

## **Hare Newco Limited**

Report and Financial Statements

Year Ended

31 March 2014

Company Number 06539986

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# **Hare Newco Limited**

**Report and financial statements  
for the year ended 31 March 2014**

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# **Hare Newco Limited**

**Report and financial statements  
for the year ended 31 March 2014**

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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

## Strategic report for the year ended 31 March 2014

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The directors present their strategic report together with the audited financial statements for the year ended 31 March 2014.

Hare Newco Limited is a holding company for the wider trading 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, park management & consultancy, facilities management and landscape construction services.

The group derives the majority of its income from the tendering for and delivery of 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 extension and renewal

The Group has a four 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
- Continued development of its people, processes and systems

Profit and cash flow improved during the year compared to 2013. This has been achieved against a background of client spending cuts within the public sector. This reaffirms management's ability to help its clients achieve their financial objectives at the same time as continuing to grow the profitability of the group.

The Group delivered strong results for the year with EBITDA of £5.0m, 11% of turnover (2013 - £4.0m, 9% of turnover).

During the year the group won a number of significant new long-term contracts most notably:

- A highly prestigious Grounds Maintenance contract with The Royal Parks to deliver services at Regents Park and Primrose Hill, commencing 09 June 2014 for an initial 7 year term with a further 3 years extension option until 2024.
- The retention of the contract at Mid Sussex District Council with the addition of Horsham District Council to deliver Grounds maintenance services, commencing on 01 January 2014, for an initial 7 year term until December 2020 with a further 7 years extension option until December 2027.
- The retention of the contract at Stroud District Council at high profile heritage Stratford park in Stroud, commencing 01 December 2013, for an initial 5 year term until November 2018 with a further 2 years extension option until November 2020.
- The award of a term maintenance contract at East Staffordshire for car park and highway surface repairs and land drainage, commencing for an initial 2 years and 7 months until October 2016, a strategic win that adds to the group's existing services for this client.

The Group continued to demonstrate a high level of customer satisfaction, underpinned by extensions secured early at Bournemouth Borough Council, where a 5 year extension option until 2021 was granted in the year and a 2 year extension option was secured at Basildon District Council until 2017.

Following the commencement in November 2012 of the Estates and Facilities Management (EFM) contract for the management of the public realm at Queen Elizabeth Olympic Park, this high profile contract delivered services throughout the period during which the park was transformed from its games time configuration to its long term appearance in legacy. This next phase of the Park's development commenced on 01 April 2014, with the EFM contract entering steady state. This is for an initial term of 10 years, with a further extension option of 5 years until 2029. This contract, which covers green, clean, landscaping and waste recycling services and the management of the Park, Waterways and Play spaces, is expected to continue to develop and expand. The EFM contract is operated in alliance with our partner, Cofely Work Place.

Following the new business won in the year, the group has increased its forward order book on grounds maintenance to £278m, including available extension periods totalling £107m. The bid pipeline remains healthy, with a number of significant tenders in the pipeline for 2014.

# Hare Newco Limited

## Strategic report for the year ended 31 March 2014 (continued)

Management continues to address the issues surrounding the reducing budgets of many of our public sector clients, working even closer with them to help 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. This approach together with The Group's excellent track record of securing contract extensions has meant that it continues to develop its first strategic objective to "keep and improve what we have got".

The landscape construction business delivered a good profit in the year following the strategic decision to concentrate this activity on selective opportunities managed from the North West. This area of the group continues to deliver a high quality service and there were positive movements in the market during the year, indicating that investment in this sector is improving. It remains that the Landscape Construction business is able to adapt to market changes once the economic cycle turns.

The Group's financial position continues to be 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 £25,791,000 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 2014 would be £9,759,000. The group continues to generate a positive cash flow after repaying its short term debt obligations and during the year it repaid £500,000 of the bank loan 12 months early.

### Key performance indicators ("KPI's")

	2014	2013	Commentary
Turnover £m	47.0	44.6	Group turnover increased in the year as the Grounds Maintenance activities increased.
Adjusted EBITDA £m *	5.0	4.0	EBITDA improved compared to the prior year with improved margins on Grounds Maintenance and Landscaping.
Adjusted EBITDA margin %	10.6	9.0	EBITDA margin is the ratio of adjusted EBITDA to turnover expressed as a percentage. The year ended 31 March 2014 shows an improvement compared to 2013 as underlying gross profit margins increased, with admin expenses reducing.
Cash Cover	1.80	1.24	The group continues to operate with significant 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. This was further emphasised by the £0.5m early repayment of the bank loan.
Grounds Maintenance Order Book £m	278.1	259.2	With the new contracts won during the year, the group has significantly increased the term order book, providing solid future revenue generation beyond 2023.

# Hare Newco Limited

## Strategic report for the year ended 31 March 2014 (*continued*)

	2014 £'000	2013 £'000
* Adjusted EBITDA is defined as follows:		
Operating profit/(loss)	1,693	1,028
Add back		
- depreciation	1,602	1,476
- amortisation	1,397	1,455
- exceptional costs: restructuring costs and VAT on deal fees	-	197
- exceptional credit: onerous provision release	-	(415)
- investors' fees/other charges	340	268
Adjusted EBITDA	5,032	4,009

### 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.

#### 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.

# Hare Newco Limited

## Strategic report for the year ended 31 March 2014 (*continued*)

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### 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. All of the key indicators showed an improving trend throughout the year. During the year the group continued its training programme for managers to undertake NEBOSH and IOSH training courses. As at the year end 1 manager held the NEBOSH National Diploma qualification in Occupational Safety and Health and the iema Associate Certificate in Environmental Management. 13 directors and managers are qualified to NEBOSH certificate level. The company also has a policy of ensuring that every operational manager is qualified to IOSH level and has a continuous training programme to maintain this with new employees and as new managers join at new contracts. As at 31 March 2014, there were 106 employees who had attained the IOSH Managing Safely qualification during the past 3 years. 8 managers hold the CITB Site Managers Safety Certificate, with five Supervisors holding the Site Supervisor's equivalent. In addition, 2 managers have completed their full manager's qualification for the New Roads and Street-works certificates with another completing the CPCS Crane/Lift Supervisors certificate in relation to complex lifting operations.

### On behalf of the board



N Temple-Heald  
Director

25 June 2014

# Hare Newco Limited

## Report of the directors for the year ended 31 March 2014

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The directors present their report together with the audited financial statements for the year ended 31 March 2014.

### Results and dividends

The profit and loss account is set out on page 10 and shows the loss for the year.

During the year dividends of £1,773,721 (2013: £1,542,366) were accrued, but not paid, in respect of amounts due to the preference shareholders.

The directors have not recommended a dividend on the ordinary shares.

### Employment of disabled persons

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

### Employee involvement

During the year, the group continued to develop its 'grow our own' strategy of attracting and developing talent at all levels within the business. This positive investment by the group has helped to address the industry wide skills shortage. During the year two graduates joined the Greener Graduate programme and 1 person joined to take part in the newly created sponsored student programme; studying full time for a BSc Honours in Ecology & Conservation. Upon graduating this person will join the Greener Graduate scheme as a career path towards management. The leadership development programmes have continued to evolve during the year with 3 managers completing the Accelerated Leadership Programme (ALP) and 6 managers completing the Management Development Programme (MDP), with another 24 scheduled to start in the next financial year.

The ALP and MDP programmes enable the group to develop the management of people within the business. These programmes educate and guide managers in leadership styles, their own work preferences, the impact of their management on others and the link between good quality leadership, employee engagement and performance.

Training and up skilling amongst Operatives has been delivered through the continuation of offering Work Based Diplomas in 12 industry specific frameworks, with 130 Operatives completing a Level 2 or 3 qualification during the year. The aim of Apprentices representing 5% of permanent headcount has progressed, with 31 Apprentices at the end of the financial year, all of whom upon successful completion will be considered for permanent positions.

### Directors

The directors of the company during the year were:

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



# Hare Newco Limited

## Report of the directors for the year ended 31 March 2014 (*continued*)

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### Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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;
- 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.

### Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. The directors have confirmed that they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been re-appointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

### On behalf of the board



N Temple-Heald  
Director

25 June 2014

# **Hare Newco Limited**

## **Independent auditor's report**

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### **To the members of Hare Newco Limited**

We have audited the financial statements of Hare Newco Limited for the year ended 31 March 2014 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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2014 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 matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and 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*)

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### 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.



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

*25 June 2014*

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 2014

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	3	46,997	44,598
Cost of sales - excluding exceptional item		(39,826)	(38,165)
Exceptional item	2	-	415
<b>Cost of sales</b>		<b>(39,826)</b>	<b>(37,750)</b>
<b>Gross profit</b>		<b>7,171</b>	<b>6,848</b>
Administrative expenses - general		(4,081)	(4,168)
Exceptional items	2	-	(197)
Amortisation of goodwill	4	(1,397)	(1,455)
<b>Administrative expenses</b>		<b>(5,478)</b>	<b>(5,820)</b>
<b>Group operating profit</b>	4	<b>1,693</b>	<b>1,028</b>
Other interest receivable		-	6
Interest payable and similar charges	7	(3,742)	(3,289)
Other finance charges	8	(6)	(5)
<b>Loss on ordinary activities before taxation</b>		<b>(2,055)</b>	<b>(2,260)</b>
Taxation on loss on ordinary activities	9	(676)	(505)
<b>Loss on ordinary activities after taxation</b>		<b>(2,731)</b>	<b>(2,765)</b>

All amounts relate to continuing activities.

The notes on pages 16 to 38 form part of these financial statements.

# Hare Newco Limited

## Consolidated statement of total recognised gains and losses for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Consolidated statement of total recognised gains and losses</b>			
Loss for the financial year		(2,731)	(2,765)
Actuarial (losses) on pension scheme	18	(3)	(25)
		<hr/>	<hr/>
<b>Total recognised gains and losses for the financial year</b>		<b>(2,734)</b>	<b>(2,790)</b>
		<hr/>	<hr/>

The notes on pages 16 to 38 form part of these financial statements.

# Hare Newco Limited

## Consolidated balance sheet at 31 March 2014

<i>Company number 06539986</i>	<b>Note</b>	<b>2014 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2013 £'000</b>
<b>Fixed assets</b>					
Intangible assets	11		8,151		9,548
Tangible assets	12		4,470		4,114
			<u>12,621</u>		<u>13,662</u>
<b>Current assets</b>					
Stocks	14	96		95	
Debtors	15	8,092		6,885	
Cash at bank and in hand		3,974		2,739	
		<u>12,162</u>		<u>9,719</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>13,810</u>		<u>9,913</u>	
<b>Net current liabilities</b>			<u>(1,648)</u>		<u>(194)</u>
<b>Total assets less current liabilities</b>			<b>10,973</b>		<b>13,468</b>
<b>Creditors: amounts falling due after more than one year</b>	17		<u>26,827</u>		<u>26,542</u>
<b>Net liabilities excluding pension scheme liabilities</b>			<b>(15,854)</b>		<b>(13,074)</b>
<b>Pension scheme liabilities</b>	18		<u>(178)</u>		<u>(224)</u>
<b>Net liabilities including pension scheme liabilities</b>			<u><b>(16,032)</b></u>		<u><b>(13,298)</b></u>

The notes on pages 16 to 38 form part of these financial statements.

# Hare Newco Limited

## Consolidated balance sheet at 31 March 2014 (continued)

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Capital and reserves</b>					
Called up share capital	19		4		4
Share premium account	20		350		350
Profit and loss account	20		(16,386)		(13,652)
			<u>          </u>		<u>          </u>
<b>Shareholders' deficit</b>	21		(16,032)		(13,298)
			<u>          </u>		<u>          </u>

The financial statements were approved by the board of directors and authorised for issue on 25 June 2014



D J Graham  
Director

The notes on pages 16 to 38 form part of these financial statements.

# Hare Newco Limited

## Company balance sheet at 31 March 2014

<i>Company number 06539986</i>	<b>Note</b>	<b>2014 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2013 £'000</b>
<b>Fixed assets</b>					
Fixed asset investments	13		86		86
<b>Current assets</b>					
Debtors	15	6,475		6,567	
Cash at bank and in hand		17		88	
		<u>6,492</u>		<u>6,655</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>404</u>		<u>356</u>	
<b>Net current assets</b>			<u>6,088</u>		<u>6,299</u>
<b>Total assets less current liabilities</b>			<u>6,174</u>		<u>6,385</u>
<b>Creditors: amounts falling due after more than one year</b>	17		<u>13,509</u>		<u>11,712</u>
<b>Net liabilities</b>			<u>(7,335)</u>		<u>(5,327)</u>
<b>Capital and reserves</b>					
Called up share capital	19		4		4
Share premium account	20		350		350
Profit and loss account	20		(7,689)		(5,681)
<b>Shareholders' deficit</b>	21		<u>(7,335)</u>		<u>(5,327)</u>

The financial statements were approved by the board of directors and authorised for issue on 25 June 2014.



D J Graham  
Director

The notes on pages 16 to 38 form part of these financial statements.



# Hare Newco Limited

## Consolidated cashflow statement for the year ended 31 March 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Net cash inflow from operating activities</b>	24		5,459		3,921
<b>Returns on investments and servicing of finance</b>					
Interest received		-		6	
Interest paid: bank loans		(134)		(144)	
Interest paid: hire purchase		(220)		(201)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(354)		(339)
<b>Taxation</b>					
Corporation tax paid			(540)		(626)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(1,100)		(959)	
Receipts from sale of tangible fixed assets		55		28	
<b>Net cash outflow from capital expenditure and financial investment</b>			(1,045)		(931)
<b>Cash inflow before use of financing</b>			3,520		2,025
<b>Financing</b>					
Ordinary shares purchased from Hare Discretionary Trust		-		10	
Loans repaid		(1,200)		(550)	
Capital element of finance leases repaid		(1,085)		(1,005)	
<b>Net cash outflow from financing</b>			(2,285)		(1,545)
<b>Increase in cash</b>	25		1,235		480

The notes on pages 16 to 38 form part of these financial statements.

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014

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### 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 facility which has been renewed until July 2014. The group has commenced discussions with its bankers to extend the facility beyond July 2014 and has already received a proposal.

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 2014 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 2014 (*continued*)

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### 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% - 50% 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.

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

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### 1 Accounting policies (*continued*)

#### *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 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 23 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.

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 1 Accounting policies (*continued*)

#### *Liquid resources*

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

### 2 Exceptional items

The exceptional credit of £nil (2013: £414,871) relates to the release of a provision for an onerous contract.

The exceptional costs of £nil (2013: £196,377) include £nil (2013: £83,366) relating to potentially disallowable Value Added Tax and £nil (2013: £113,011) related primarily to operational restructuring costs.

### 3 Turnover

	2014 £'000	2013 £'000
Analysis by class of contract:		
Grounds maintenance	38,974	35,626
Landscape construction	8,023	8,972
	<u>46,997</u>	<u>44,598</u>

Turnover arises solely within the United Kingdom.

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

### 4 Operating profit

	2014 £'000	2013 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	1,602	1,476
Amortisation of positive goodwill	1,397	1,455
(Profit)/loss on disposal of tangible fixed assets	(2)	14
Hire of plant and machinery - operating leases	1,392	1,391
Hire of other assets - operating leases	546	517
Fees payable to the company's auditor for the auditing of the company's annual accounts	38	37
Fees payable to the company's auditor for other services:		
- audit-related assurance services	2	2
- taxation advisory services	11	7
- other non-audit services	14	7
Defined contribution pension cost	211	239
Defined benefit pension cost (see below)	121	82
	<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 2014 and 2013 has been borne by other group companies.

	2014 £'000	2013 £'000
Defined benefit pension costs charged in arriving at the operating profit comprise the following:		
Current service cost	121	82
	<u>          </u>	<u>          </u>

### 5 Employees

Staff costs (including directors) consist of:

	Group 2014 £'000	Group 2013 £'000
Wages and salaries	19,536	18,119
Social security costs	1,503	1,416
Other pension costs	332	321
	<u>          </u>	<u>          </u>
	21,371	19,856
	<u>          </u>	<u>          </u>

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

### 5 Employees (continued)

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

	Group 2014 Number	Group 2013 Number
Administration staff	73	74
Field operational, including managers	933	860
Executive and non-executive directors	5	5
	<hr/>	<hr/>
	1,011	939
	<hr/>	<hr/>

The average number of employees of the company was 5 (2013: 5).

### 6 Directors' remuneration

	2014 £'000	2013 £'000
Directors' emoluments	380	333
Company contributions to money purchase pension schemes	8	7
	<hr/>	<hr/>

There was 1 director in the group's defined contribution pension scheme during the year (2013: 1).

The total amount payable to the highest paid director in respect of emoluments was £177,998 (2013: £151,107). Company pension contributions of £7,920 (2013: £7,200) were made to a money purchase scheme on his behalf.

### 7 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loans and overdrafts	133	145
Accrued loan note interest and similar charges	1,602	1,393
Finance leases and hire purchase contracts	220	201
Other interest payable	4	-
Accrued preference share dividend and similar charges	1,783	1,550
	<hr/>	<hr/>
	3,742	3,289
	<hr/>	<hr/>

# Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

## 8 Other finance charges

	2014 £'000	2013 £'000
Expected return on pension scheme assets	(57)	(51)
Interest on pension scheme liabilities	63	56
	<u>6</u>	<u>5</u>

## 9 Taxation on loss on ordinary activities

	2014 £'000	2013 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	668	557
Adjustment in respect of previous periods	8	(52)
	<u>676</u>	<u>505</u>

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:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(2,055)	(2,260)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013: 24%)	(473)	(542)
Effect of:		
Expenses not deductible for tax purposes	766	703
Depreciation for period in excess of capital allowances	52	119
Utilisation of tax losses	(43)	-
Adjustment to tax charge in respect of previous periods	8	(52)
Other short term timing differences	366	277
	<u>676</u>	<u>505</u>

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Accordingly, a deferred tax asset of £1,832,421 (2013: £1,767,969) has not been recognised. It is made up as follows:

Fixed asset timing differences £252,165 (2013: £265,056)  
Short-term timing differences £1,314,052 (2013: £1,187,822)  
Losses and other deductions £266,204 (2013: £315,091)



# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

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### 10 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 £2,008,000 (2013: £1,629,000) which is dealt with in the financial statements of the parent company.

### 11 Intangible fixed assets

#### Group

	Goodwill on consolidation £'000
<i>Cost</i>	
At 1 April 2013 and 31 March 2014	15,876
	<hr/>
<i>Amortisation</i>	
At 1 April 2013	6,328
Provided for the year	1,397
	<hr/>
At 31 March 2014	7,725
	<hr/>
<i>Net book value</i>	
At 31 March 2014	8,151
	<hr/>
At 31 March 2013	9,548
	<hr/>

## Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

### 12 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 2013	168	172	9,386	1,742	465	11,933
Additions	-	34	1,560	181	237	2,012
Disposals	-	(3)	(739)	(239)	(7)	(988)
Transfers	-	-	54	(54)	-	-
At 31 March 2014	<u>168</u>	<u>203</u>	<u>10,261</u>	<u>1,630</u>	<u>695</u>	<u>12,957</u>
<i>Depreciation</i>						
At 1 April 2013	15	59	6,416	1,025	304	7,819
Provided for the year	4	31	1,221	245	101	1,602
Disposals	-	(3)	(710)	(215)	(6)	(934)
Transfers	-	-	30	(30)	-	-
At 31 March 2014	<u>19</u>	<u>87</u>	<u>6,957</u>	<u>1,025</u>	<u>399</u>	<u>8,487</u>
<i>Net book value</i>						
At 31 March 2014	<u>149</u>	<u>116</u>	<u>3,304</u>	<u>605</u>	<u>296</u>	<u>4,470</u>
At 31 March 2013	<u>153</u>	<u>113</u>	<u>2,970</u>	<u>717</u>	<u>161</u>	<u>4,114</u>

## Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

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### 12 Tangible fixed assets (*continued*)

The net book value of tangible fixed assets includes an amount of £2,845,890 (2013: £2,800,391) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £912,152 (2013: £839,055).

# Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

## 13 Fixed asset investments

### Company

Group  
undertakings  
£'000

*Cost or valuation*

At 1 April 2013 and 31 March 2014

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### *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:

	Country of incorporation	Class of share capital held	Proportion of share capital held	Nature of business
Hare Bidco Limited	England & Wales	Ordinary	100	% Holding company
Inhoco 4085 Limited ***	England & Wales	Ordinary	100	% Holding company
Banyards Limited ***	England & Wales	Ordinary	100	% Grounds maintenance and landscape construction projects
Western Landscapes Limited ***	England & Wales	Ordinary	100	% Grounds maintenance and landscape construction projects
The Landscape Group Limited *	England & Wales	Ordinary	100	% Management company for the group's operations
English Landscapes Maintenance Limited **	England & Wales	Ordinary and Preference	100	% Grounds maintenance
English Landscapes Limited **	England & Wales	Ordinary	100	% Landscape construction projects
English Woodlands Limited **	England & Wales	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 2014 (*continued*)

### 14 Stocks

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Raw materials and consumables	96	95	-	-

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

### 15 Debtors

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade debtors	3,998	2,840	-	-
Amounts owed by group undertakings	-	-	6,320	6,401
Other debtors	218	227	155	166
Prepayments and accrued income	2,069	1,836	-	-
Amounts recoverable on contracts	1,807	1,982	-	-
	8,092	6,885	6,475	6,567

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

Included within company other debtors is a trust asset of £155,820 (2013: £155,820), further details are given in note 17.

# Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

## 16 Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loans and overdrafts (secured)	2,457	700	-	-
Trade creditors	3,205	1,610	-	-
Corporation tax	422	286	-	-
Other taxation and social security	1,489	1,276	-	-
Obligations under finance lease and hire purchase contracts	960	932	-	-
Other creditors	408	372	404	339
Accruals and deferred income	4,869	4,737	-	17
	<u>13,810</u>	<u>9,913</u>	<u>404</u>	<u>356</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 2014 amounted to £nil and £2,457,000 respectively (2013: £nil and £3,614,000 respectively).

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 17 Creditors: amounts falling due after more than one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loans (secured)	-	2,915	-	-
Loan stock due 2018	5,764	5,764	-	-
Obligations under finance lease and hire purchase contracts	1,028	1,229	-	-
Preference shares	6,285	6,263	6,285	6,263
Other creditors	13,750	10,371	7,224	5,449
	<u>26,827</u>	<u>26,542</u>	<u>13,509</u>	<u>11,712</u>

#### Maturity of debt:

	Loans and overdrafts 2014 £'000	Loans and overdrafts 2013 £'000	Finance leases 2014 £'000	Finance leases 2013 £'000
In one year or less, or on demand	<u>2,457</u>	<u>700</u>	<u>960</u>	<u>932</u>
In more than one year but not more than two years	-	2,915	653	693
In more than two years but not more than five years	<u>5,764</u>	<u>5,764</u>	<u>375</u>	<u>536</u>
	<u>5,764</u>	<u>8,679</u>	<u>1,028</u>	<u>1,229</u>

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

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

The increase in the preference shares creditor relates to the amortisation 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 £7,223,524 (2013: £5,449,803) in respect of preference shares dividends, which are the cumulative amounts accrued to 31 March 2014. In another group company £6,518,685 (2013: £4,916,628) 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 (2013: £136,438) was held in respect of preference shares and a trust asset of £105,632 (2013: £19,382) in respect of loan notes acquired by the trust, and is classified within other debtors.

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, was repaid in the year 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 £nil of the Facility A loan was outstanding and £2,500,000 of the Facility B loan was outstanding. A further £1,000,000 of the Facility B loan is scheduled for repayment by the end of June 2014, leaving a balance of £1,500,000 of the Facility B loan outstanding.

### 18 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 2014 there were 23 active members of the Federated Pension Plan Scheme. An investment policy was transferred from Scottish Life to the Federated Pension Plan in April 2011, the amount of the transfer payment was £698,669. This consisted of the transfer of previous service for some 13 existing members, as well as transferring into the plan an additional 15 members. 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 as at 5 April 2013 and updated as at 31 March 2014 by a qualified actuary on a Financial Reporting Standard 17 basis.



# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 18 Pensions (*continued*)

	2014 £'000	2013 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	(1,353)	(1,213)
Current service cost	(121)	(82)
Interest cost	(63)	(56)
Contributions by participants	(35)	(16)
Actuarial losses	(22)	(62)
Benefits paid	65	76
	<hr/>	<hr/>
At the end of the year	(1,529)	(1,353)
	<hr/>	<hr/>
	2014 £'000	2013 £'000
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	1,529	1,353
	<hr/>	<hr/>
	2014 £'000	2013 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year	1,129	1,007
Expected rate of return on plan assets	57	51
Actuarial gains	19	37
Exchange gains	176	94
Contributions by group	35	16
Benefits paid	(65)	(76)
	<hr/>	<hr/>
At the end of the year	1,351	1,129
	<hr/>	<hr/>
	2014 £'000	2013 £'000
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	(1,529)	(1,353)
Fair value of plan assets	1,351	1,129
	<hr/>	<hr/>
Plan deficit	(178)	(224)
	<hr/>	<hr/>

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (continued)

### 18 Pensions (continued)

	2014 £'000	2013 £'000
<i>The amounts recognised in profit and loss are as follows:</i>		
<i>Included in administrative expenses:</i>		
Current service cost	121	82
<i>Included in other finance (income)/expense:</i>		
Interest cost	63	56
Expected return of plan assets	(57)	(51)
	<u>127</u>	<u>87</u>
	<u>2014</u> £'000	<u>2013</u> £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on pension plan assets	19	37
Experience gains and losses arising on the scheme liabilities	(40)	-
Changes in assumptions underlying the present value of the scheme liabilities	18	(62)
	<u>(3)</u>	<u>(25)</u>
Actuarial losses recognised in the statement of total recognised gains and losses	(3)	(25)
	<u>2014</u> £'000	<u>2013</u> £'000
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>	(159)	(156)
	<u>2014</u> £'000	<u>2013</u> £'000
<i>Composition of plan assets</i>		
European equities	349	248
European bonds	174	124
Property	810	756
Cash	18	1
	<u>1,351</u>	<u>1,129</u>
Total plan assets	1,351	1,129

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 18 Pensions (*continued*)

*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.

	2014 £'000	2013 £'000
<i>Actual return on plan assets</i>	76	88

	2014 %	2013 %
<i>Principal actuarial assumptions used at the balance sheet date</i>		
Discount rates	4.45	4.50
Expected rates of return on plan assets		
Equities	5.80	6.10
Bonds	2.80	3.10
Property	4.70	5.00
Cash	0.50	0.50
Future salary increases	3.00	3.00
Future pension increases	3.50	3.50
Proportion of employees opting for early retirement	3.50	3.50
Inflation assumption	3.50	3.50
Mortality rates		
- before retirement	23.90	24.65
- after retirement	26.15	26.85

	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	30 September 2010 £'000
<i>Past five accounting periods</i>					
Present value of the plan liabilities	(1,529)	(1,353)	(1,213)	(924)	(877)
Fair value of the plan assets	1,351	1,129	1,007	899	758
Deficit on the pension plans	(178)	(224)	(206)	(25)	(119)
<i>Experience adjustments arising on:</i>					
Plan liabilities	(40)	-	9	51	24
Plan assets	19	37	(21)	35	31

The group's best estimate of the contributions expected to be paid in the year beginning on the 1 April 2014 is £162,000.

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 18 Pensions (*continued*)

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 £211,383 (2013: £164,800). Contributions amounting to £50,974 (2013: £10,907) were payable to the fund at 31 March 2014 and are included in creditors.

### 19 Share capital

	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i>		
89,180 ordinary shares of £0.01 each	1	1
285,820 A ordinary shares of £0.01 each	3	3
	<hr/>	<hr/>
	4	4
	<hr/>	<hr/>

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

### 20 Reserves

#### Group

	Share premium account £'000	Profit and loss account £'000
At 1 April 2013	350	(13,652)
Loss for the year	-	(2,731)
Actuarial loss on pension scheme liabilities net of related taxation	-	(3)
	<hr/>	<hr/>
At 31 March 2014	350	(16,386)
	<hr/>	<hr/>

# Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

## 20 Reserves (*continued*)

### Company

	Share premium account £'000	Profit and loss account £'000
At 1 April 2013	350	(5,681)
Loss for the year	-	(2,008)
	<hr/>	<hr/>
At 31 March 2014	350	(7,689)
	<hr/>	<hr/>

## 21 Reconciliation of movements in shareholders' deficit

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Loss for the year	(2,731)	(2,765)	(2,008)	(1,629)
Other net recognised gains and losses relating to the year	(3)	(25)	-	-
ESOP shares purchased from Hare Discretionary Trust	-	10	-	10
	<hr/>	<hr/>	<hr/>	<hr/>
Net deductions from shareholders' deficit	(2,734)	(2,780)	(2,008)	(1,619)
Opening shareholders' deficit	(13,298)	(10,518)	(5,327)	(3,708)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' deficit	(16,032)	(13,298)	(7,335)	(5,327)
	<hr/>	<hr/>	<hr/>	<hr/>

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 22 Commitments under operating leases

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

	Land and buildings 2014 £'000	Other 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000
Operating leases which expire:				
Within one year	19	192	64	292
In two to five years	318	1,321	202	1,129
After five years	74	31	18	-
	<u>411</u>	<u>1,544</u>	<u>284</u>	<u>1,421</u>

### 23 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 (2013: £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. As at 31 March 2014 accrued interest due to Elysian Capital 1LP was £6,518,685 (2013: £4,916,628). During the period the Group received services to the value of £40,000 (2013: £40,000) from Elysian Capital 1LP. K Terry and R Ramsey are members of Elysian Capital 1LP and also Directors of Hare Newco Limited.

Preference shares in Hare Newco Limited of £6,216,948 (2013: £6,216,948) are held by Elysian Capital 1LP which accrue a dividend of 15% payable upon redemption in 2018.

#### *Related party transactions*

K J Terry and R A Ramsey, directors of Hare Newco Limited are members of Elysian Capital LLP. The group has a loan agreement in place with Elysian Capital LLP for costs incurred through the employment of another director of the company. The loan accrues interest at 2% above base rate, payable on demand. The balance as at 31 March 2014 was £400,351 (2013: £338,848).

# Hare Newco Limited

## Notes forming part of the financial statements for the year ended 31 March 2014 (*continued*)

### 24 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit	1,693	1,028
Amortisation of intangible fixed assets	1,397	1,455
Depreciation of tangible fixed assets	1,602	1,476
(Profit)/loss on sale of tangible fixed assets	(2)	14
(Increase)/decrease in stocks	(1)	11
(Increase)/decrease in debtors	(1,207)	2,015
Increase/(decrease) in creditors	1,914	(1,794)
Decrease in provisions	-	(415)
Loan from Elysian	53	52
Pension contribution adjustment	(55)	(12)
Amortisation of bank fees	65	91
	<hr/>	<hr/>
Net cash inflow from operating activities	5,459	3,921
	<hr/>	<hr/>

### 25 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase in cash	1,235	480
Cash inflow from changes in debt	2,285	1,555
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	3,520	2,035
Inception of finance leases	(912)	(1,049)
Other non cash movements	(3,441)	(3,025)
	<hr/>	<hr/>
Movement in net debt	(833)	(2,039)
Opening net debt	(25,428)	(23,389)
	<hr/>	<hr/>
Closing net debt	(26,261)	(25,428)
	<hr/>	<hr/>

## Hare Newco Limited

Notes forming part of the financial statements  
for the year ended 31 March 2014 (*continued*)

### 26 Analysis of net debt

	At 1 April 2013 £'000	Cash flow £'000	Other non- cash items £'000	At 31 March 2014 £'000
Cash at bank and in hand	2,739	1,235	-	3,974
Debt due within one year	(700)	1,200	(2,957)	(2,457)
Debt due after one year	(25,306)	-	(484)	(25,790)
Finance leases	(2,161)	1,085	(912)	(1,988)
		<u>2,285</u>		
Total	<u>(25,428)</u>	<u>3,520</u>	<u>(4,353)</u>	<u>(26,261)</u>

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