

Hare Newco Limited

Report and Financial Statements

Year Ended

31 March 2011

Company Number 06539986

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Hare Newco Limited

Report and financial statements for the year ended 31 March 2011

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Directors

N Temple-Heald
D J Graham
Dr C B Patel
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, One Victoria Street, Bristol, BS1 6AA

Hare Newco Limited

Report of the directors for the year ended 31 March 2011

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

Results and dividends

The profit and loss account is set out on page 8 and shows the loss for the year

During the year dividends of £1,342,094 (18 months to 31 March 2010 £945,088) 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 specialist green service provider, delivering grounds management, arboriculture, cleansing and landscape construction services. During the year the group completed the integration of four legacy businesses and re-branded as The Landscape Group incorporating English Landscapes, Banyards, Wyevale Landscapes and Wyevale Grounds Maintenance. The group's continued success during the year further positions the group as the leading provider of these services in the sector.

Following the acquisition of Western Landscapes Limited (trading as Wyevale Grounds Maintenance and Wyevale Landscapes) in March 2010 the group restructured its operations moving to a regional, multi-disciplined operating model to continue delivery of the group's three point strategy for growth

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

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 renewal. This, combined with a renewed emphasis on the quality of its business development and tendering effort, has facilitated a period of significant organic growth with 14 contract wins during the year. In addition to the new contract wins the group has demonstrated its continued success in extending existing contracts, with 5 contract extensions in the year.

The group has successfully increased its forward order book on grounds maintenance to in excess of £212m, including available extension periods totalling £80m, with a further £150m of opportunities in the bid pipeline for submission by July 2011.

The public spending review in 2010 has been pro-actively addressed by the group and has created a significant opportunity for the group to work even closer with existing clients to help them to achieve their budget and service delivery objectives. This approach has also ensured the group protects its margin at the same time as delivering client objectives. As at 31 March 2011, over 80% of the term contracts, by value, have been re-engineered, with solutions either implemented or in the course of implementation. Over £1.5m of client budget reductions have been delivered with no overall impact on gross profit, considerably improving the quality of earnings on these contracts. This approach together with the group's impressive track record of securing contract extensions has meant that it has largely achieved its first strategic objective in the year of "retaining and renewing existing contracts".

With respect to the potential for further organic growth, the opportunities for outsourced tenders from the public sector are increasing and the trend is expected to continue as public sector authorities continue to seek best value solutions. The group is well positioned to continue to take advantage of these new opportunities.

Hare Newco Limited

Report of the directors for the year ended 31 March 2011 (continued)

During the year the group's landscape construction business was re-structured. Turnover in the group's landscape construction activities was lower as a result but is now operating with a very much lower level of costs. Throughout the downturn in the construction environment, 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. During the year the group completed a number of prestige contracts including the hard/soft landscape construction projects at BBC Media City, Salford.

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 £16,952,000 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 2011 would be £9,511,000. We continue to enjoy positive cash flow in addition to funding the organic growth and re-investing significantly in the capital infrastructure and in upgrading our plant, equipment and fleet.

Key performance indicators

The key performance indicators of the group are as follows

*The comparative period column was derived by factoring the 18 month period to 31 March 2010 by 18/12 to derive an inferred 12 month comparative

	Year ended 31 March 2011 £'000	*12 months ended 31 March 2010 £'000	18 months ended 31 March 2010 £'000	Commentary
Turnover	50,975	42,659	63,989	On a run rate basis the group turnover has increased by 19% compared to prior periods
Gross profit %	12.2	13.4	13.4	Gross profit margin is the ratio of gross profit to turnover expressed as a percentage. The reduction compared with the prior period is due to Landscape Construction margins. Margins in Grounds Maintenance improved.
Adjusted EBITDA**	3,184	2,122	3,183	Adjusted EBITDA improved significantly in the year compared to the previous 12 month period as the new contract wins and overhead efficiency improvements delivered good profit performance.
Cash Cover	1.5	1.3	1.3	The group continues to operate with significant headroom on its cash flow with this key indicator expressing cash flow before debt finance servicing compared to debt finance servicing in the period. This demonstrates the group's positive management of its cash flow and ability to service its short term finance commitments.

Hare Newco Limited

Report of the directors for the year ended 31 March 2011 (*continued*)

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
** Adjusted EBITDA is defined as follows		
Operating loss	(251)	(936)
Add back		
- depreciation	1,309	1,301
- amortisation	1,588	1,830
- exceptional costs	530	866
- exceptional costs onerous provision release	(107)	-
- investors' fees	115	122
Adjusted EBITDA	<u>3,184</u>	<u>3,183</u>

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 financial 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.

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 and LIBOR and are fixed respectively. The interest on the bank loan is subject to a SWAP hedging instrument. In addition the group has issued preference shares and loan notes which attract a fixed coupon of 15%.

Hare Newco Limited

Report of the directors for the year ended 31 March 2011 *(continued)*

Financial risk management *(continued)*

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 achieved full accreditation for ISO9001, ISO4001 and OSHAS18001 during 2010. Throughout 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.

Employment of disabled persons

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

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 the industry. The group has committed to employ a number of graduate trainees to bring new skills to the sector and 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.

Directors

The directors of the company during the year were

N Temple-Heald
D J Graham
Dr C B Patel
D Spruzen
R A Ramsey
K J Terry
M J Oliver (resigned 9 April 2010)

Hare Newco Limited

Report of the directors for the year ended 31 March 2011 (*continued*)

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.

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 30.06.11

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 2011 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 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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



James Brown (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Bristol
United Kingdom

Date 30. JUNE. 2011

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 2011

		Before amortisation and exceptional items	Amortisation and exceptional items	Total Year ended 31 March 2011 £'000	Total 18 months ended 31 March 2010 £'000
	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2011 £'000		
Turnover					
Continuing operations		50,975	-	50,975	63,344
Acquisitions		-	-	-	645
	3	50,975	-	50,975	63,989
Cost of sales - excluding exceptional item		44,881	-	44,881	55,429
Exceptional item	2	-	(107)	(107)	-
Cost of sales		44,881	(107)	44,774	55,429
Gross profit		6,094	107	6,201	8,560
Administrative expenses - general		4,334	-	4,334	6,800
Amortisation of intangibles	4	-	1,588	1,588	1,830
Exceptional items	2	-	530	530	866
Administrative expenses		4,334	2,118	6,452	9,496
Continuing operations		1,760	(2,011)	(251)	(985)
Acquisitions		-	-	-	49
Operating profit/(loss)	4	1,760	(2,011)	(251)	(936)
Other income	7	14	-	14	133
Other interest receivable		-	-	-	4
Interest payable and similar charges	8	(3,127)	-	(3,127)	(2,941)
Other finance charges	9	(7)	-	(7)	(17)
Loss on ordinary activities before taxation		(1,360)	(2,011)	(3,371)	(3,757)
Taxation on loss on ordinary activities	10	(281)	-	(281)	11
Loss on ordinary activities after taxation		(1,641)	(2,011)	(3,652)	(3,746)

All amounts relate to continuing activities

The notes on pages 15 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 2011

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Consolidated statement of total recognised gains and losses		
Loss for the financial year/period	(3,652)	(3,746)
Actuarial gains and (losses) on pension scheme (note 20)	89	(142)
	<hr/>	<hr/>
Total recognised gains and losses for the financial year/period	(3,563)	(3,888)
	<hr/>	<hr/>

The notes on pages 15 to 38 form part of these financial statements

Hare Newco Limited

Consolidated balance sheet at 31 March 2011

<i>Company number 06539986</i>	Note	31 March 2011 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2010 £'000
Fixed assets					
Intangible assets	12		12,457		14,018
Tangible assets	13		3,470		3,080
			<u>15,927</u>		<u>17,098</u>
Current assets					
Stocks	15	94		136	
Debtors	16	8,992		9,769	
Cash at bank and in hand		2,100		1,837	
		<u>11,186</u>		<u>11,742</u>	
Creditors: amounts falling due within one year	17	<u>11,801</u>		<u>11,830</u>	
Net current liabilities			<u>(615)</u>		<u>(88)</u>
Total assets less current liabilities			<u>15,312</u>		<u>17,010</u>
Creditors: amounts falling due after more than one year	18	21,898		19,470	
Provisions for liabilities and charges	19	<u>830</u>		<u>1,290</u>	
			<u>22,728</u>		<u>20,760</u>
Net liabilities excluding pension scheme liabilities			<u>(7,416)</u>		<u>(3,750)</u>
Pension scheme liabilities	20		<u>(25)</u>		<u>(119)</u>
Net liabilities including pension scheme liabilities			<u>(7,441)</u>		<u>(3,869)</u>

The notes on pages 15 to 38 form part of these financial statements

Hare Newco Limited

Consolidated balance sheet at 31 March 2011 (*continued*)

	Note	31 March 2011 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2010 £'000
Capital and reserves					
Called up share capital	21		4		4
Share premium account	22		350		350
Other reserves	22		(37)		(28)
Profit and loss account	22		(7,758)		(4,195)
			<hr/>		<hr/>
Shareholders' deficit	23		(7,441)		(3,869)
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 30.6.11



D J Graham
Director

The notes on pages 15 to 38 form part of these financial statements

Hare Newco Limited

Company balance sheet at 31 March 2011

<i>Company number 06539986</i>	Note	31 March 2011 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2010 £'000
Fixed assets					
Fixed asset investments	14		86		-
Current assets					
Debtors	16	6,648		6,717	
Cash at bank and in hand		31		-	
		<u>6,679</u>		<u>6,717</u>	
Creditors: amounts falling due within one year	17	<u>306</u>		<u>340</u>	
Net current assets			<u>6,373</u>		<u>6,377</u>
Total assets less current liabilities			<u>6,459</u>		<u>6,377</u>
Creditors: amounts falling due after more than one year	18		<u>8,784</u>		<u>7,252</u>
Net liabilities			<u>(2,325)</u>		<u>(875)</u>
Capital and reserves					
Called up share capital	21		4		4
Share premium account	22		350		350
Other reserves	22		(37)		(28)
Profit and loss account	22		(2,642)		(1,201)
Shareholders' deficit	23		<u>(2,325)</u>		<u>(875)</u>

The financial statements were approved by the board of directors and authorised for issue on 30.6.11



D J Graham
Director

The notes on pages 15 to 38 form part of these financial statements

Hare Newco Limited

Consolidated cashflow statement for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000	18 months ended 31 March 2010 £'000
Net cash inflow from operating activities	26		2,492		3,087
Returns on investments and servicing of finance					
Interest received		-		4	
Interest paid bank loans		(376)		(773)	
Interest paid hire purchase		(235)		(169)	
Net cash outflow from returns on investments and servicing of finance			(611)		(938)
Taxation					
Corporation tax paid			(118)		(106)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(447)		(705)	
Receipts from sale of tangible fixed assets		60		29	
Net cash outflow from capital expenditure and financial investment			(387)		(676)
Acquisitions and disposals					
Purchase of business operations		-		(3,780)	
Cash acquired with subsidiaries		-		627	
Net cash outflow from acquisitions and disposals			-		(3,153)
Cash inflow/(outflow) before use of financing carried forward			1,376		(1,786)

The notes on pages 15 to 38 form part of these financial statements

Hare Newco Limited

Consolidated cashflow statement for the year ended 31 March 2011 (*continued*)

	Note	Year ended 31 March 2011 £'000	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000	18 months ended 31 March 2010 £'000
Cash inflow/(outflow) before use of financing brought forward			1,376		(1,786)
Financing					
Share issue		-		11	
Ordinary/A ordinary shares acquired by Hare Discretionary Trust		(16)		(62)	
Ordinary shares purchased from Hare Discretionary Trust		7		34	
Loans repaid		(500)		(415)	
Capital element of finance leases repaid		(580)		(898)	
Preference shares issued		-		2,000	
Preference shares acquired by Hare Discretionary Trust		(14)		(47)	
Loan stock issued		-		1,650	
Loan stock acquired by Hare Discretionary Trust		(10)		(36)	
Net cash (outflow)/inflow from financing			(1,113)		2,237
Increase in cash	27		263		451

The notes on pages 15 to 38 form part of these financial statements

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2011

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 period 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 period 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 2011 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 2011 (*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
Fixtures and fittings	- 10% straight line
Computer equipment	- 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 2011 (*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 2011 *(continued)*

2 Exceptional items

The exceptional credit of £107,063 (18 months ended 31 March 2010 £nil) relates to the release of provisions for onerous contracts

The exceptional costs of £530,000 (18 months ended 31 March 2010 £866,000) relates 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

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Analysis by class of contract		
Service contracts	32,833	36,078
Project contracts	18,142	27,911
	<u>50,975</u>	<u>63,989</u>

Turnover arises solely within the United Kingdom

4 Operating (loss)/profit

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
This is arrived at after charging		
Depreciation of tangible fixed assets	1,309	1,301
Amortisation of positive goodwill	1,588	1,830
Hire of plant and machinery - operating leases	1,165	1,444
Hire of other assets - operating leases	520	538
Auditors' remuneration		
- fees payable to the group's auditor for the audit of the group's annual accounts	39	46
- other taxation services	11	13
- audit services - other assurance	2	5
- all other services	7	-
Defined benefit pension cost (see below)	46	63
	<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 2011 and 2010 has been borne by other group companies

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

4 Operating (loss)/profit (*continued*)

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Defined benefit pension costs charged in arriving at the operating loss comprise the following		
Current service cost	46	63

5 Employees

Staff costs (including directors) consist of

	Group Year ended 31 March 2011 £'000	Group 18 months ended 31 March 2010 £'000
Wages and salaries	18,497	21,934
Social security costs	1,541	1,900
Other pension costs	316	116
	<u>20,354</u>	<u>23,950</u>

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

	Group Year ended 31 March 2011 Number	Group 18 months ended 31 March 2010 Number
Administration staff	70	38
Field operational, including managers	886	802
Executive and non-executive directors	6	7
	<u>962</u>	<u>847</u>

The average number of employees of the company was 6 (18 months ended 31 March 2010 7)

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

6 Directors' remuneration

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Directors' emoluments	337	854
Company contributions to money purchase pension schemes	7	13
Compensation for loss of office	63	156
	<u> </u>	<u> </u>

There was 1 director in the group's defined contribution pension scheme during the year (2010 2)

The total amount payable to the highest paid director in respect of emoluments was £138,785 (2010 - £183,948) Company pension contributions of £6,900 (2010 - £Nil) were made to a money purchase scheme on his behalf

7 Other income

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Profit on acquisition of financial instruments by Hare Discretionary Trust	14	133
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Bank loans and overdrafts	436	774
Accrued loan note interest and similar charges	1,047	1,053
Finance leases and hire purchase contracts	235	169
Accrued preference share dividend and similar charges	1,409	945
	<u> </u>	<u> </u>
	3,127	2,941
	<u> </u>	<u> </u>

During the year and at the year end there was an interest rate swap in place for £4,500,000 (2010 £4,500,000) fixed at 4.29%. The fair value of this swap as at 31 March 2011 was £(146,192) (2010 £(275,478))

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

9 Other finance charges

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Expected return on pension scheme assets	(44)	(51)
Interest on pension scheme liabilities	51	68
	<u>7</u>	<u>17</u>

10 Taxation on loss on ordinary activities

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year/period	295	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(14)	(11)
	<u>281</u>	<u>(11)</u>

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

10 Taxation on loss on ordinary activities (*continued*)

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

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Loss on ordinary activities before tax	(3,371)	(3,757)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010: 28%)	(944)	(1,052)
Effect of		
Expenses not deductible for tax purposes	924	301
Depreciation for period in excess of capital allowances	58	105
Utilisation of tax losses	-	173
Other short term timing differences	266	473
Adjustment to small companies rate	(9)	-
Current tax charge for the year/period	295	-

The deferred tax asset of £1,396,641 (2010: £1,111,000) 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 £89,801 (2010: £95,000)
Short-term timing differences £735,386 (2010: £533,000)
Losses and other deductions £571,454 (2010: £483,000)

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 £1,441,000 (2010: £922,000) 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 2011 (*continued*)

12 Intangible fixed assets

Group

	Goodwill on consolidation £'000
<i>Cost or valuation</i>	
At 1 April 2010	15,849
Additions	27
	<hr/>
At 31 March 2011	15,876
	<hr/>
<i>Amortisation</i>	
At 1 April 2010	1,831
Provided for the year	1,588
	<hr/>
At 31 March 2011	3,419
	<hr/>
<i>Net book value</i>	
At 31 March 2011	12,457
	<hr/>
At 31 March 2010	14,018
	<hr/>

The addition to goodwill reflects management's reappraisal of the fair value of net assets acquired during the first full year of ownership of Western Landscapes Limited

Hare Newco Limited

Note forming part of the financial statements
for the year ended 31 March 2011 (*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	Computer equipment £'000	Total £'000
<i>Cost or valuation</i>							
At 1 April 2010	168	343	8,056	1,458	179	499	10,703
Additions	-	57	1,260	311	105	-	1,733
Disposals	-	(47)	(293)	(142)	(4)	(3)	(489)
At 31 March 2011	168	353	9,023	1,627	280	496	11,947
<i>Depreciation</i>							
At 1 April 2010	3	332	5,860	937	118	373	7,623
Provided for the year	4	6	1,074	164	58	3	1,309
Disposals	-	(47)	(268)	(133)	(4)	(3)	(455)
At 31 March 2011	7	291	6,666	968	172	373	8,477
<i>Net book value</i>							
At 31 March 2011	161	62	2,357	659	108	123	3,470
At 31 March 2010	165	11	2,196	521	61	126	3,080

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (continued)

13 Tangible fixed assets (continued)

The net book value of tangible fixed assets includes an amount of £1,749,304 (2010 £880,530) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year/period was £527,614 (2010 £438,831).

The cost of freehold land not subject to depreciation is £127,950 (2010 £127,950).

14 Fixed asset investments

Company

	Investment in group undertakings £'000
<i>Cost or valuation</i>	
Additions and at 31 March 2011	86

At 1 April 2010, the company held a cost of investment of £1 representing 100% of the issued £1 share capital of Hare Bidco Limited. During the year Hare Bidco Limited issued a further 86,250 ordinary £1 shares which Hare Newco Limited acquired in their entirety.

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings, all of which are registered in the UK, 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 2011 (*continued*)

15 Stocks

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Raw materials and consumables	94	136	-	-

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

16 Debtors

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Trade debtors	5,184	7,366	-	-
Amounts owed by group undertakings	-	-	6,492	6,607
Other debtors	258	185	156	110
Prepayments and accrued income	1,571	1,778	-	-
Amounts recoverable on contracts	1,979	440	-	-
	<u>8,992</u>	<u>9,769</u>	<u>6,648</u>	<u>6,717</u>

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

Included within company other debtors is an asset of £155,820 (2010 £94,650), further details are given in note 18

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 *(continued)*

17 Creditors: amounts falling due within one year

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Bank loans and overdrafts (secured)	550	500	-	51
Payments received on account	235	956	-	-
Trade creditors	2,631	2,211	-	-
Amounts owed to group undertakings	-	-	90	153
Corporation tax	266	89	-	-
Other taxation and social security	1,538	2,017	-	-
Obligations under finance lease and hire purchase contracts	896	531	-	-
Other creditors	352	353	216	136
Accruals and deferred income	5,333	5,173	-	-
	<u>11,801</u>	<u>11,830</u>	<u>306</u>	<u>340</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 2011 amounted to £nil and £4,646,000 respectively (2010 £nil and £5,074,000 respectively)

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

18 Creditors: amounts falling due after more than one year

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Bank loans (secured)	4,096	4,574	-	-
Loan stock due 2018	5,764	5,850	-	-
Obligations under finance lease and hire purchase contracts	936	596	-	-
Preference shares	6,218	6,150	6,218	6,150
Other creditors	4,884	2,300	2,566	1,102
	<u>21,898</u>	<u>19,470</u>	<u>8,784</u>	<u>7,252</u>

Maturity of debt

	Loans and overdrafts 31 March 2011 £'000	Loans and overdrafts 31 March 2010 £'000	Finance leases 31 March 2011 £'000	Finance leases 31 March 2010 £'000
In one year or less, or on demand	<u>550</u>	<u>500</u>	<u>896</u>	<u>531</u>
In more than one year but not more than two years	-	-	116	-
In more than two years but not more than five years	4,096	4,574	820	596
In more than five years	<u>5,764</u>	<u>5,850</u>	<u>-</u>	<u>-</u>
	<u>9,860</u>	<u>10,424</u>	<u>936</u>	<u>596</u>

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

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Loan stock due 2018	5,764	5,850	-	-
Preference shares	6,218	6,150	6,218	6,150
Other creditors	4,884	2,300	2,566	1,197
	<u>16,866</u>	<u>14,300</u>	<u>8,784</u>	<u>7,347</u>

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (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 £2,566,250 (2010 £1,197,000) in respect of preference shares dividends, which are the cumulative amounts accrued to 31 March 2011. In another group company £2,309,058 (2010 £1,285,046) 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 (2010 £122,254) was held in respect of preference shares and a trust asset of £19,382 (2010 £94,650) 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 £36,680 (2010 £28,055) 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 £1,800,000 of the Facility A loan was outstanding and £3,000,000 of the Facility B loan was outstanding

19 Provisions for liabilities

Group

	Deferred taxation £'000	Provision for foreseeable losses on onerous contracts £'000	Provision for restructuring costs £'000	Total £'000
At 1 April 2010	14	937	339	1,290
Credited to profit and loss account	(14)	-	-	(14)
Utilised in year	-	(107)	(339)	(446)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	830	-	830
	<hr/>	<hr/>	<hr/>	<hr/>

Hare Newco Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

19 Provisions for liabilities (*continued*)

Deferred taxation

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Accelerated capital allowances	-	14	-	-

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 provision for restructuring costs related to operational restructuring as a result of the purchase of Western Landscapes in 2010 and restructuring costs in connection with the relocation of support functions to a new office facility in Coventry which was fully utilised in the year

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 2011 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 2011, 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 1 October 2008 and updated at 31 March 2011 by a qualified actuary on a Financial Reporting Standard 17 basis.

	31 March 2011 £'000	31 March 2010 £'000
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year/period	(877)	(573)
Current service cost	(46)	(63)
Interest cost	(51)	(68)
Contributions by participants	(13)	(16)
Actuarial (gains)/losses	54	(173)
Benefits paid	9	16
	<u>(924)</u>	<u>(877)</u>
At the end of the year/period		

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

20 Pensions (*continued*)

	31 March 2011 £'000	31 March 2010 £'000
<i>Composition of plan liabilities</i>		
Schemes wholly or partly funded	924	877
	<hr/>	<hr/>
	31 March 2011 £'000	31 March 2010 £'000
<i>Reconciliation of fair value of plan assets</i>		
At the beginning of the year/period	758	595
Expected rate of return on plan assets	44	51
Actuarial gains	35	31
Exchange gains	58	81
Contributions by group	13	16
Benefits paid	(9)	(16)
	<hr/>	<hr/>
At the end of the year/period	899	758
	<hr/>	<hr/>
	31 March 2011 £'000	31 March 2010 £'000
<i>Reconciliation to balance sheet</i>		
Present value of funded obligations	(924)	(877)
Fair value of plan assets	899	758
	<hr/>	<hr/>
Plan deficit	(25)	(119)
	<hr/>	<hr/>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

20 Pensions (*continued*)

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
<i>The amounts recognised in profit and loss are as follows</i>		
<i>Included in administrative expenses</i>		
Current service cost	46	63
<i>Included in other finance (income)/expense</i>		
Interest cost	51	68
Expected return of plan assets	(44)	(51)
	<u>53</u>	<u>80</u>
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on pension plan assets	35	31
Experience gains and losses arising on the scheme liabilities	51	24
Changes in assumptions underlying the present value of the scheme liabilities	3	(197)
	<u>89</u>	<u>(142)</u>
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses		
	<u>89</u>	<u>(142)</u>
<i>Cumulative amount of gains/(losses) recognised in the statement of total recognised gains and losses</i>		
	<u>67</u>	<u>(22)</u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

20 Pensions (*continued*)

	31 March 2011 £'000	31 March 2010 £'000
<i>Composition of plan assets</i>		
European equities	123	372
European bonds	62	308
Insurance policy	699	71
Cash	15	7
	<hr/>	<hr/>
Total plan assets	899	758
	<hr/>	<hr/>

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

	31 March 2011 £'000	31 March 2010 £'000
<i>Actual return on plan assets</i>	79	82
	<hr/>	<hr/>

	31 March 2011 %	31 March 2010 %
<i>Principal actuarial assumptions used at the balance sheet date</i>		
Discount rates	5.50	5.60
Expected rates of return on plan assets		
Equities	6.90	7.30
Bonds	4.50	4.10
Insurance policy	5.60	3.80
Cash	0.50	3.20
Future salary increases	3.00	3.00
Future pension increases	3.60	3.70
Proportion of employees opting for early retirement	3.60	3.70
Inflation assumption	3.60	3.70
Mortality rates in years		
- before retirement	23.40	22.80
- after retirement	25.10	24.40

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

20 Pensions (*continued*)

	31 March 2011 £'000	31 March 2010 £'000	30 September 2009 £'000	30 September 2008 £'000	30 September 2007 £'000
<i>Five year history</i>					
Present value of the plan liabilities	(924)	(877)	(573)	(530)	(539)
Fair value of the plan assets	899	758	595	544	534
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(Deficit)/surplus on the pension plans	(25)	(119)	22	14	(5)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Experience adjustments arising on</i>					
Plan liabilities	51	24	(49)	(32)	51
Plan assets	35	31	(122)	(19)	(5)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 £73,000 (2010 £116,000). Contributions amounting to £10,487 (2010 £19,310) were payable to the fund at 31 March 2011 and are included in creditors.

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

21 Share capital

	31 March 2011 £'000	31 March 2010 £'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> </u>	<u> </u>
	4	4
	<u> </u>	<u> </u>

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

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 *(continued)*

22 Reserves

Group

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 April 2010	350	(28)	(4,195)
Loss for the year	-	-	(3,652)
Actuarial gain on pension scheme liabilities net of related taxation	-	-	89
ESOP shares acquired by Hare Discretionary Trust	-	(16)	-
ESOP shares purchased from Hare Discretionary Trust	-	7	-
	<u>350</u>	<u>(37)</u>	<u>(7,758)</u>
At 31 March 2011	<u>350</u>	<u>(37)</u>	<u>(7,758)</u>

Company

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000
At 1 April 2010	350	(28)	(1,201)
Loss for the year	-	-	(1,441)
ESOP shares acquired by Hare Discretionary Trust	-	(16)	-
ESOP shares purchased from Hare Discretionary Trust	-	7	-
	<u>350</u>	<u>(37)</u>	<u>(2,642)</u>
At 31 March 2011	<u>350</u>	<u>(37)</u>	<u>(2,642)</u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

23 Reconciliation of movements in shareholders' deficit

	Group 31 March 2011 £'000	Group 31 March 2010 £'000	Company 31 March 2011 £'000	Company 31 March 2010 £'000
Loss for the year/period	(3,652)	(3,746)	(1,441)	(922)
Other net recognised gains and losses relating to the year	89	(142)	-	-
ESOP shares acquired by Hare Discretionary Trust	(9)	(62)	(9)	(62)
ESOP shares purchased from Hare Discretionary Trust	-	34	-	34
Premium on shares issued	-	11	-	11
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net deductions from shareholders' deficit	(3,572)	(3,905)	(1,450)	(939)
Opening shareholders' (deficit)/funds	(3,869)	36	(875)	64
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing shareholders' deficit	(7,441)	(3,869)	(2,325)	(875)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

24 Commitments under operating leases

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

	Land and buildings 31 March 2011 £'000	Other 31 March 2011 £'000	Land and buildings 31 March 2010 £'000	Other 31 March 2010 £'000
Operating leases which expire				
Within one year	63	279	27	65
In two to five years	199	1,157	158	905
After five years	125	-	158	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	387	1,436	343	970
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*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 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 £6,216,948 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 LLP 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 2011 was £205,364 (2010: £127,195).

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

N Temple-Heald 7,500 0.01p ordinary shares for a total consideration of £7,500 acquired from Hare Discretionary Trust.

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

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 £'000
Operating (loss)/profit	(251)	(936)
Amortisation of intangible fixed assets	1,588	1,830
Depreciation of tangible fixed assets	1,309	1,301
(Profit)/loss on sale of tangible fixed assets	(26)	37
Decrease in stocks	42	240
Decrease/(increase) in debtors	932	(1,335)
(Decrease)/increase in creditors	(719)	2,527
Release of provisions	(446)	(686)
Loan from Elysian	75	127
Pension contribution adjustment	(12)	(18)
	<hr/>	<hr/>
Net cash inflow from operating activities	2,492	3,087
	<hr/>	<hr/>

Hare Newco Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

27 Reconciliation of net cash flow to movement in net debt

	Year ended 31 March 2011 £'000	18 months ended 31 March 2010 As restated * £'000
Increase in cash	263	451
Cash inflow/(outflow) from changes in debt	1,080	(5,128)
Movement in net debt resulting from cash flows	1,343	(4,677)
Inception of finance leases	(1,286)	-
Other non cash movements	(2,482)	-
Movement in net debt	(2,425)	(4,677)
Opening net debt	(18,656)	(13,979)
Closing net debt	(21,081)	(18,656)

* The opening net debt was restated to include accrued finance costs relating to the preference shares and loan notes which form part of the structured debt

28 Analysis of net debt

	At 1 April 2010 As restated * £'000	Cash flow £'000	Other non- cash items £'000	At 31 March 2011 £'000
Cash at bank and in hand	1,837	263	-	2,100
Debt due within one year	(500)	500	(550)	(550)
Debt due after one year	(18,866)	-	(1,932)	(20,798)
Finance leases	(1,127)	580	(1,286)	(1,833)
		1,080		
Total	(18,656)	1,343	(3,768)	(21,081)

* See Note 27