Lindley Catering Limited

Financial statements

For the period ended 6 June 2006

Company No. 4242557

Company information

Company registration number :	4242557
Registered office :	The Mellor Building Queens Road Penkhull Stoke on Trent ST4 7TR
Directors :	A C McCrindle P Biffen D Hulme
Secretary :	A C McCrindle
Bankers :	Lloyds TSB Bank Plc P O Box 908 125 Colmere Row Birmingham B3 3AE
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

Index to the financial statements

Report of the directors

The directors present their report together with the audited financial statements for the period ended 6 June 2006.

Principal activity

The principal activity of the company is the provision of catering services, including trading as licensed victuallers.

Results and dividends

The profit for the period after taxation amounted to £1,400,299 (2005 : loss of £1,264,380). The directors do not recommend the payment of a dividend (2005 : £Nil).

Directors

The directors of the company and their interests in the share capital of the company are listed below. All served on the Board throughout the period, unless otherwise indicated.

	Ordinary shares of £1 each	
	2006	2005
	£	£
A C McCrindle	–	40,134
J J Brade (resigned 6 July 2005)	–	–
M D Hemsley (resigned 6 July 2005)	–	4,761
C H B Mills (resigned 6 July 2005)	–	–
A M Stoddart (resigned 6 July 2005)	–	28,906
P Biffen	–	35,118
D Hulme (appointed 6 July 2005)	–	–

Financial risk management objectives and policies

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

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

- *Liquidity risk* – The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved by an overdraft facility.

- *Interest rate risk* – The company finances its operations through a mixture of retained profits and a bank overdraft. The interest rate exposure of the financial assets and liabilities of the company as at 6 June 2006 is shown below. The table includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

	Interest rate			
	Fixed	**Floating**	**Zero**	**Total**
	£	**£**	**£**	**£**
Financial assets				
Cash	–	155,101	–	**155,101**
Trade debtors	–	–	2,544,537	**2,544,537**
	–	155,101	2,544,537	**2,699,638**
Financial liabilities				
Bank loans and overdrafts	–	(59,027)	–	**(59,027)**
Trade creditors	–	–	(3,609,516)	**(3,609,516)**
	–	(59,027)	(3,609,516)	**(3,668,543)**

Credit risk

The company's principal financial assets are cash deposits, cash and trade debtors. The credit risk associated with cash is limited. The directors do not consider there to be any material credit risk, as given the nature of the business, cash is received on completion of contract.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware :

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

Employee involvement

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

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

Disabled persons

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

Creditor payment policy

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

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

On average, trade creditors at the year end represented 80 (2005 : 81) days' purchases.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A C McCrindle
Director

22 March 2007

Grant Thornton

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

We have audited the financial statements of Lindley Catering Limited for the period ended 6 June 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and notes 1 to 20. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

Grant Thornton

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

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

Opinion

In our opinion :

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 6 June 2006 and of its profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 6 June 2006.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

22 March 2007

Principal accounting policies

Basis of preparation

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

The principal accounting policies of the company are set out below and have remained unchanged from the previous year with the exception of the adoption of Financial Reporting Standard No.21 (Events after the Balance Sheet Date), the presentation requirements of Financial Reporting Standard No.25 (Financial Instruments : Disclosure and Presentation) and Financial Reporting Standard No.28 (Corresponding Amounts). There has been no impact on the company on the adoption of these new standards.

The directors have reviewed the accounting policies in accordance with FRS 18 "Accounting Policies" and have concluded that no further changes were required from the previous year.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

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

Furniture, fixtures, tools and equipment	15% straight line/life of contract

Investments

Investments are included at cost less amounts written off.

Stocks

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

Deferred taxation

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

Contributions to pension schemes

Defined contribution schemes

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

Leased assets

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

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

Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction.

Profit and loss account

	Note	2006 £	2005 £
Turnover – continuing activities	1	**36,493,763**	30,975,695
Cost of sales		**(12,904,719)**	(10,462,177)
Gross profit		**23,589,044**	20,513,518
Administrative expenses		**(22,764,207)**	(22,027,416)
Other operating income		**575,462**	310,490
Operating profit/(loss) – continuing activities		**1,400,299**	(1,203,408)
Net interest	3	**–**	(246,934)
Profit/(loss) on ordinary activities before taxation	1	**1,400,299**	(1,450,342)
Tax on profit/(loss) on ordinary activities	4	**–**	185,962
Profit/(loss) retained and transferred to reserves	13	**1,400,299**	(1,264,380)

There were no recognised gains or losses other than the profit for the financial period.

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	5	**1,475,775**	1,770,796
Investments	6	**5,676,951**	5,676,951
		7,152,726	7,447,747
Current assets			
Stocks	7	**526,166**	508,234
Debtors	8	**4,095,585**	2,977,299
Cash at bank and in hand		**155,101**	1,501,433
		4,776,852	4,986,966
Creditors: amounts falling due within one year	9	**(8,687,762)**	(9,054,459)
Net current liabilities		**(3,910,910)**	(4,067,493)
Total assets less current liabilities		**3,241,816**	3,380,254
Creditors : amounts falling due after more than one year	10	–	(1,538,737)
Net assets		**3,241,816**	1,841,517
Capital and reserves			
Called up share capital	12	**2,984,548**	2,984,548
Share premium account	13	**553,979**	553,979
Profit and loss account	13	**(296,711)**	(1,697,010)
Shareholders' funds	14	**3,241,816**	1,841,517

The financial statements were approved by the Board of Directors on 22 March 2007 and signed on their behalf by :

A C McCrindle
Director

The accompanying notes form part of these financial statements.

Cash flow statement

	Note	2005 £	2005 £
Net cash inflow from operating activities	15	**1,537,611**	1,523,268
Returns on investments and servicing of finance			
Interest received		–	57,031
Interest paid		–	(218,018)
Finance lease interest paid		–	(85,947)
Net cash outflow from returns on investments and servicing of finance		–	(246,934)
Taxation		–	175,323
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(197,485)**	(118,798)
Net cash outflow from capital expenditure and financial investment		**(197,485)**	(118,798)
Financing			
Repayment of finance leases	17	**(708,485)**	(193,729)
Repayment of loans	17	**(2,037,000)**	(867,500)
Net cash outflow from financing		**(2,745,485)**	(1,061,229)
(Decrease)/increase in cash	16	**(1,405,359)**	271,630

Notes to the financial statements

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

The turnover and profit/(loss) on ordinary activities before taxation is attributable to the principal activity of the company.

The profit/(loss) on ordinary activities before taxation is stated after :

	2006	2005
	£	£
Depreciation	**492,506**	1,079,805
Auditors' remuneration		
– audit	**22,500**	22,500
Operating lease rentals		
– land and buildings	**17,500**	17,500
– other	**153,589**	19,380

2 Directors and employees

	2006	2005
Staff costs during the year were as follows :	**£**	£
Wages and salaries	**11,554,673**	10,010,108
Pension costs	**5,755**	14,035
	11,560,428	10,024,143

	2006	2005
The average number of employees during the year was :	**Number**	Number
Management and administration	**170**	165
Catering staff	**1,700**	1,655
	1,870	1,820

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

	2006	2005
	£	£
Emoluments	**309,174**	190,743
Compensation for loss of office	**–**	76,225
Pension contributions	**15,455**	9,044
	324,629	276,012

During the year 3 directors (2005 : 2) participated in money purchase pension schemes.

Directors and employees (continued)

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

	2006 £	2005 £
Emoluments	**112,937**	91,800
Pension contributions	**5,656**	4,533
	118,593	96,333

3 Net interest

	2006 £	2005 £
On bank loans and overdrafts	–	(218,018)
Hire purchase interest	–	(85,947)
	–	(303,965)
Bank interest received	–	57,031
	–	(246,934)

4 Tax on profit/(loss) on ordinary activities

	2006 £	2005 £
The taxation credit is based on the profit/(loss) for the year and represents:		
Corporation tax at 30% (2005 : 30%)		
– Adjustments in respect of prior years	–	(132,247)
	–	(132,247)
Deferred tax	–	(53,715)
	–	(185,962)

Factors affecting the tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2005 : 30%). The differences are explained as follows :

	2006 £	2005 £
Profit/(loss) on ordinary activities before taxation	**1,400,299**	(1,450,342)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2005 : 30%)	**420,090**	(435,103)
Effect of:		
Expenses not deductible for tax purposes	**2,972**	7,119
Capital allowances for the period in excess of depreciation	**(19,359)**	155,786
Other short term timing differences	**49,722**	509
Trade losses (utilised)/not utilised	**(108,230)**	271,689
Group relief	**(345,195)**	–
Adjustment to charge in respect of prior periods	–	(132,247)
	–	(132,247)

5 Tangible fixed assets

	Furniture, fixtures, tools and equipment £
Cost	
At 30 May 2005	4,797,418
Additions	197,485
Disposals	(37,750)
At 6 June 2006	4,957,153
Depreciation	
At 30 May 2005	3,026,622
Provided in the year	492,506
Disposals	(37,750)
At 6 June 2006	3,481,378
Net book amount	
At 6 June 2006	**1,475,775**
At 30 May 2005	1,770,796

Included above are assets held under finance lease or hire purchase contracts as follows :

	Fixtures and fittings £
Net book value at 6 June 2006	–
Net book value at 30 May 2005	895,975
Depreciation charge for the year	–

6 Fixed asset investments

	£
At 30 May 2005 and 6 June 2006	5,676,951

During the year ended 30 May 2004, the entire trade and assets of the company's subsidiary undertaking, Lindley Catering Investments Limited, were transferred to the company at their book value. No adjustment has been made to the carrying value of the company's investment in the subsidiary undertaking. This represents a departure from accounting principles, which require assets to be written down to the lower of cost and net realisable value. If an adjustment had been made, it would require a write–off in relation to Lindley Catering Limited through the company profit and loss account. As there has been no overall loss to the group because the trade and assets are retained within the group, the directors consider this policy is necessary in order that the financial statements may give a true and fair view.

The company had the following subsidiary undertakings as at 6 June 2006 :

Name of subsidiary	Class of share capital held	Proportion held by parent company	Nature of business
K&S (408) Limited	Ordinary	100%	Dormant
Lindley Catering Investments Limited	Ordinary	100%	Dormant
Stadia Catering Services Limited	Ordinary	100%	Dormant

The above are holdings of ordinary shares and all undertakings are registered in England and Wales.

7 Stocks

	2006	2005
	£	£
Goods for resale	**526,166**	508,234

8 Debtors

	2006	2005
	£	£
Trade debtors	**2,544,537**	2,476,802
Amounts due from parent undertaking	**1,018,607**	–
Other debtors	**263,647**	202,350
Prepayments and accrued income	**268,794**	298,147
	4,095,585	2,977,299

9 Creditors : amounts falling due within one year

	2006 £	2005 £
Bank loans and overdraft	**59,027**	650,000
Loan notes	**–**	350,000
Obligations under finance leases and hire purchase contracts	**–**	206,748
Trade creditors	**3,609,516**	2,561,540
Amounts due to group undertakings	**1,948,303**	1,832,572
Other taxation and social security	**927,398**	883,750
Other creditors	**2,063,436**	2,404,378
Accruals and deferred income	**80,082**	165,471
	8,687,762	9,054,459

10 Creditors : amounts falling due after more than one year

	2006 £	2005 £
Bank loans	**–**	1,037,000
Amounts due under finance leases and hire purchase contracts	**–**	501,737
	–	1,538,737

The bank loans are secured by fixed and floating charges over the company's assets. Amounts due under finance leases and hire purchase contracts are secured on the assets to which they relate.

Borrowings are repayable as follows :

	2006 £	2005 £
Within one year:		
Bank loans and overdrafts	**59,027**	650,000
Loan notes	**–**	350,000
Obligations under finance leases and hire purchase contracts	**–**	206,748
After one and within two years:		
Bank loans and overdrafts	**–**	650,000
Obligations under finance leases and hire purchase contracts	**–**	206,748
After two and within five years:		
Bank loans and overdrafts	**–**	387,000
Obligations under finance leases and hire purchase contracts	**–**	294,989
	59,027	2,745,485

11 Provisions for liabilities and charges

Deferred taxation

	2006 **£**	2005 £
At 30 May 2005	**–**	53,715
Released to profit and loss account	**–**	(53,715)
At 6 June 2006	–	–

At 6 June 2006, the company had a deferred tax asset which has not been recognised in the financial statements, as set out below. This asset will be recoverable to the extent that sufficient trading profits arise in the future.

	2006 **£**	2005 £
Excess of tax allowances over book depreciation of fixed assets	**(278,521)**	22,527
Other timing differences	**(75,532)**	(16,747)
Trade losses	**–**	(433,852)
	(354,053)	(428,072)

12 Share capital

	2006 **£**	2005 £
Authorised		
Ordinary shares of £1 each	**10,000,000**	10,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**2,984,548**	2,984,548

13 Share premium account and reserves

	Share premium account £	Profit and loss account £
At 31 May 2005	553,979	(1,697,010)
Profit for the year	–	1,400,299
At 6 June 2006	**553,979**	**(296,711)**

14 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit/(loss) for the financial year	**1,400,299**	(1,264,380)
Opening shareholders' funds	**1,841,517**	3,105,897
Closing shareholders' funds	**3,241,816**	1,841,517

15 Net cash inflow from operating activities

	2006 £	2005 £
Operating profit/(loss)	**1,400,299**	(1,203,408)
Depreciation	**492,506**	1,079,805
Amortisation of intangible assets	**–**	957,921
(Increase)/decrease in stocks	**(17,932)**	131,545
(Increase)/decrease in debtors	**(1,118,286)**	141,284
Increase in creditors	**781,024**	416,121
Net cash inflow from operating activities	**1,537,611**	1,523,268

16 Reconciliation of net cash flow to movement in net funds/(debt)

	2006 £	2005 £
(Decrease)/increase in cash in the year	**(1,405,359)**	271,630
Repayment of capital element of finance leases	**708,485**	193,729
Repayment of loans	**2,037,000**	867,500
Movement in net debt	**1,340,126**	1,332,859
Net debt at 30 May 2005	**(1,244,052)**	(2,576,911)
Net funds/(debt) at 6 June 2006	**96,074**	(1,244,052)

17 Analysis of changes in net funds/(debt)

	At 31 May 2005 £	Cashflow £	**At 6 June 2006 £**
Cash at bank and in hand	1,501,433	(1,346,332)	**155,101**
Overdraft	–	(59,027)	**(59,027)**
	1,501,433	(1,405,359)	**96,074**
Debt due within one year	(1,000,000)	1,000,000	**–**
Debt due after one year	(1,037,000)	1,037,000	**–**
Finance leases	(708,485)	708,485	**–**
	(1,244,052)	1,340,126	**96,074**

18 Guarantees and other financial commitments

Leasing commitments

	2006		2005	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire :				
– within one year	**–**	**33,814**	17,500	–
– within two to five years	**20,000**	**27,340**	–	120,597
	20,000	**61,154**	17,500	120,597

19 Related party transactions

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

There are no other related party transactions.

20 Immediate and ultimate parent undertaking

The company's immediate and ultimate parent undertaking and controlling party is Lindley Catering Holdings Limited, a company registered in England and Wales. Copies of the group accounts for the ultimate parent undertaking may be obtained from its registered office.