDA	3,255	3,184

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group, by monitoring levels of debt finance and the related finance costs. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the group's finance department.

Hare Newco Limited

Report of the directors for the year ended 31 March 2012 (*continued*)

Financial risk management (*continued*)

Price risk

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The group operates credit insurance for significant private sector transactions.

Liquidity risk

The group, with the support of its principal shareholder, actively maintains a mixture of long term and short term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets relate to cash balances which earn interest on rates linked to base rate and LIBOR. Interest bearing liabilities relate to bank overdrafts, loans and finance leases which are charged interest on rates linked to base rate, LIBOR and are fixed respectively. In addition the group has issued preference shares and loan notes which attract a fixed coupon of 15%, repayable in 2018.

Business risk

The group regularly assesses risks that impact on the business. This includes our processes and procedures in relation to quality and health and safety. The group has maintained its full accreditation for ISO9001, ISO14001 and OHSAS18001. Through our quality management system the group conducts regular risk assessments and audits with management committed to improving controls and processes. The group's board regularly reviews such risk assessments together with related health and safety matters. During the year the group embarked upon a training programme for managers to undertake NEBOSH and IOSH training courses. As at the year end 10 directors and managers had achieved accreditation of the NEBOSH diploma and 79 managers had successfully completed the IOSH qualification (72 during the year).

Employment of disabled persons

Full and fair consideration is given to all applications for employment.

Hare Newco Limited

Report of the directors for the year ended 31 March 2012 (continued)

Employee involvement

Through our quality based internal management systems the group regularly consults with employees and encourages involvement in the group's strategy and development of business plans. Full training, to meet the group's high standards and to enable career development, is available to staff.

The landscape industry over the last few years has been widely reported as suffering from a skills shortage and a lack of high calibre staff choosing a career in this industry. Hare Newco continues to be committed to the development and training of all staff and offers both college based and on-site flexible and relevant training for all its employees. This contributes to the low level of staff turnover relative to the industry and good retention levels of the skilled workforce. During the year the group employed 2 graduates on graduate training programmes. These employees have continued to develop in the business.

The group has committed to undertake initial NVQ training for up to 190 operatives to enable them to develop their skills in horticulture.

Directors

The directors of the company during the year were

N Temple-Heald
D J Graham
C B Patel (resigned 9 December 2011)
D Spruzen
R A Ramsey
K J Terry

Directors' responsibilities

The directors are responsible for preparing the directors' 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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the group and company and of the profit or loss of the group 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 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, 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 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.

Hare Newco Limited

Report of the directors for the year ended 31 March 2012 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, are deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

On behalf of the board



N Temple-Heald
Director

Date 27 JUNE 2012

Hare Newco Limited

Independent auditor's report

To the members of Hare Newco Limited

We have audited the financial statements of Hare Newco Limited for the year ended 31 March 2012 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses 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 statement of directors' responsibilities, 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 the parent company's affairs as at 31 March 2012 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Hare Newco Limited

Independent auditor's report *(continued)*

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

BDO LLP.

*Simon Brooker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Bristol
United Kingdom*

27 June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Hare Newco Limited

Consolidated profit and loss account for the year ended 31 March 2012

		Before amortisation and exceptional items	Amortisation and exceptional items	Total 2012 £'000	Total 2011 £'000
	Note	2012 £'000	2012 £'000		
Turnover	3	47,119	-	47,119	50,975
Cost of sales - excluding exceptional item		41,311	-	41,311	44,881
Exceptional item	2	-	(378)	(378)	(107)
Cost of sales		41,311	(378)	40,933	44,774
Gross profit		5,808	378	6,186	6,201
Administrative expenses - general		4,290	-	4,290	4,334
Amortisation of intangibles	4	-	1,454	1,454	1,588
Exceptional items	2	-	-	-	530
Administrative expenses		4,290	1,454	5,744	6,452
Group operating profit/(loss)	4	1,518	(1,076)	442	(251)
Income from other fixed asset investments	7			-	14
Interest payable and similar charges	8			(3,082)	(3,127)
Other finance charges	9			(4)	(7)
Loss on ordinary activities before taxation				(2,644)	(3,371)
Taxation on loss on ordinary activities	10			(262)	(281)
Loss on ordinary activities after taxation				(2,906)	(3,652)

All amounts relate to continuing activities

The notes on pages 15 to 37 form part of these financial statements

Hare Newco Limited

Consolidated statement of total recognised gains and losses for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Consolidated statement of total recognised gains and losses			
Loss for the financial year		(2,906)	(3,652)
Actuarial (losses)/gains on pension scheme	20	(198)	89
		<hr/>	<hr/>
Total recognised gains and losses for the financial year		(3,104)	(3,563)
		<hr/>	<hr/>

The notes on pages 15 to 37 form part of these financial statements

Hare Newco Limited

Consolidated balance sheet at 31 March 2012

<i>Company number 06539986</i>	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Intangible assets	12		11,003		12,457
Tangible assets	13		3,624		3,470
			<hr/>		<hr/>
			14,627		15,927
Current assets					
Stocks	15	106		94	
Debtors	16	8,900		8,992	
Cash at bank and in hand		2,259		2,100	
		<hr/>		<hr/>	
		11,265		11,186	
Creditors: amounts falling due within one year	17	11,604		11,801	
		<hr/>		<hr/>	
Net current liabilities			(339)		(615)
			<hr/>		<hr/>
Total assets less current liabilities			14,288		15,312
Creditors: amounts falling due after more than one year	18	24,185		21,898	
Provisions for liabilities	19	415		830	
		<hr/>		<hr/>	
			24,600		22,728
			<hr/>		<hr/>
Net liabilities excluding pension scheme liabilities			(10,312)		(7,416)
Pension scheme liabilities	20		(206)		(25)
			<hr/>		<hr/>
Net liabilities including pension scheme liabilities			(10,518)		(7,441)
			<hr/>		<hr/>

The notes on pages 15 to 37 form part of these financial statements

Hare Newco Limited

Consolidated balance sheet at 31 March 2012 (*continued*)

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Capital and reserves					
Called up share capital	21		4		4
Share premium account	22		350		350
Other reserves	22		(10)		(37)
Profit and loss account	22		(10,862)		(7,758)
			<u> </u>		<u> </u>
Shareholders' deficit	23		(10,518)		(7,441)
			<u> </u>		<u> </u>

The financial statements were approved by the board of directors and authorised for issue on 27 JUNE 2012



D J Graham
Director

The notes on pages 15 to 37 form part of these financial statements

Hare Newco Limited

Company balance sheet at 31 March 2012

<i>Company number 06539986</i>	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Fixed asset investments	14		86		86
Current assets					
Debtors	16	6,678		6,648	
Cash at bank and in hand		55		31	
		<u>6,733</u>		<u>6,679</u>	
Creditors: amounts falling due within one year	17	<u>379</u>		<u>306</u>	
Net current assets			<u>6,354</u>		<u>6,373</u>
Total assets less current liabilities			<u>6,440</u>		<u>6,459</u>
Creditors: amounts falling due after more than one year	18		<u>10,148</u>		<u>8,784</u>
Net liabilities			<u>(3,708)</u>		<u>(2,325)</u>
Capital and reserves					
Called up share capital	21		4		4
Share premium account	22		350		350
Other reserves	22		(10)		(37)
Profit and loss account	22		(4,052)		(2,642)
Shareholders' deficit	23		<u>(3,708)</u>		<u>(2,325)</u>

The financial statements were approved by the board of directors and authorised for issue on 27 JUNE 2012



D J Graham
Director

The notes on pages 15 to 37 form part of these financial statements

Hare Newco Limited

Consolidated cashflow statement for the year ended 31 March 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Net cash inflow from operating activities	26		2,799		2,492
Returns on investments and servicing of finance					
Interest paid bank loans		(349)		(376)	
Interest paid hire purchase		(171)		(235)	
Net cash outflow from returns on investments and servicing of finance			(520)		(611)
Taxation					
Corporation tax paid			(121)		(118)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(511)		(447)	
Receipts from sale of tangible fixed assets		36		60	
Net cash outflow from capital expenditure and financial investment			(475)		(387)
Cash inflow before use of financing			1,683		1,376
Financing					
Ordinary/A ordinary shares acquired by Hare Discretionary Trust		-		(16)	
Ordinary shares purchased from Hare Discretionary Trust		27		7	
Loans repaid		(550)		(500)	
Capital element of finance leases repaid		(1,001)		(580)	
Preference shares acquired by Hare Discretionary Trust		-		(14)	
Loan stock acquired by Hare Discretionary Trust		-		(10)	
Net cash outflow from financing			(1,524)		(1,113)
Increase in cash	27		159		263

The notes on pages 15 to 37 form part of these financial statements

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Going concern

The group's operations are funded by a combination of cash generated from operations, overdrafts, committed bank term loans and long term loan notes and preference shares

During the year the group continued to win a number of long term grounds maintenance contracts with the order book increasing. It is predicted that the order book will continue to increase as the investment in business development continues to be successful

During the year the group met all its banking covenants and continues to generate sufficient cash to meet short term liabilities as they fall due

The group has prepared forecasts and projections for the next 12 months, taking account of reasonably possible changes in trading performance, which show that the group should be able to operate within the level of its current facility and meet its covenants. The group has a committed Revolving Credit Facility ("RCF"), which includes an overdraft which is renewable on an annual basis. Whilst there are no current circumstances putting the overdraft arrangement in doubt, should the overdraft not be renewed, then the full amount of the RCF becomes available to cover any cancelled overdraft amount

After making appropriate enquires, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The nature of the activities and funding throughout the group allows each group company to support, as necessary, other group companies, to ensure that they can operate effectively as a going concern. For these reasons the group continues to adopt the going concern basis in preparing the financial statements

Basis of consolidation

The consolidated financial statements incorporate the results of Hare Newco Limited and all of its subsidiary undertakings as at 31 March 2012 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition

Goodwill

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 10 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition or if there are any indications of impairment

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

1 Accounting policies (*continued*)

Turnover

Turnover for service contracts represent the fair value of work performed in connection with grounds maintenance services, exclusive of value added tax

Turnover for long term contract projects, relating to landscape construction projects, is accounted for under the principles of long term contract accounting and is recognised on the basis of an assessment of fair value of works performed and is exclusive of value added tax. Differences between this and amounts invoiced are held as amounts recoverable on contract or payments on account. Full provision for loss making contracts is made for any foreseeable losses

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, over the useful economic life of that asset. It is calculated at the following rates

Freehold property	- 2% - 10% straight line
Leasehold property	- evenly over the term of the lease
Plant and machinery	- 10% - 33% straight line
Motor vehicles	- 25% straight line
Office equipment	- 10% - 33% straight line

Freehold land is not depreciated

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Preference shares are classified in accordance with Financial Reporting Standard 25 'Financial Instruments'

Dividends

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. No element of profit is included in the valuation of work in progress

Leased assets

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The assets are recorded in the balance sheet as tangible fixed assets and are depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

1 Accounting policies (*continued*)

Leased assets (continued)

payable are apportioned between the financial element, which represents a constant proportion of the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalment

Operating lease agreements

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

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

The defined benefit scheme in operation has 14 active members. The group offers a broadly comparable defined benefit pension scheme where it tenders for long term contracts and there is a requirement to continue such benefits as part of the tender

The difference between the fair value of the assets held in the group's defined pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method is recognised in the group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through funds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance, with recognition of any deferred tax asset following the principles described in the deferred taxation policy below

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the group are charged to the profit and loss account or the statement of total recognised gains or losses in accordance with Financial Reporting Standard 17 'Retirement Benefits'

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Deferred tax assets are recognised when the factors that are required to realise deferred tax assets are virtually certain

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (continued)

2 Exceptional items

The exceptional credit of £377,687 (2011 £107,063) relates to the release of provisions for onerous contracts

There were no exceptional costs in the year ended 31 March 2012

The exceptional costs of £530,000 in 2011 related primarily to restructuring costs at an operational contract level to improve efficiencies and residual restructuring costs in connection with the relocation of support functions to a new office facility in Coventry

3 Turnover

	2012 £'000	2011 £'000
Analysis by class of contract		
Service contracts	32,950	32,833
Project contracts	14,169	18,142
	<u>47,119</u>	<u>50,975</u>

Turnover arises solely within the United Kingdom

4 Operating profit/(loss)

	2012 £'000	2011 £'000
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	1,590	1,309
Amortisation of positive goodwill	1,454	1,588
Loss/(profit) on disposal of tangible fixed assets	17	(26)
Hire of plant and machinery - operating leases	1,701	1,165
Hire of other assets - operating leases	505	520
Auditors' remuneration		
- fees payable to the group's auditor for the audit of the group's annual accounts	39	39
- other taxation services	7	11
- audit services - other assurance	2	2
- all other services	7	7
Defined benefit pension cost (see below)	56	46
	<u></u>	<u></u>

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

The audit fee for the company in 2012 and 2011 has been borne by other group companies

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

4 Operating profit/(loss) (continued)

	2012 £'000	2011 £'000
Defined benefit pension costs charged in arriving at the operating profit/(loss) comprise the following		
Current service cost	56	46

5 Employees

Staff costs (including directors) consist of

	Group 2012 £'000	Group 2011 £'000
Wages and salaries	18,097	18,497
Social security costs	1,477	1,541
Other pension costs	263	316
	<u>19,837</u>	<u>20,354</u>

The average number of employees (including directors) during the year was as follows

	Group 2012 Number	Group 2011 Number
Administration staff	86	70
Field operational, including managers	854	886
Executive and non-executive directors	6	6
	<u>946</u>	<u>962</u>

The average number of employees of the company was 6 (2011 6)

6 Directors' remuneration

	2012 £'000	2011 £'000
Directors' emoluments	309	337
Company contributions to money purchase pension schemes	7	7
Compensation for loss of office	-	63
	<u></u>	<u></u>

There was 1 director in the group's defined contribution pension scheme during the year (2011 1)

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (continued)

6 Directors' remuneration (continued)

The total amount payable to the highest paid director in respect of emoluments was £128,253 (2011 - £138,785) Company pension contributions of £7,150 (2011 - £6,900) were made to a money purchase scheme on his behalf

7 Other income

	2012 £'000	2011 £'000
Profit on acquisition of financial instruments by Hare Discretionary Trust	-	14
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loans and overdrafts	349	436
Accrued loan note interest and similar charges	1,215	1,047
Finance leases and hire purchase contracts	171	235
Accrued preference share dividend and similar charges	1,347	1,409
	<u> </u>	<u> </u>
	3,082	3,127
	<u> </u>	<u> </u>

As at 31 March 2011 there was an interest rate swap in place for £4,500,000 fixed at 4.29%. The fair value of this swap as at 31 March 2011 was £(146,192). The interest rate swap matured on 31 March 2012.

9 Other finance charges

	2012 £'000	2011 £'000
Expected return on pension scheme assets	(49)	(44)
Interest on pension scheme liabilities	53	51
	<u> </u>	<u> </u>
	4	7
	<u> </u>	<u> </u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

10 Taxation on loss on ordinary activities

	2012 £'000	2011 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	410	295
Adjustment in respect of previous periods	(148)	-
	<hr/>	<hr/>
Total current tax	262	295
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(14)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	262	281
	<hr/>	<hr/>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	(2,644)	(3,371)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011: 28%)	(687)	(944)
Effect of		
Expenses not deductible for tax purposes	714	924
Depreciation for period in excess of capital allowances	120	58
Adjustment to tax charge in respect of previous periods	(148)	-
Other short term timing differences	265	266
Adjustment to small companies rate	(2)	(9)
	<hr/>	<hr/>
Current tax charge for the year	262	295
	<hr/>	<hr/>

The deferred tax asset of £1,495,161 (2011: £1,396,641) is not recognised due to the generation of necessary profits not being virtually certain in the future. It is made up as follows

Fixed asset timing differences £195,033 (2011: £89,801)
Short-term timing differences £915,288 (2011: £735,386)
Losses and other deductions £384,840 (2011: £571,454)

11 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a loss after tax of £1,410,000 (2011: £1,441,000) which is dealt with in the financial statements of the parent company.

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

12 Intangible fixed assets

Group

	Goodwill on consolidation £'000
<i>Cost</i>	
At 1 April 2011 and 31 March 2012	15,876
<i>Amortisation</i>	
At 1 April 2011	3,419
Provided for the year	1,454
At 31 March 2012	4,873
<i>Net book value</i>	
At 31 March 2012	11,003
At 31 March 2011	12,457

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

13 Tangible fixed assets

Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
<i>Cost</i>						
At 1 April 2011 as previously stated	168	353	9,023	1,627	776	11,947
Reclassification	-	-	(7)	32	3	28
At 1 April 2011 as restated	168	353	9,016	1,659	779	11,975
Additions	-	39	1,433	243	82	1,797
Disposals	-	(13)	(1,957)	(312)	(34)	(2,316)
At 31 March 2012	168	379	8,492	1,590	827	11,456
<i>Depreciation</i>						
At 1 April 2011 as previously stated	7	291	6,666	968	545	8,477
Reclassification	-	-	4	22	2	28
At 1 April 2011 as restated	7	291	6,670	990	547	8,505
Provided for the year	4	17	1,230	231	108	1,590
Disposals	-	(13)	(1,917)	(299)	(34)	(2,263)
At 31 March 2012	11	295	5,983	922	621	7,832

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

13 Tangible fixed assets (*continued*)

Group (*continued*)

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
<i>Net book value</i>						
At 31 March 2012	157	84	2,509	668	206	3,624
At 31 March 2011 as restated	161	62	2,346	669	232	3,470

Note An adjustment was made to brought forward balances to bring them into line with underlying asset records

The net book value of tangible fixed assets includes an amount of £2,416,986 (2011 £1,749,304) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £775,273 (2011 £527,614)

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

14 Fixed asset investments

Company

	Investment in group undertakings £'000
<i>Cost or valuation</i>	
At 1 April 2011 and 31 March 2012	86

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Class of share capital held	Proportion of share capital held	Nature of business
Hare Bidco Limited	Ordinary	100%	Holding company
Inhoco 4085 Limited ***	Ordinary	100%	Holding company
Banyards Limited***	Ordinary	100%	Grounds maintenance and landscape construction projects
Western Landscapes Limited ***	Ordinary	100%	Grounds maintenance and landscape construction projects
The Landscape Group Limited*	Ordinary	100%	Management company for the group's operations
English Landscapes Maintenance Limited **	Ordinary and Preference	100%	Grounds maintenance
English Landscapes Limited **	Ordinary	100%	Landscape construction projects
English Woodlands Limited **	Ordinary	100%	Dormant

* Owned by Inhoco 4085 Limited

** Owned by The Landscape Group Limited

*** Owned by Hare Bidco Limited

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

15 Stocks

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Raw materials and consumables	106	94	-	-

There is no material difference between the replacement cost of stocks and the amounts stated above

16 Debtors

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	3,466	5,184	-	-
Amounts owed by group undertakings	-	-	6,522	6,492
Corporation tax recoverable	6	-	-	-
Other debtors	191	258	156	156
Prepayments and accrued income	1,648	1,571	-	-
Amounts recoverable on contracts	3,589	1,979	-	-
	<u>8,900</u>	<u>8,992</u>	<u>6,678</u>	<u>6,648</u>

All amounts shown under debtors fall due for payment within one year

Included within company other debtors is a trust asset of £155,820 (2011 £155,820), further details are given in note 18

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

17 Creditors amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans and overdrafts (secured)	550	550	-	-
Payments received on account	-	235	-	-
Trade creditors	2,763	2,631	-	-
Amounts owed to group undertakings	-	-	90	90
Corporation tax	413	266	-	-
Other taxation and social security	1,183	1,538	-	-
Obligations under finance lease and hire purchase contracts	921	896	-	-
Other creditors	300	352	288	216
Accruals and deferred income	5,474	5,333	1	-
	<u>11,604</u>	<u>11,801</u>	<u>379</u>	<u>306</u>

There is a cross guarantee and debenture over all the assets of the group companies in respect of the group overdraft and bank loan, which at 31 March 2012 amounted to £Nil and £4,096,000 respectively (2011 £Nil and £4,646,000 respectively)

18 Creditors: amounts falling due after more than one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans (secured)	3,546	4,096	-	-
Loan stock due 2018	5,764	5,764	-	-
Obligations under finance lease and hire purchase contracts	1,196	936	-	-
Preference shares	6,240	6,218	6,240	6,218
Other creditors	7,439	4,884	3,908	2,566
	<u>24,185</u>	<u>21,898</u>	<u>10,148</u>	<u>8,784</u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 *(continued)*

18 Creditors: amounts falling due after more than one year *(continued)*

Maturity of debt

	Loans and overdrafts 2012 £'000	Loans and overdrafts 2011 £'000	Finance leases 2012 £'000	Finance leases 2011 £'000
In one year or less, or on demand	550	550	921	896
In more than one year but not more than two years	-	-	738	116
In more than two years but not more than five years	3,546	4,096	458	820
In more than five years	5,764	5,764	-	-
	<u>9,310</u>	<u>9,860</u>	<u>1,196</u>	<u>936</u>

Included in creditors due after more than one year are the following amounts repayable in more than five years

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Loan stock due 2018	5,764	5,764	-	-
Preference shares	6,240	6,218	6,240	6,218
Other creditors	7,431	4,884	3,907	2,566
	<u>19,435</u>	<u>16,866</u>	<u>10,147</u>	<u>8,784</u>

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012 *(continued)*

18 Creditors: amounts falling due after more than one year *(continued)*

The increase in the preference shares creditor relates to the accretion of related issue costs

The loan notes accrue interest at a compound rate of 15%. All interest and principle is repayable in 2018

The preference shares are called up, fully paid and accrue dividends at a compound coupon rate of 15%, with dividends and amounts paid up on preference share capital payable on redemption in 2018

Included in other creditors of the company is £3,907,438 (2011 £2,566,250) in respect of preference shares dividends, which are the cumulative amounts accrued to 31 March 2012. In another group company £3,523,535 (2011 £2,309,058) is recorded in respect of accrued loan note interest, which is payable upon redemption of the loan notes

In the period ended 31 March 2010 the company set up Hare Discretionary Trust to act as a vehicle to hold all classes of financial instruments purchased from a number of directors who resigned from office. The purpose of the trust is to hold such financial instruments for re-distribution to existing shareholders and management and new management. The trust is under *de facto* control of Hare Newco Limited. At the balance sheet date a trust asset of £136,438 (2011 £136,438) was held in respect of preference shares and a trust asset of £19,382 (2011 £19,382) in respect of loan notes acquired by the trust, and is classified within other debtors. In respect of ordinary and A ordinary shares in Hare Newco Limited a trust asset of £10,430 (2011 £36,680) is held in an ESOP reserve. No shares are under option or have been conditionally gifted.

The bank loan is secured by a cross guarantee and global debenture over all assets of group companies. Facility A, which was for a loan of £3,000,000, is repayable by 31 March 2014 and Facility B, which is for £3,000,000 is repayable by 31 March 2015. Interest is at the LIBOR rate plus a margin of between 3% and 1.75% dependent on the leverage of the group. As at the balance sheet date £1,250,000 of the Facility A loan was outstanding and £3,000,000 of the Facility B loan was outstanding.

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

19 Provisions for liabilities

Group

	Provision for foreseeable losses on onerous contracts £'000
At 1 April 2011	830
Utilisation of provision in the year	(37)
Released in year	(378)
	<hr/>
At 31 March 2012	415
	<hr/>

The provision for losses on onerous contracts related to a long term, loss-making contract and the value represents the directors' best estimate of future losses that are expected to be incurred under the term of the contract until its expiry on 1 January 2018. The estimate has been revised during the year and an element of the brought forward provision released (see note 2)

20 Pensions

Several pension schemes are operated by the group. The defined benefit scheme was established under an irrevocable Deed of Trust by Hare Newco Limited for its employees and those of subsidiary undertakings. The Deed determines the appointment of trustees to the fund. At 31 March 2012 there were 14 active members of the Scottish Life scheme. The scheme was transferred to a Federated Pension Plan with effect from 31 July 2008. As at 31 March 2012, the assets and liabilities of the Scottish Life scheme had not transferred to the Federated Pension Plan. In addition to the 14 active members transferring from the Scottish Life scheme, the Federated Pension Plan scheme is open to new members transferring under TUPE (Transfer of Undertakings and Protection of Employment) where the group enters into customer contracts requiring a broadly comparable pension scheme offering to those transferring employees who currently contribute to a defined benefit pension scheme. The trustees of the fund are required to act in the best interests of the beneficiaries. Pension benefits generally depend on age, length of service and salary level. A full actuarial valuation of the defined benefit scheme was carried out on 5 April 2010 and updated at 31 March 2012 by a qualified actuary on a Financial Reporting Standard 17 basis.

	2012 £'000	2011 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(924)	(877)
Current service cost	(56)	(46)
Interest cost	(53)	(51)
Contributions by participants	(13)	(13)
Actuarial losses/(gains)	(177)	54
Benefits paid	10	9
	<hr/>	<hr/>
At the end of the year	(1,213)	(924)
	<hr/>	<hr/>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

20 Pensions (continued)

	2012 £'000	2011 £'000
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	1,213	924
	<u>1,213</u>	<u>924</u>
	2012 £'000	2011 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	899	758
Expected rate of return on plan assets	49	44
Actuarial (losses)/gains	(21)	35
Exchange gains	77	58
Contributions by group	13	13
Benefits paid	(10)	(9)
	<u>1,007</u>	<u>899</u>
At the end of the year	1,007	899
	2012 £'000	2011 £'000
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	(1,213)	(924)
Fair value of plan assets	1,007	899
	<u>(206)</u>	<u>(25)</u>
Plan deficit	(206)	(25)
	2012 £'000	2011 £'000
<i>The amounts recognised in profit and loss are as follows</i>		
<i>Included in administrative expenses</i>		
Current service cost	56	46
<i>Included in other finance (income)/expense</i>		
Interest cost	53	51
Expected return of plan assets	(49)	(44)
	<u>60</u>	<u>53</u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

20 Pensions (continued)

	2012 £'000	2011 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on pension plan assets	(21)	35
Experience gains and losses arising on the scheme liabilities	9	51
Changes in assumptions underlying the present value of the scheme liabilities	(186)	3
	<u> </u>	<u> </u>
Actuarial (losses)/gains recognised in the statement of total recognised gains and losses	(198)	89
	<u> </u>	<u> </u>
	2012 £'000	2011 £'000
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>	(131)	67
	<u> </u>	<u> </u>
	2012 £'000	2011 £'000
<i>Composition of plan assets</i>		
European equities	197	123
European bonds	99	62
Insurance policy	703	699
Cash	8	15
	<u> </u>	<u> </u>
Total plan assets	1,007	899
	<u> </u>	<u> </u>

Narrative description of the basis used to determine the overall expected rate of return of assets

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class

	2012 £'000	2011 £'000
<i>Actual return on plan assets</i>	28	79
	<u> </u>	<u> </u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

20 Pensions (continued)

	2012 %	2011 %
<i>Principal actuarial assumptions used at the balance sheet date</i>		
Discount rates	4.60	5.50
Expected rates of return on plan assets		
Equities	7.40	6.90
Bonds	4.40	4.50
Insurance policy	5.00	5.60
Cash	0.50	0.50
Future salary increases	3.00	3.00
Future pension increases	3.30	3.60
Proportion of employees opting for early retirement	3.30	3.60
Inflation assumption	3.30	3.60
Mortality rates in years		
- before retirement	24.55	23.40
- after retirement	26.55	25.10

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	30 September 2009 £'000	30 September 2008 £'000
<i>Five year history</i>					
Present value of the plan liabilities	(1,213)	(924)	(877)	(573)	(530)
Fair value of the plan assets	1,007	899	758	595	544
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(Deficit)/surplus on the pension plans	(206)	(25)	(119)	22	14
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Experience adjustments arising on</i>					
Plan liabilities	9	51	24	(49)	(32)
Plan assets	(21)	35	31	(122)	(19)

The group also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £208,442 (2011: £73,000). Contributions amounting to £17,327 (2011: £10,487) were payable to the fund at 31 March 2012 and are included in creditors.

The group is committed to contribute £22,500 per annum into the defined benefit scheme until 2013.

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

21 Share capital

	2012 £'000	2011 £'000
<i>Allotted, called up and fully paid</i>		
78,750 ordinary shares of £0.01 each	1	1
296,250 A ordinary shares of £0.01 each	3	3
	<u>4</u>	<u>4</u>

The ordinary shares and A ordinary shares rank pari passu in all respects

22 Reserves

Group

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 April 2011	350	(37)	(7,758)
Loss for the year	-	-	(2,906)
Actuarial loss on pension scheme liabilities net of related taxation	-	-	(198)
ESOP shares purchased from Hare Discretionary Trust	-	27	-
	<u>350</u>	<u>(10)</u>	<u>(10,862)</u>
At 31 March 2012	350	(10)	(10,862)

Company

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 April 2011	350	(37)	(2,642)
Loss for the year	-	-	(1,410)
ESOP shares purchased from Hare Discretionary Trust	-	27	-
	<u>350</u>	<u>(10)</u>	<u>(4,052)</u>
At 31 March 2012	350	(10)	(4,052)

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)

23 Reconciliation of movements in shareholders' deficit

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Loss for the year	(2,906)	(3,652)	(1,410)	(1,441)
Other net recognised gains and losses relating to the year	(198)	89	-	(9)
ESOP shares acquired by Hare Discretionary Trust	-	(9)	-	-
ESOP shares purchased from Hare Discretionary Trust	27	-	27	-
	<u>(3,077)</u>	<u>(3,572)</u>	<u>(1,383)</u>	<u>(1,450)</u>
Net deductions from shareholders' deficit	(3,077)	(3,572)	(1,383)	(1,450)
Opening shareholders' deficit	(7,441)	(3,869)	(2,325)	(875)
	<u>(10,518)</u>	<u>(7,441)</u>	<u>(3,708)</u>	<u>(2,325)</u>
Closing shareholders' deficit	(10,518)	(7,441)	(3,708)	(2,325)

24 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2012 £'000	Other 2012 £'000	Land and buildings 2011 £'000	Other 2011 £'000
Operating leases which expire				
Within one year	31	380	63	279
In two to five years	179	1,038	199	1,157
After five years	103	-	125	-
	<u>313</u>	<u>1,418</u>	<u>387</u>	<u>1,436</u>

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (continued)

25 Related party disclosures

Controlling parties

The company is controlled by Elysian Capital 1LP, on the basis that it holds a controlling interest in the voting rights of the share capital. Elysian Capital 1LP holds £5,727,634 (2011 £5,727,634) loan notes in Hare Bidco Limited, a subsidiary company, which accrue interest at 15% payable upon redemption of the loan notes in 2018.

Preference shares in Hare Newco Limited of £6,240,140 (2011 £6,216,948) are held by Elysian Capital 1LP which accrue a dividend of 15% payable upon redemption in 2018.

Related party transactions

The group has a loan agreement in place with Elysian Capital 1LP for costs incurred through the employment of a director of the company. The loan accrues interest at 2% above base rate, payable on demand. The balance as at 31 March 2012 was £278,830 (2011 £205,364).

During the year the following directors acquired ordinary shares in the company:

D J Graham a director of the company acquired 2,500 £0.01 ordinary shares for a consideration of £2,500.

26 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit/(loss)	442	(251)
Amortisation of intangible fixed assets	1,454	1,588
Depreciation of tangible fixed assets	1,590	1,309
Loss/(profit) on sale of tangible fixed assets	17	(26)
(Increase)/decrease in stocks	(12)	42
Decrease in debtors	98	932
Decrease in creditors	(444)	(719)
Decrease in provisions	(415)	(446)
Loan from Elysian	68	75
Pension contribution adjustment	(21)	(12)
Amortisation of bank fees	22	-
	<hr/>	<hr/>
Net cash inflow from operating activities	2,799	2,492
	<hr/>	<hr/>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

27 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Increase in cash	159	263
Cash inflow from changes in debt	1,551	1,080
	<u> </u>	<u> </u>
Movement in net debt resulting from cash flows	1,710	1,343
Inception of finance leases	(1,285)	(1,286)
Other non cash movements	(2,733)	(2,482)
	<u> </u>	<u> </u>
Movement in net debt	(2,308)	(2,425)
Opening net debt	(21,081)	(18,656)
	<u> </u>	<u> </u>
Closing net debt	(23,389)	(21,081)
	<u> </u>	<u> </u>

28 Analysis of net debt

	At 1 April 2011 £'000	Cash flow £'000	Other non- cash items £'000	At 31 March 2012 £'000
Cash at bank and in hand	2,100	159	-	2,259
Debt due within one year	(550)	550	(550)	(550)
Debt due after one year	(20,798)	-	(2,183)	(22,981)
Finance leases	(1,833)	1,001	(1,285)	(2,117)
		<u> </u>		
		1,551		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	(21,081)	1,710	(4,018)	(23,389)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Non-cash movements in net debt relate to accrued but unpaid preference share dividends and costs, and purchases on fixed assets under finance leases