

Hare Newco Limited

FINANCIAL STATEMENTS

for the 18 months ended

31 March 2010

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Hare Newco Limited

REPORT AND FINANCIAL STATEMENTS FOR THE 18 MONTHS ENDED 31 MARCH 2010

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DIRECTORS

Dr C Patel
K Terry
R Ramsey
D Spruzen
N Temple-Heald
D J Graham

COMPANY SECRETARY AND REGISTERED OFFICE

D J Graham, Frilsham Nurseries, Frilsham, Yattendon, Thatcham, Berkshire, RG18 0XX

COMPANY NUMBER

06539986

AUDITOR

BDO LLP
One Victoria Street
Bristol
BS1 6AA

BANKERS

Lloyds TSB Plc
4th Floor
25 Gresham Street
London EC2V 7HN

Hare Newco Limited

DIRECTORS' REPORT

For the 18 month period ended 31 March 2010

The directors submit their report and the group consolidated financial statements of Hare Newco Limited for the 18 months to 31 March 2010

RESULTS AND DIVIDENDS

The group consolidated profit and loss account is set out on page 7 and shows the loss for the period

During the period dividends of £945,088 (6 months to 30 September 2008 £278,912) were accrued, but not paid, in respect of amounts due to the preference shareholders

The directors have not recommended a dividend

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Hare Newco Limited is a holding company for the wider trading group. The group is a specialist green service provider, delivering grounds management, arboriculture, cleansing and landscaping services to predominantly public sector clients. Its brands include English Landscapes, Banyards and Wyevale Landscapes. The group's growth during the period, both organically and by acquisition, positions the group as a leading provider of these services in the sector.

The group derives the majority of its income from the tendering for and delivery of long-term maintenance contracts with local authorities and other public bodies. 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 new contract wins during the period. The most significant wins being Bristol City Council, Basildon Council and Cannock Chase District Council. Contracts at London Borough of Redbridge and Newbury Town Council were renewed during the period.

The group's acquisition of Western Landscapes Limited on 4 March 2010 has increased the national scale of the group to provide high quality regional services led by senior management based in the region.

The acquisition of Western Landscapes successfully completes the first period of the Group's three point strategy for growth:

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

Turnover in the group's landscaping activities, that are not long-term contracts but are project specific, was at a record high for the fourth period in succession against a background of a recession in all construction related markets. 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.

Internally, the group has improved the quality of all of its support functions, laying a solid foundation for future growth. During the period, the management team has been significantly strengthened and extended. Commencing with the appointment of its new Chief Executive, Nick Temple-Heald in May 2009. Since then key appointments have been made in Operations, HR, Finance and the necessary technical disciplines. The group is now confident that the infrastructure is well positioned to accommodate further growth.

During the period, the group has successfully relocated its support functions to a modern office facility in Coventry and has also invested heavily in new equipment and the IT infrastructure during the period. All of this activity, aimed at improving the intrinsic quality of the group, has been achieved without any significant increase in the annualised overhead cost, ensuring that growth translates to increased profitability.

Hare Newco Limited

DIRECTORS' REPORT

For the 18 month period ended 31 March 2010

KEY PERFORMANCE INDICATORS ("KPI's")

| KPI | 18 months ended 31 March 2010 £'000 | 6 months ended 30 September 2008 £'000 | Commentary |
|---------------------|---|---|---|
| Turnover | 63,989 | 20,616 | Turnover during the 18 months to 31 March 2010 of £63,989k was an increase from the 6 months ended 30 September 2008 (£20,616k) due to the 18 months accounting period and the continued progression of the group. Turnover in both landscaping and grounds maintenance increased to record levels. |
| Gross Profit margin | 13.5% | 12.1% | Gross profit margin is the ratio of gross profit to turnover expressed as a percentage. The improvement for the 18 months to 31 March 2010 reflects the efficiencies achieved in our core grounds maintenance contracts. |
| Adjusted EBITDA * | 3,183 | 696 | EBITDA improved significantly in the period as the turnover and improved efficiencies contributed to the continued success of the group. |

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|---|---|--|
| *EBITDA before charging investor fees and exceptional costs | £'000 | £'000 |
| Operating profit/(loss) | (936) | 404 |
| Add back: | | |
| - Depreciation | 1,301 | 292 |
| - Amortisation | 1,830 | - |
| - Exceptional costs | 866 | - |
| - Investor fees | 122 | - |
| Adjusted EBITDA | <u>3,183</u> ===== | <u>696</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 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.

Hare Newco Limited

DIRECTORS' REPORT

For the 18 month period ended 31 March 2010

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

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. During the period the group achieved full accreditation for ISO9001, ISO14001 and OHSAS18001. Through our quality management system the group conducts regular risk assessments and audits with management committed to improving controls and processes. The group's board regularly reviews such risk assessments together with related health and safety matters. During the period the group embarked upon a training programme for managers to undertake NEBOSH training courses.

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 this industry. Hare Newco continues to be committed to the development and training of all staff and offers both college based and on-site flexible and relevant training for all its employees. This contributes to the low level of staff turnover relative to the industry and good retention levels of the skilled workforce.

DIRECTORS

The directors of the company during the period were

| | |
|----------------|-----------------------------|
| Dr C Patel | |
| K J Terry | |
| R Ramsey | |
| D Spruzen | (Appointed 22 October 2008) |
| N Temple-Heald | (Appointed 18 May 2009) |
| D J Graham | |
| P Holland | (Resigned 31 December 2008) |
| M J Oliver | (Resigned 09 April 2010) |
| M R Hunt | (Resigned 15 May 2009) |

Hare Newco Limited

DIRECTORS' REPORT

For the 18 month period ended 31 March 2010

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO 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

STATEMENT OF 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 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 company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select the most 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 and group'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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the board



N Temple-Heald
Chief Executive Officer
26 July 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARE NEWCO LIMITED

We have audited the financial statements of Hare Newco Limited for the 18 months from 1 October 2008 to 31 March 2010 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the groups and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2010 and of the group's loss for the period 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 directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARE NEWCO LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

BDO LLP

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

26 July 2010

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

Hare Newco Limited

GROUP CONSOLIDATED PROFIT AND LOSS ACCOUNT for the 18 months ended 31 March 2010

| | | 18 months to 31 March 2010 £'000 | 18 months to 31 March 2010 £'000 | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|--|-----------|---|--|--|---|
| | | Before amortisation and exceptional items | Amortisation and exceptional items | Total | Total |
| TURNOVER | Note 2 | | | | |
| Continuing operations | | 63,344 | - | 63,344 | 20,616 |
| Acquisitions | | 645 | - | 645 | - |
| | | <u>63,989</u> | <u>-</u> | <u>63,989</u> | <u>20,616</u> |
| Cost of sales | | (55,429) | - | (55,429) | (18,114) |
| Gross profit | | <u>8,560</u> | <u>-</u> | <u>8,560</u> | <u>2,502</u> |
| Administrative expenses - General | | (6,800) | - | (6,800) | (2,098) |
| Administrative expenses - Amortisation | | - | (1,830) | (1,830) | - |
| Administrative expenses - Exceptional | 3 | - | (866) | (866) | - |
| Total administrative expenses | | <u>(6,800)</u> | <u>(2,696)</u> | <u>(9,496)</u> | <u>(2,098)</u> |
| OPERATING PROFIT/(LOSS) | 3 | | | | |
| Continuing operations | | 1,689 | (2,674) | (985) | 404 |
| Acquisitions | 22 | 71 | (22) | 49 | - |
| | | <u>1,760</u> | <u>(2,696)</u> | <u>(936)</u> | <u>404</u> |
| Interest receivable | | 4 | - | 4 | - |
| Interest payable and similar charges | 6 | (2,941) | - | (2,941) | (832) |
| Other finance charges/income | 7 | 116 | - | 116 | 1 |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | <u>(1,061)</u> | <u>(2,696)</u> | <u>(3,757)</u> | <u>(427)</u> |
| Taxation | 8 | 11 | - | 11 | - |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | <u>(1,050)</u> | <u>(2,696)</u> | <u>(3,746)</u> | <u>(427)</u> |

All group activities are derived from continuing operations

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account

The notes on pages 12 to 35 form part of these financial statements

Hare Newco Limited

GROUP CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the 18 months ended 31 March 2010

| | Note | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|--|------|--|---|
| GROUP CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES | | | |
| Loss for the financial period | | (3,746) | (427) |
| Actuarial return less expected return on pension plan assets | 17 | (142) | 120 |
| Total recognised losses for the financial period | | <u>(3,888)</u> | <u>(307)</u> |

The notes on pages 12 to 35 form part of these financial statements

Hare Newco Limited
GROUP CONSOLIDATED BALANCE SHEET
31 March 2010

Company number
06539986

| | Note | As at 31 March 2010 £'000 | As at 30 September 2008 £'000 |
|--|------|------------------------------------|--|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 14,018 | 11,451 |
| Tangible assets | 11 | 3,080 | 2,450 |
| | | <u>17,098</u> | <u>13,901</u> |
| CURRENT ASSETS | | | |
| Stocks | 13 | 136 | 364 |
| Debtors | 14 | 9,769 | 7,563 |
| Cash at bank and in hand | | 1,837 | 1,386 |
| | | <u>11,742</u> | <u>9,313</u> |
| CREDITORS Amounts falling due within one year | 15 | <u>(11,830)</u> | <u>(8,100)</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>(88)</u> | <u>1,213</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 17,010 | 15,114 |
| CREDITORS Amounts falling due after more than one year | | | |
| Preference shares | 16 | (6,150) | (4,150) |
| Loan stock | 16 | (5,850) | (4,200) |
| Creditors | 16 | (7,470) | (6,750) |
| | 16 | <u>(19,470)</u> | <u>(15,100)</u> |
| NET ASSETS/(LIABILITIES) EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES) AND PROVISIONS FOR LIABILITIES AND CHARGES | | (2,460) | 14 |
| Pension scheme assets/(liabilities) | 17 | (119) | 22 |
| Provisions for liabilities and charges | 18 | (1,290) | - |
| NET ASSETS/(LIABILITIES) | | <u>(3,869)</u> | <u>36</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 4 | 4 |
| Share premium account | 20 | 350 | 339 |
| ESOP Reserve | 20 | (28) | - |
| Profit and loss account | 20 | <u>(4,195)</u> | <u>(307)</u> |
| SHAREHOLDER'S FUNDS/(DEFICIT) | 21 | <u>(3,869)</u> | <u>36</u> |

The notes on pages 12 to 35 form part of these financial statements. These financial statements were approved and authorised for issue by the directors on 26 July 2010 and are signed on their behalf by



D J Graham
Director

Hare Newco Limited
COMPANY BALANCE SHEET
31 March 2010

Company number.
06539986

| | Note | As at 31 March 2010 £'000 | As at 30 September 2008 £'000 |
|--|------|------------------------------------|--|
| FIXED ASSETS | | | |
| Fixed Asset Investments | 12 | - | - |
| CURRENT ASSETS | | | |
| Debtors | 14 | 6,717 | 4,493 |
| CREDITORS Amounts falling due within one year | 15 | (340) | - |
| NET CURRENT ASSETS | | <u>6,377</u> | <u>4,493</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>6,377</u> | <u>4,493</u> |
| CREDITORS Amounts falling due after more than one year | 16 | (7,252) | (4,429) |
| NET ASSETS/(LIABILITIES) | | <u>(875)</u> | <u>64</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 4 | 4 |
| Share premium account | 20 | 350 | 339 |
| ESOP reserve | 20 | (28) | - |
| Profit and loss account | 20 | (1,201) | (279) |
| SHAREHOLDER'S FUNDS/(DEFICIT) | 21 | <u>(875)</u> | <u>64</u> |

The notes on pages 12 to 35 form part of these financial statements

These financial statements were approved and authorised for issue by the directors on 26 July 2010 and are signed on their behalf by



D J Graham
Director

Hare Newco Limited

GROUP CONSOLIDATED CASH FLOW STATEMENT for the 18 months ended 31 March 2010

| | Note | 18 months To 31 March 2010 £'000 | 6 months To 30 September 2008 £'000 |
|---|------|--|---|
| NET CASH FLOW FROM OPERATING ACTIVITIES | 25 | 3,087 | 1,530 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 4 | - |
| Interest paid bank loans | | (773) | (267) |
| Interest paid hire purchase | | (169) | (54) |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (938) | (321) |
| TAXATION | | | |
| Corporate tax paid | | (106) | (142) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Payments to acquire tangible fixed assets | | (705) | (9) |
| Receipts from sale of tangible fixed assets | | 29 | 15 |
| NET CASH FLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | (676) | 6 |
| ACQUISITIONS AND DISPOSALS | | | |
| Purchase of business operations | | (3,780) | (11,903) |
| Net cash acquired with subsidiaries | | 627 | 471 |
| NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS | | (3,153) | (11,432) |
| EQUITY DIVIDENDS PAID | | - | (88) |
| CASH OUTFLOW BEFORE USE OF FINANCING | | (1,786) | (10,447) |
| FINANCING | | | |
| Share capital issued | | - | 4 |
| Share premium thereon | | 11 | 339 |
| Ordinary/A Ordinary shares acquired by Hare Discretionary Trust | | (62) | - |
| Ordinary shares purchased from Hare Discretionary Trust | | 34 | - |
| New bank loans | | - | 5,739 |
| Loans repaid | | (415) | (2,250) |
| Capital element of finance leases repaid | | (898) | (309) |
| Preference shares issued | | 2,000 | 4,150 |
| Preference shares acquired by Hare Discretionary Trust | | (47) | - |
| Loan stock issued | | 1,650 | 4,160 |
| Loan stock acquired by Hare Discretionary Trust | | (36) | - |
| NET CASH INFLOW FROM FINANCING | | 2,237 | 11,833 |
| INCREASE IN CASH | 26 | 451 | 1,386 |

The notes on pages 12 to 35 form part of these financial statements

Hare Newco Limited

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The following principal accounting policies have been applied

GOING CONCERN

During the period the Group continued to win a number of long term Grounds Maintenance contracts and the order book in the Group remains healthy. The order book is predicted to continue to increase as the investment in business development continues to be successful.

During the period the Group met all of its banking covenants and continues to generate sufficient cash to meet its short term liabilities as they fall due.

The Group has prepared forecasts and projections, 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. The Group has a committed Revolving Credit Facility, 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 enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The nature of 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 accounts incorporate the accounts of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off on a straight line basis over its estimated economic life. The results of companies acquired are included in the profit and loss account after the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006.

GOODWILL

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. During the period the directors amended their estimate of the useful economic life of the goodwill to ten years to reflect their best estimate of the useful economic life of the goodwill given changes in the economic environment. The impact of this alteration is to increase the amortisation charge from £nil to £1,830,000 with regards to goodwill.

Positive goodwill is capitalised and amortised through the profit and loss account over its estimated economic life of 10 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial period following the acquisition or if there are any indications of impairment.

Hare Newco Limited

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

1 ACCOUNTING POLICIES (Continued)

TURNOVER

Turnover for grounds maintenance services represents the amounts receivable during the period and applications submitted for work done for which the group is awaiting confirmation from customers after taking account of anticipated reductions in value, exclusive of value added tax

Turnover for landscaping projects represents the value of work done less provision for foreseeable losses

Turnover 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 provided, exclusive of value added tax

DEPRECIATION

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value, over the useful economic life of that asset as follows

| | | |
|----------------------------------|---|---|
| Freehold buildings | - | 2% - 10% straight line |
| Plant & machinery | - | 10% - 33% straight line |
| Fixtures & fittings | - | 10% straight line/33% straight line (computers) |
| Leasehold property | - | evenly over the term of the lease |
| 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. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress

FINANCE LEASE AGREEMENTS

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 asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are

Hare Newco Limited

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

1 ACCOUNTING POLICIES (Continued)

apportioned between the finance element, which represents a constant proportion of the balance of capital repayments outstanding, and the capital element which reduces the outstanding obligation for future instalments

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits 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 period 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 service 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 benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are 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 the 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 contribution by the group are charged to the profit and loss account or the statement of total recognised gains and 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 company's taxable profits 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 purpose of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

2 TURNOVER

The turnover and profit before tax are attributable to the principal activities of the group. All income is earned in the United Kingdom. An analysis of turnover is given below.

| Analysis by type of business | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|--|---|--|
| Grounds maintenance and street cleansing | 36,078 | 12,067 |
| Landscaping projects | 27,911 | 8,549 |
| | <u>63,989</u> | <u>20,616</u> |

3 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting)

| | 18 months to 31 March 2010 £ '000 | 6 months to 30 September 2008 £'000 |
|---|--|--|
| Depreciation of tangible fixed assets | 1,301 | 292 |
| Amortisation of goodwill | 1,830 | - |
| Hire of plant and machinery – operating leases | 1,444 | 386 |
| Hire of other assets – operating leases | 538 | 173 |
| Auditors' remuneration | | |
| - Fees payable to the group's auditor for the audit of the group's accounts | 46 | 30 |
| - Non audit services - taxation | 13 | 8 |
| - Audit services – other assurance | 5 | - |
| Defined benefit pension cost | <u>63</u> | <u>23</u> |

Included in depreciation of tangible fixed assets is £438,831 (6 months to 30 September 2008 £252,530) relating to assets held under finance leases and hire purchases.

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|--|---|--|
| Defined benefit pension costs charged in arriving at the operating loss comprise the following | | |
| Current service costs | <u>63</u> | <u>23</u> |

Exceptional costs of £866,000 relate primarily to the operational restructuring costs as a result of the purchase of Western Landscapes Limited and restructuring costs in connection with the relocation of support functions to a new office facility in Coventry.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

4 PARTICULARS OF EMPLOYEES

The average number of employees (including directors) during the period was

| | Group | | Company | |
|---------------------------------------|--|---|--|---|
| | 18 months to 31 March 2010 No | 6 months to 30 September 2008 No | 18 months to 31 March 2010 No | 6 months to 30 September 2008 No |
| Administrative staff | 38 | 45 | - | - |
| Field operational, including managers | 802 | 718 | - | - |
| Executive and non-executive directors | 7 | 8 | 7 | 8 |
| | <u>847</u> | <u>771</u> | <u>7</u> | <u>8</u> |

The aggregate payroll costs of the above were

| | Group | | Company | |
|-----------------------|---|--|---|--|
| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
| Wages and salaries | 21,934 | 6,670 | - | - |
| Social security costs | 1,900 | 581 | - | - |
| Other pension costs | 116 | 41 | - | - |
| | <u>23,950</u> | <u>7,292</u> | <u>-</u> | <u>-</u> |

5 DIRECTORS' EMOLUMENTS

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|---|---|--|
| Directors' emoluments (including compensation for loss of office) | 854 | 221 |
| Company contributions to money purchase pension schemes | <u>13</u> | <u>8</u> |

There were 2 directors in the group's defined contribution pension scheme during the period (6 months to 30 September 2008 2)

The total amount payable to the highest paid director in respect of emoluments was £183,948 (6 months to 30 September 2008 £67,998) Company pension contributions of £nil were made to a money purchase pension scheme on his behalf (6 months to 30 September 2008 £2,550)

A total of £156,306 was paid to directors as compensation for loss of office during the period, (6 months to 30 September 2008 £nil)

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|--|---|--|
| Bank loans and overdrafts | 774 | 267 |
| Finance leases and hire purchase contracts | 169 | 54 |
| Accrued loan note interest | 1,053 | 232 |
| Accrued preference share dividend | 945 | 279 |
| | <u>2,941</u> | <u>832</u> |

During the period and at period end an interest rate swap is in place for £4,500,000 (2008 £4,500,000) fixed at 4.29%. The fair value of this swap as at 31 March 2010 was (£275,428). During the period an extra charge of £165,250 has been made due to this hedge. This is one of the entity's methods of managing capital.

7 OTHER FINANCE CHARGES/INCOME

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|---|---|--|
| Expected return on pension scheme assets | 51 | 17 |
| Interest on pension scheme liabilities | (68) | (16) |
| Profit on acquisition of shares by Hare Discretionary Trust | 133 | - |
| | <u>116</u> | <u>1</u> |

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|---|---|--|
| Current tax | | |
| UK Corporation tax based on the results for the period at 28% (6 months to 30 September 2008 - 29%) | - | - |
| (Over)/under provision in prior year | - | - |
| | <u>-</u> | <u>-</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (11) | - |
| | <u>(11)</u> | <u>-</u> |
| Tax charge/(credit) on loss on ordinary activities | <u>(11)</u> | <u>-</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

8 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28%

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|---|---|--|
| Loss on ordinary activities before taxation | <u>(3,757)</u> | <u>(427)</u> |
| Loss on ordinary activities at the standard rate of Corporation Tax in the UK of 28 % (6 months to 30 September 2008 29%) | (1,052) | (124) |
| Expenses not deductible for tax purposes | 69 | 17 |
| Income not chargeable for tax purposes | 232 | - |
| Capital allowances for period in excess of depreciation | 105 | (13) |
| Other short term timing differences | 473 | (23) |
| Tax losses utilised | 173 | 121 |
| Chargeable gain | - | 22 |
| Total current tax | <u>-</u> | <u>-</u> |

(c) Factors that may affect future tax charges

The deferred tax asset of £1,110,962 (2008 £448,669) is not recognised due to the generation of necessary profits not being virtually certain in the future. It is made up as follows

| | 31 March 2010 £'000 | 30 September 2008 £'000 |
|--------------------------------|---------------------------|-------------------------------|
| Fixed asset timing differences | 95 | 29 |
| Short-term timing differences | 533 | 61 |
| Losses and other deductions | 483 | 359 |
| | <u>1,111</u> | <u>449</u> |

9 LOSS FOR THE FINANCIAL PERIOD

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 period includes a loss after tax of £922,000 (6 months to 30 September 2008 loss £278,912) for the company which is dealt with in the financial statements of the parent company.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

10 INTANGIBLE FIXED ASSETS

| Group | Goodwill £'000 |
|------------------------|-------------------|
| Cost | |
| At 1 October 2008 | 11,451 |
| Fair Value Adjustments | 1,686 |
| Additions | 2,711 |
| At 31 March 2010 | <u>15,848</u> |
| Amortisation | |
| At 1 October 2008 | - |
| Amounts written off | - |
| Charge for the period | (1,830) |
| At 31 March 2010 | <u>(1,830)</u> |
| Net Book Value | |
| At 31 March 2010 | <u>14,018</u> |
| At 30 September 2008 | <u>11,451</u> |

Additions during the period related to goodwill arising on the acquisition of Western Landscapes Limited on 4 March 2010. Further details are provided in note 22. Fair value adjustments relate primarily to a long term contract entered into prior to the acquisition of the Inhoco 4085 Limited group that the directors have reassessed as onerous as more information about the contract terms and pricing have been identified during the period. The resultant adjustment to goodwill represents the post acquisition losses that have already been incurred and the director's best estimate of losses that will now be incurred under the term of the contract.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the 18 months ended 31 March 2010

11 TANGIBLE FIXED ASSETS

| Group | Freehold land and buildings £'000 | Short leasehold land and buildings £'000 | Plant & Machinery £'000 | Motor Vehicles £'000 | Office Equipment £'000 | Computer Equipment £'000 | Total £'000 |
|---------------------------|--|--|-------------------------------|----------------------------|------------------------------|--------------------------------|----------------|
| Cost | | | | | | | |
| At 1 October 2008 | - | 324 | 6,036 | 484 | 32 | 399 | 7,275 |
| Acquisition of subsidiary | 168 | - | 1,207 | 970 | 78 | - | 2,423 |
| Additions | - | 19 | 905 | 158 | 70 | 117 | 1,269 |
| Disposals | - | - | (92) | (154) | (1) | (17) | (264) |
| At 31 March 2010 | 168 | 343 | 8,056 | 1,458 | 179 | 499 | 10,703 |
| Depreciation | | | | | | | |
| At 1 October 2008 | - | 277 | 3,872 | 317 | 25 | 334 | 4,825 |
| Acquisition of subsidiary | 3 | - | 891 | 625 | 68 | - | 1,587 |
| Charge for the period | - | 55 | 1,155 | 27 | 25 | 39 | 1,301 |
| Disposals | - | - | (58) | (32) | - | - | (90) |
| At 31 March 2010 | 3 | 332 | 5,860 | 937 | 118 | 373 | 7,623 |
| Net book value | | | | | | | |
| At 31 March 2010 | 165 | 11 | 2,196 | 521 | 61 | 126 | 3,080 |
| At 30 September 2008 | - | 47 | 2,164 | 167 | 7 | 65 | 2,450 |

Hire purchase and finance lease agreements

Included within the net book value of £3,079,962 (30 September 2008 - £2,449,760) is £880,530 (30 September 2008 - £1,773,597) relating to assets held under finance lease and hire purchase agreements. The depreciation charged in the period in respect of assets held under such agreements amounted to £438,831 (6 months to 30 September 2008 - £252,530). The cost of freehold land not subject to depreciation is £127,950 (2008 - £nil)

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

12 INVESTMENTS

Company

Shares in subsidiary
undertakings
Total
£

Net book value at 1 October 2008 and at 31 March 2010

1

On 4 March 2010 the group acquired a 100% interest in Western Landscapes Limited (see note 22)

Subsidiary undertakings

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

| Subsidiary undertaking | Class of share | % | Nature of activities |
|--|----------------------------|-----|---|
| Hare Bidco Limited | Ordinary | 100 | Holding Company |
| Inhoco 4085 Limited*** | Ordinary | 100 | Holding Company |
| Banyards Limited*** | Ordinary | 100 | Grounds maintenance and landscape services |
| Western Landscapes Limited*** | Ordinary | 100 | Grounds maintenance and landscape services |
| The Landscape Group Limited* | Ordinary and Preference | 100 | Management company for the group's operations |
| English Landscapes Maintenance Limited** | Ordinary | 100 | Grounds maintenance |
| English Landscapes Limited** | Ordinary and Preference | 100 | Landscaping works |
| English Woodlands Limited** | Ordinary £1 | 100 | Dormant |
| Countryside Pursuits Limited** | Ordinary £1 | 100 | In pre dissolution |
| Castlegate 257 Limited** | Ordinary £1 | 100 | In pre dissolution |

*Owned by Inhoco 4085 Limited

** Owned by The Landscape Group Limited

*** Owned by Hare Bidco Limited

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

13 STOCKS

| | Group | | Company | |
|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Raw materials and consumables | 133 | 99 | - | - |
| Work in progress | 3 | 265 | - | - |
| | <u>136</u> | <u>364</u> | <u>-</u> | <u>-</u> |

In the directors' opinion the replacement cost of the stock is not materially different to its carrying cost

14 DEBTORS

| | Group | | Company | |
|------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Trade debtors | 7,366 | 6,790 | - | - |
| Amounts owed by group undertakings | - | - | 6,607 | 4,493 |
| Other debtors | 185 | 16 | 110 | - |
| Prepayments and accrued income | 1,778 | 308 | - | - |
| Amounts recoverable on contracts | 440 | 449 | - | - |
| | <u>9,769</u> | <u>7,563</u> | <u>6,717</u> | <u>4,493</u> |

Included within company other debtors is an asset of £94,650, further details are given in note 16

15 CREDITORS Amounts falling due within one year

| | Group | | Company | |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Bank loans – secured (see note 16) | 500 | 300 | - | - |
| Bank Overdraft | - | - | 51 | - |
| Payments received on account | 956 | 561 | - | - |
| Trade creditors | 2,289 | 2,814 | - | - |
| Corporation tax | 89 | - | - | - |
| Amounts owed to group undertakings | - | - | 153 | - |
| Taxation and social security | 2,017 | 1,895 | - | - |
| Finance lease and hire purchase agreements | 531 | 476 | - | - |
| Other creditors | 275 | 297 | 136 | - |
| Accruals and deferred income | 5,173 | 1,757 | - | - |
| | <u>11,830</u> | <u>8,100</u> | <u>340</u> | <u>-</u> |

The bank loan is secured by a cross guarantee and debenture over all the assets of group companies

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

16 CREDITORS Amounts falling due after more than one year

| | Group | | Company | |
|--|----------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £ '000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Preference Shares | 6,150 | 4,150 | 6,150 | 4,150 |
| Bank loans (secured) | 4,574 | 5,189 | - | - |
| Loan stock due 2018 | 5,850 | 4,200 | - | - |
| Finance lease and hire purchase agreements | 596 | 1,050 | - | - |
| Other creditors | 2,300 | 511 | 1,102 | 279 |
| | <u>19,470</u> | <u>15,100</u> | <u>7,252</u> | <u>4,429</u> |

MATURITY OF DEBT

Loans and overdrafts

| | Group | | Company | |
|--------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Amounts payable within 1 year | <u>500</u> | <u>300</u> | <u>51</u> | <u>-</u> |
| Amounts payable between 2 to 5 years | 4,574 | 2,150 | - | - |
| Amounts payable after 5 years | 5,850 | 7,239 | - | - |
| | <u>10,424</u> | <u>9,389</u> | <u>-</u> | <u>-</u> |

Future commitments under finance leases and hire purchase agreements are as follows

| | Group | | Company | |
|--------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Amounts payable within 1 year | <u>531</u> | <u>476</u> | <u>-</u> | <u>-</u> |
| Amounts payable between 2 to 5 years | 596 | 1,050 | - | - |
| Amounts payable after 5 years | - | - | - | - |
| | <u>596</u> | <u>1,050</u> | <u>-</u> | <u>-</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

16 CREDITORS Amounts falling due after more than one year (continued)

Preference shares

| | Group | | Company | |
|--------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Amounts payable within 1 year | - | - | - | - |
| Amounts payable between 1 to 5 years | - | - | - | - |
| Amounts payable after 5 years | 6,150 | 4,150 | 6,150 | 4,150 |
| | <u>6,150</u> | <u>4,150</u> | <u>6,150</u> | <u>4,150</u> |

2,000,000 preference shares with a nominal value of 1p each were issued during the period at a premium of 99p each (total consideration £2,000,000) in relation to the acquisition of Western Landscapes Limited on 4 March 2010. The preference shares are called-up and 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 creditors due after more than one year are the following amounts repayable in more than five years

| | Group | | Company | |
|-------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 31 March 2010 £'000 | 30 September 2008 £'000 | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Preference shares | 6,150 | 4,150 | 6,150 | 4,150 |
| Loans | 5,850 | 7,239 | - | - |
| Other creditors | 2,300 | 511 | 1,102 | 279 |
| | <u>14,300</u> | <u>11,900</u> | <u>7,252</u> | <u>4,429</u> |

Included in other creditors of the company are £1,224,000, before netting down a trust asset of £122,254 (30 September 2008 £278,912) in respect of preference share dividends, which are the cumulative amounts accrued to 31 March 2010. In other group companies £1,285,046 (30 September 2008 £231,633) is recorded in respect of accrued loan note interest, which is payable upon redemption of the loan notes.

During the period the company set up Hare Discretionary Trust to act as a vehicle to hold all classes of financial instruments purchased from a number of the 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 £122,254 was held in respect of preference shares and a trust asset of £94,650 in respect of loan notes acquired by the trust. In respect of ordinary and A ordinary shares a trust asset of £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 the 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 at the LIBOR rate plus a margin of between 3% and 1.75% dependant on the leverage of the group. As at the balance sheet date £2,300,000 of the Facility A loan was outstanding and £3,000,000 of the Facility B loan was outstanding.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

16 CREDITORS Amounts falling due after more than one year (continued)

The other loans of £5,850,000 are unsecured loan notes, issued by Hare Bidco Limited at par and repayable in 2018. The loan notes accrue interest at a compound coupon rate of 15%, which is payable upon redemption. Loan notes to the value of £1,650,000 were issued during the period in relation to the acquisition of Western Landscapes Limited on 4 March 2010.

17 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 its subsidiary undertakings. The Deed determines the appointment of trustees to the fund. At the 31 March 2010 there were 14 active members of the Scottish Life scheme. The scheme was transferred to a Federal Pension Plan with effect from 31 July 2008. As at the 31 March 2010, the assets and liabilities from 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 to the Federated Pension Plan, the Federated Pension Plan scheme is only 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 offer 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 upon 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 2010 by a qualified actuary on a Financial Reporting Standard 17 basis.

| Reconciliation of present value of plan liabilities | 31 March 2010 £'000 | 30 September 2008 £'000 |
|---|---------------------------|-------------------------------|
| Present value of plan liabilities at 1 October 2008/31 March 2008 | 573 | 710 |
| Current service cost | 63 | 23 |
| Interest cost | 68 | 16 |
| Contributions by participants | 16 | 6 |
| Actuarial gains/(losses) | 173 | (177) |
| Benefits paid | (16) | (5) |
| At 31 March 2010/30 September 2008 | <u>877</u> | <u>573</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

17 PENSIONS (continued)

| | | |
|--|---|--|
| Composition of plan liabilities | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Schemes wholly or partly funded | <u>877</u> | <u>573</u> |
| Reconciliation of fair value of plan assets | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Present value of plan assets at 1 October 2008/31 March 2008 (acquisition date) | 595 | 531 |
| Expected return on plan assets | 51 | 16 |
| Actuarial gains/(losses) | 31 | (57) |
| Contributions by group | 81 | 104 |
| Contributions by participants | 16 | 6 |
| Benefits paid | (16) | (5) |
| At 31 March 2010/30 September 2008 | <u>758</u> | <u>595</u> |
| Reconciliation to balance sheet | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Present value of plan liabilities | (877) | (573) |
| Fair value of plan assets | 758 | 595 |
| Plan surplus/(deficit) | <u>(119)</u> | <u>22</u> |
| The amounts recognised in profit and loss are as follows | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
| Included in administrative expenses | | |
| Current service cost | 63 | 23 |
| Included in other finance (income)/expenses | | |
| Interest cost/(income) | 68 | (16) |
| Expected return of plan assets | (51) | 17 |
| | <u>80</u> | <u>24</u> |
| Analysis of amount recognised in statement of total recognised gains and losses | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
| Actuarial return less expected return on pension plan assets | <u>(142)</u> | <u>120</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

17 PENSIONS (continued)

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|--|---|--|
| Cumulative amount of gains/(losses) recognised in statement of total recognised gains and losses | (22) | 120 |

| Composition of plan assets | 31 March 2010 £'000 | 30 September 2008 £'000 |
|----------------------------|---------------------------|-------------------------------|
| European equities | 372 | 238 |
| European bonds | 308 | 274 |
| Property | 71 | 65 |
| Cash | 7 | 18 |
| Total plan assets | 758 | 595 |

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 is adjusted to reflect expectations of future long term returns by asset class

| Actuarial return on plan assets | 31 March 2010 £'000 | 30 September 2008 £'000 |
|---------------------------------|---------------------------|-------------------------------|
| Actual return on plan assets | 82 | (45) |

| Principle actuarial assumptions used at the balance sheet date | 31 March 2010 % | 30 September 2008 % |
|--|-----------------------|---------------------------|
| Discount rates | 5.60 | 7.00 |
| Expected rates of return on plan assets | | |
| Equities | 7.30 | 7.25 |
| Bonds | 4.10 | 4.10 |
| Property | 3.80 | 5.50 |
| Cash | 3.20 | 3.75 |
| Future salary increases | 3.00 | 3.00 |
| Future pension increases | 3.70 | 3.60 |
| Proportion of employees opting for early retirement | 3.70 | 3.60 |
| Inflation assumption | 3.70 | 3.60 |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

17 PENSIONS (continued)

| History | 31 March 2010 £'000 | 30 September 2008 £'000 |
|--|---------------------------|-------------------------------|
| Present value of plan liabilities | (877) | (573) |
| Fair value of plan assets | 758 | 595 |
| Surplus/(deficit) on the pension plans | <u>(119)</u> | <u>22</u> |
| Experience adjustments arising on | 31 March 2010 £'000 | 30 September 2008 £'000 |
| Plan liabilities | 24 | (26) |
| Plan assets | <u>31</u> | <u>(57)</u> |

The group also operates a defined contribution pension scheme. The pension charge for the 18 month period amounted to £116,000 (6 months to 30 September 2008: £41,000). Contributions amounting to £19,310 were payable to the fund and are included in creditors at 31 March 2010 (6 months to 30 September 2008: £10,613).

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

18 PROVISIONS FOR LIABILITIES AND CHARGES

| | 31 March 2010 £'000 | 30 September 2008 £'000 |
|---|---------------------------|-------------------------------|
| Provision for foreseeable losses on onerous contracts | 937 | - |
| Provision for restructuring costs | 339 | - |
| Provision for deferred tax | 14 | - |
| | <u>1,290</u> | <u>-</u> |
| Provision for foreseeable losses on onerous contracts | £'000 | £'000 |
| Provision at 1 September 2008 | - | - |
| Provisions recognised | 1,494 | - |
| Utilised in the period | <u>(557)</u> | <u>-</u> |
| Provision at 31 March 2010 | <u>937</u> | <u>-</u> |

The provision for loss on onerous contracts relates 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.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

18 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

| | 31 March 2010 £'000 | 30 September 2008 £'000 |
|-----------------------------------|---------------------------|-------------------------------|
| Provision for restructuring costs | | |
| Provision at 1 September 2008 | - | - |
| Provisions recognised | 866 | - |
| Utilised in the period | (527) | - |
| Provision at 31 March 2010 | <u>339</u> | <u>-</u> |

The provision for restructuring costs relates to operational restructuring as a result of the purchase of Western Landscapes Limited and restructuring costs in connection with the relocation of support functions to a new office facility in Coventry. The provision is expected to be fully utilised within the next 12 months.

| | £'000 | £'000 |
|--------------------------------|-----------|----------|
| Provision for deferred tax | | |
| Provision at 1 September 2008 | - | - |
| Accelerated capital allowances | 14 | - |
| Provision at 31 March 2010 | <u>14</u> | <u>-</u> |

The deferred tax asset is expected to be fully utilised in the next two years.

19 SHARE CAPITAL

| | 31 March 2010 £'000 | 30 September 2008 £'000 |
|---|---------------------------|-------------------------------|
| Authorised | | |
| 78,750 ordinary shares of £0.01 each | 1 | 1 |
| 269,250 A ordinary shares of £0.01 each | 3 | 3 |
| | <u>4</u> | <u>4</u> |
| Allotted, called up and fully paid | | |
| 78,750 ordinary shares of £0.01 each (2008: 67,500) | 1 | 1 |
| 269,250 A ordinary shares of £0.01 each | 3 | 3 |
| | <u>4</u> | <u>4</u> |

The ordinary and A ordinary shares rank pari passu in all respects. During the period 11,250 ordinary shares of £0.01 per share, were allotted, called up and fully paid for £11,250.

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

20 RESERVES

Share premium

| | Group | |
|---|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £'000 | £'000 |
| At 1 October 2008/31 March 2008 (formation) | 339 | - |
| Premium on shares issued in the period | 11 | 339 |
| At 31 March 2010/30 September 2008 | <u>350</u> | <u>339</u> |

Share premium

| | Company | |
|---|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £'000 | £'000 |
| At 1 October 2008/31 March 2008 (formation) | 339 | - |
| Premium on shares issued in the period | 11 | 339 |
| At 31 March 2010/30 September 2008 | <u>350</u> | <u>339</u> |

ESOP reserve

| | Group & company | |
|--|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £'000 | £'000 |
| At 1 October 2008/31 March 2008 | - | - |
| Shares acquired by Hare discretionary trust | (62) | - |
| Shares disposed from the trust and acquired by the directors | 34 | - |
| At 31 March 2010/30 September 2008 | <u>(28)</u> | <u>-</u> |

During the period the company set up the Hare Discretionary Trust to hold and re-distribute all classes of shares purchased from directors who resigned from office in the period. As the trust operates under *de facto* control of Hare Newco Limited, its entries are consolidated within the results of the company and group. During the period the trust spent £52,500 acquiring 52,500 ordinary shares at par. 33,750 of these ordinary shares were purchased by directors of the company at a cost of £33,750. As at the balance sheet date 18,750 ordinary shares were held at a cost of £18,750. The trust spent £9,346 acquiring 9,346 A ordinary shares. As at the balance sheet date 9,346 A ordinary shares were held by the trust at a cost of £9,346.

Profit and loss account

| | Group | |
|---|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £'000 | £'000 |
| At 1 October 2008/31 March 2008 | (307) | - |
| Loss for the period | (3,746) | (427) |
| Actuarial gain/(loss) on pension scheme assets net of related deferred taxation | (142) | 120 |
| At 31 March 2010/30 September 2008 | <u>(4,195)</u> | <u>(307)</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

20 RESERVES (continued)

Profit and loss account

| | Company | |
|---|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £'000 | £'000 |
| At 1 October 2008/31 March 2008 (formation) | (279) | - |
| Loss for the period | (922) | (279) |
| At 31 March 2010/30 September 2008 | <u>(1,201)</u> | <u>(279)</u> |

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

| | Group | |
|--|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £ '000 | £ '000 |
| Loss for the period | (3,746) | (427) |
| Other net recognised gains and losses for the period | (142) | 120 |
| Issue of shares | - | 4 |
| ESOP Shares acquired by Hare Discretionary Trust | (62) | - |
| ESOP Shares purchased from Hare Discretionary Trust | 34 | - |
| Premium on shares issued | 11 | 339 |
| Net additions/(reductions) to shareholder's funds | <u>(3,905)</u> | <u>36</u> |
| Opening shareholder's equity funds | 36 | - |
| Closing shareholder's equity funds/(deficit) | <u>(3,869)</u> | <u>36</u> |

| | Company | |
|---|------------------|----------------------|
| | 31 March 2010 | 30 September 2008 |
| | £'000 | £'000 |
| Loss for the period | (922) | (279) |
| Issue of shares | - | 4 |
| ESOP Shares acquired by Hare Discretionary Trust | (62) | - |
| ESOP Shares purchased from Hare Discretionary Trust | 34 | - |
| Premium on shares issued | 11 | 339 |
| Net additions/(reductions) to shareholder's funds | <u>(939)</u> | <u>64</u> |
| Opening shareholder's equity funds | 64 | - |
| Closing shareholder's equity funds/(deficit) | <u>(875)</u> | <u>64</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

22 ACQUISITIONS

Acquisition of Western Landscapes Limited by Hare Bidco Limited on 4 March 2010

In calculating the goodwill arising on acquisition, the fair value of the net assets of Western Landscapes Limited have been assessed, an adjustment from book value has been made as noted below

| | Book value £'000 | Fair value adjustment £'000 | Book and Fair Value £'000 |
|-----------------------------------|------------------------|-----------------------------------|---------------------------------|
| Fixed Assets | | | |
| Tangible | 836 | - | 836 |
| Current Assets | | | |
| Stock & WIP | 12 | - | 12 |
| Debtors | 498 | - | 498 |
| Cash at bank and in hand | 979 | (352) | 627 |
| Prepayments & Accrued Income | 373 | - | 373 |
| Total Current Assets | 1,862 | (352) | 1,510 |
| Total Assets | 2,698 | (352) | 2,346 |
| Creditors | | | |
| Due within one year | (1,277) | - | (1,277) |
| Net Assets | <u>1,421</u> | <u>(352)</u> | <u>1,069</u> |
| | | | £'000 |
| Cash consideration | | | 3,303 |
| Costs of acquisition | | | 477 |
| Fair value of net assets acquired | | | <u>(1,069)</u> |
| Goodwill arising on acquisition | | | <u>2,711</u> |

A fair value adjustment of £351,649 relating to a bonus payable to a director of Western Landscapes Limited upon the successful acquisition of the business was paid at completion and has been deducted from the cash acquired with the business

The results of Western Landscapes Limited are as noted below

| | 1 September 2009 – 3 March 2010 £'000 | 4 March 2010 – 31 March 2010 £'000 |
|---|---|--|
| Turnover | 2,859 | 645 |
| Cost of sales | <u>(2,434)</u> | <u>(523)</u> |
| Gross margin | 425 | 122 |
| Admin costs (general) | <u>(391)</u> | <u>(51)</u> |
| Operating profit | 34 | 71 |
| Interest Payable | <u>(1)</u> | <u>-</u> |
| Profit on ordinary activities before taxation | <u>33</u> | <u>71</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

22 ACQUISITIONS (continued)

The net outflow of cash arising from the acquisition of Western Landscapes Limited was as follows

| | £'000 |
|---------------------|--------------|
| Acquisition costs | 3,780 |
| Cash acquired | (627) |
| Net outflow of cash | <u>3,153</u> |

23 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2010 the group had annual commitments under non-cancellable operating leases as set out below

| | Land and buildings 31 March 2010 £'000 | Other 31 March 2010 £'000 | Land and buildings 30 September 2008 £'000 | Other 30 September 2008 £'000 |
|-------------------------------|--|------------------------------------|--|--|
| Operating leases which expire | | | | |
| Within 1 year | 27 | 65 | 51 | 7 |
| Within 2 to 5 years | 158 | 905 | 114 | 914 |
| After 5 years | 158 | - | 160 | - |
| | <u>343</u> | <u>970</u> | <u>325</u> | <u>921</u> |

24 CONTROLLING PARTIES AND RELATED PARTY TRANSACTIONS

Controlling parties

The company is controlled by Elysian Capital I LP, on the basis it holds a controlling interest in the voting rights of the share capital. Elysian Capital I LP hold £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 I LP which accrue a dividend of 15% payable upon redemption in 2018.

Related party transactions

During the period the group entered into a loan agreement with Elysian Capital LLP for costs of £127,195 incurred through the employment of a director of the company. The loan accrues interest of 2% above the base rate, repayable on demand. The balance at 31 March 2010 was £127,195 (30 September 2008 £nil).

During the period the following directors acquired ordinary shares in the company

| | No | Price | Cost £'000 |
|--|--------|-------|---------------|
| N Temple-Heald (Shares acquired from Hare Discretionary Trust) | 18,750 | £1.00 | 19 |
| D Spruzen (Shares acquired from Hare Discretionary Trust) | 15,000 | £1.00 | 15 |
| D Graham (Shares acquired as disclosed in note 19) | 11,250 | £1.00 | 11 |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

24 CONTROLLING PARTIES AND RELATED PARTY TRANSACTIONS (continued)

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Hare Newco Limited on the grounds that at least 100% of the voting rights in the subsidiary companies are controlled within that group and the companies are included in the consolidated financial statements

25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|---|---|--|
| Operating profit/(loss) | (936) | 404 |
| Depreciation of tangible fixed assets | 1,301 | 292 |
| Amortisation of Goodwill | 1,830 | - |
| Increase/(decrease) in stocks | 240 | (352) |
| (Increase)/decrease in debtors | (1,335) | 214 |
| Increase in creditors | 2,527 | 1,052 |
| Fair value provisions | (686) | - |
| Loss on disposal of assets | 37 | - |
| Loan from Elysian Capital LLP | 127 | - |
| Pension contributions adjustment | (18) | (80) |
| Net cash inflow from operating activities | <u>3,087</u> | <u>1,530</u> |

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 18 months to 31 March 2010 £'000 | 6 months to 30 September 2008 £'000 |
|-----------------------------------|---|--|
| Increase in cash | 451 | 1,386 |
| Cash outflow from changes in debt | (2,836) | (15,365) |
| Movement in net debt | (2,385) | (13,979) |
| Opening net debt | (13,979) | - |
| Closing net debt | <u>(16,364)</u> | <u>(13,979)</u> |

Hare Newco Limited

NOTES TO THE GROUP FINANCIAL STATEMENTS for the 18 months ended 31 March 2010

27 ANALYSIS OF NET DEBT

| | At 30 September 2008 £'000 | Movement £'000 | At 31 March 2010 £'000 |
|--------------------------|----------------------------------|-------------------|------------------------------|
| Cash at bank and in hand | 1,386 | 451 | 1,837 |
| Debt due within one year | (300) | (200) | (500) |
| Debt due after one year | (13,539) | (3,035) | (16,574) |
| Finance leases | (1,526) | 399 | (1,127) |
| | <u>(15,365)</u> | <u>(2,836)</u> | <u>(18,201)</u> |
| Total | <u>(13,979)</u> | <u>(2,385)</u> | <u>(16,364)</u> |