34603

Gloucester Rugby Football Club Limited

Report and Financial Statements

31 May 2004

ERNST & YOUNG

Registered No: 00034603

Directors
Thomas D T Walkinshaw
Peter H Darnbrough
Kenneth B Nottage
Karen E Ellis

Secretary
Christopher Clark

Auditors
Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers
Barclays Bank plc
18 Southgate Street
Gloucester
Gloucestershire
GL1 2DH

Solicitors
Rickerbys Watterson
Ellenborough House
Wellington Street
Cheltenham
Gloucestershire
GL50 1YD

Registered Office
Gloucester Rugby Club
Kingsholm
Gloucester
Gloucestershire
GL1 3AX

Directors' report

The directors present their report and financial statements for the year ended 31 May 2004.

Results and dividends

The profit for the year, before taxation, amounted to £269,612 (2003 - £103,648). The directors do not recommend the payment of any dividends.

Principal activity

The principal activity of the company is the provision of sporting and social entertainment.

Review of the business

The club continued its successful record on the field of play finishing fourth in the Zurich Premiership and reaching the Quarter Finals of the Heineken Cup European competition.

During the Playing Season the club contributed to the success of the IRB World Cup competition in November with 6 first team players taking part.

The commercial activity of the club continued to grow with demand for all its products and services outstripping supply. Season Ticket sales showed a 25% growth with 6,500 sold for the season. The total revenue for the club remained at £5 million for the year but cost savings flowed through which allowed the net profit to double to over £200,000.

During the year a number of important enabling steps were taken as a precursor to future development. The authorised share capital was increased and the loan arrangement with the parent company changed to Preference Shares. These actions enabled the company to create a positive Net Asset position from which to go forward.

The club helped to initiate a new supporters organisation, based on Community Mutual principles, which will help the club to achieve its' long term goals.

Future developments

In response to the clear shortage of capacity the club commenced design and planning approval processes aimed at the development of the Kingsholm Stadium to a capacity more in line with demand. The construction of a New Main Grandstand and follow-on development of the East and North side of the ground were outlined in this process.

The huge surge in demand created by the continued national success of the sport as a whole gave rise to a re-assessment of the clubs future needs which changed the development priorities and led to a change to the timings of these development elements.

Whilst planning approval for the Main Grandstand was still outstanding at the balance sheet date, construction of a new East Side grandstand was commenced in June 2004 with completion due in time for the first Home game of the new season. This development has allowed the capacity of the ground to rise to 13,000 from 11,000 (18%). Most significantly the seated capacity has risen from 2,000 to over 5,000. This enables the club to continue to develop both its' revenue stream and the quality of its offering to supporters.

The Board are committed to further developing the quality of its offerings and to encouraging new supporters to participate through community based programmes as well as expansion of facilities.

Directors and their interests

The present members of the Board are as listed on page 1. In addition, Hamish Brown served as a director until his resignation on 1 December 2003. None of the directors held any interest in the shares of the company or its parent during the year or at the year end.

Directors' report

Directors' responsibilities in respect of the financial statements

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

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

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

Director

Date 6/10/2004

ERNST & YOUNG

Independent auditors' report

to the members of Gloucester Rugby Football Club Limited

We have audited the company's financial statements for the year ended 31 May 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

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

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

ERNST & YOUNG

Independent auditors' report

to the members of Gloucester Rugby Football Club Limited

Qualified opinion: disagreement about accounting treatment

As detailed in note 8 to the financial statements, the freehold land and buildings of the company (with net book value of £1,605,342; 2003 - £1,626,575) were revalued during the year ended 31 May 2000 using the basis of open market value with vacant possession and no subsequent valuation has been performed. In our opinion these assets comprise "specialised properties" as defined in Financial Reporting Standard 15 (FRS 15). FRS 15 requires that where specialised properties are subject to a policy of revaluation, they should be regularly revalued on the basis of depreciated replacement cost and therefore in our opinion the valuation used is not in accordance with FRS 15. We are unable to quantify the effect of this non-compliance with FRS 15.

Except for the non compliance with FRS 15 and any adjustments that might have been found to be necessary had the depreciated replacement cost of the company's freehold land and buildings been determined, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 May 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Bristol

Date 5 November 2004

Profit and loss account

for the year ended 31 May 2004

	Notes	2004 £	2003 £
Turnover	2	5,038,503	5,001,144
Cost of sales		(3,394,432)	(3,827,388)
Gross profit		1,644,071	1,173,756
Other operating income		92,581	64,800
Other operating expenses		(1,363,054)	(1,030,596)
Operating profit	3	373,598	207,960
Interest payable and similar charges	6	(103,986)	(104,312)
Profit on ordinary activities before taxation		269,612	103,648
Tax on profit on ordinary activities	7	300,000	-
Profit for the financial year transferred to reserves	15	569,612	103,648

Statement of total recognised gains and losses

for the year ended 31 May 2004

There are no other recognised gains or losses attributable to the shareholders of the company for the current or preceding financial year other than as stated above.

Balance sheet

at 31 May 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	8	1,722,420	1,802,711
Current assets			
Debtors	9	697,452	813,150
Cash at bank and in hand	16(b)	55,118	13,339
		752,570	826,489
Creditors: amounts falling due within one year	10	(1,598,114)	(2,261,681)
Net current liabilities		(845,544)	(1,435,192)
Total assets less current liabilities		876,876	367,519
Creditors: amounts falling due after more than one year	11	199,845	2,260,100
Capital and reserves			
Called up share capital	14	2,811,667	811,667
Share premium account	15	41,483	41,483
Revaluation reserve	15	733,153	744,930
Profit and loss account	15	(2,909,272)	(3,490,661)
	15	677,031	(1,892,581)
		876,876	367,519
Shareholders' funds are attributable to:			
Equity interests		(2,305,636)	(2,783,248)
Non-equity interests		2,982,667	890,667
		677,031	(1,892,581)

Director

Date 6th October 2004

ERNST & YOUNG

Statement of cash flows

for the year ended 31 May 2004

	2004 £	2003 £
Cash inflow from operating activities (note 16 (a))	189,531	853,641
Returns on investment and servicing of finance		
Interest paid	(99,822)	(100,036)
Interest element of finance leases and hire purchase contracts	(4,164)	(4,276)
	(103,986)	(104,312)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(3,000)	(14,687)
Financing		
Repayment of loan from group undertaking	(19,643)	(522,410)
Repayment of bank and other loans	(39,155)	(29,284)
Repayment of capital element of finance leases and hire purchase contracts	(29,288)	(31,545)
	(88,086)	(583,239)
(Decrease)/increase in cash	(5,541)	151,403
Reconciliation of net cash flow to movement in net debt (note 16 (b))		
(Decrease)/increase in cash	(5,541)	151,403
Cash used to repay capital element of finance leases and hire purchase contracts	29,288	31,545
Cash outflow from decrease in loans	58,798	551,694
Change in net debt resulting from cash flows	82,545	734,642
New hire purchase contracts and finance leases	-	(8,892)
Debt converted to preference share capital	2,000,000	-
Movement in net debt	2,082,545	725,750
Opening net debt	(2,801,810)	(3,527,560)
Closing net debt	(719,265)	(2,801,810)

ERNST & YOUNG

Notes to the financial statements

at 31 May 2004

1. Accounting policies

Fundamental accounting concept

The financial statements have been prepared on the going concern basis as the directors have prepared detailed budgets and cash flow forecasts which show that the company will be able to operate within its current overdraft facility. The company's bankers have confirmed that this facility will continue to be made available for a period of at least 12 months from the date of signing these accounts. This will enable the company to continue to trade and to meet its liabilities as and when they fall due for payment for a period of not less than 12 months from the date of approval of the financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

Tangible fixed assets

Tangible fixed assets, with the exception of the freehold land and buildings, are stated at their purchase cost together with any incidental costs of acquisition.

The interests in freehold land and buildings are stated at valuation. The basis of valuation is explained in note 8.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings and ground improvements	2
Floodlighting	10
Fixtures and fittings, plant and machinery	15-33

Grants received

Grants that relate to specific capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Notes to the financial statements

at 31 May 2004

1. Accounting policies (continued)

Players' transfer fees

The costs of players' registrations are capitalised and amortised over the period of the respective player's contracts.

Transfers are recognised in the year in which the transfer is registered with the relevant governing body, except where the contract is not conditional upon registration, in which case the transfer is recognised when the contract becomes unconditional (usually when payment is made or received).

Pensions

The company contributes to the pension scheme of certain of its employees. Contributions are charged to the profit and loss account as they fall due.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The corresponding lease or hire purchase obligation is capitalised in the balance sheet as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

2. Turnover

Turnover, which is stated net of value added tax, represents the value of goods and services supplied and is wholly attributable to the continuing principal activity of the company in the UK.

3. Operating profit

This is stated after charging/(crediting):

	2004	*2003*
	£	*£*
Rent receivable	(87,781)	(60,000)
Depreciation:		
Tangible fixed assets - owned	74,839	90,888
Tangible fixed assets - leased	8,452	18,169
Auditors' remuneration	7,000	7,000
Operating lease payments	4,295	7,626

4. Directors' emoluments

	2004	*2003*
	£	*£*
Emoluments	268,356	127,328

The emoluments of the highest paid director comprised £134,190 relating to the current year and £81,536 of bonuses deferred from prior years. The aggregate comparison in 2003 was £73,537.

Notes to the financial statements

at 31 May 2004

5. Staff costs

	2004	*2003*
	£	*£*
Wages and salaries	2,945,960	3,017,511
Social security costs	325,941	311,730
	3,271,901	3,329,241

The monthly average number of employees during the year was:

	2004	*2003*
	No.	*No.*
Players including academy	47	61
Coaching and fitness	13	18
Offices and administration	12	12
Grounds and maintenance	4	4
Stewards (part time)	45	45
	121	140

6. Interest payable and similar charges

	2004	*2003*
	£	*£*
Bank loans and overdrafts	18,294	39,197
Finance charges payable under finance leases and hire purchase contracts	4,164	4,276
Interest on loan from group undertakings	80,000	60,000
Other interest payable	1,528	839
	103,986	104,312

Notes to the financial statements

at 31 May 2004

7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax credit is made up as follows:

	2004	*2003*
	£	*£*
Current tax:		
UK corporation tax	-	-
Deferred tax	300,000	-
	300,000	-

(b) The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are explained below:

	2004	*2003*
	£	*£*
Profit on ordinary activities before taxation	269,612	103,648
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2003 – 30%)	80,884	31,094
Effect of:		
Expenses not deductible for tax purposes	11,020	12,204
Non-taxable income	(16,667)	-
Depreciation in excess of capital allowances	18,617	39,189
Short-term timing differences	50,000	50,000
Utilisation of tax losses	(143,854)	(139,488)
Current tax charge for the year	-	-

(c) Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £155,000 (2003 - £161,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

(d) Deferred tax

The deferred tax asset recognised at 30% in the financial statements is as follows:

	2004	*2003*
	£	*£*
Tax losses	300,000	-

The company has tax losses at 31 May 2004 of £3,013,000 (2003 - £3,628,000) that are available indefinitely for offset against future taxable profits. A deferred tax asset has been recognised in respect of £1,000,000 these losses, however, no asset has been recognised in respect of the balance of these losses as they do not satisfy the recognition criteria for deferred tax assets as defined in FRS 19.

Notes to the financial statements

at 31 May 2004

8. Tangible fixed assets

	Freehold land and buildings £	*Office, vehicles, plant and machinery* £	*Fixtures and fittings* £	*Total* £
Cost or valuation:				
At 1 June 2003	1,698,190	164,694	373,035	2,235,919
Additions	-	-	3,000	3,000
At 31 May 2004	1,698,190	164,694	376,035	2,238,919
Depreciation:				
At 1 June 2003	71,615	89,026	272,567	433,208
Provided during the year	21,233	28,950	33,108	83,291
At 31 May 2004	92,848	117,976	305,675	516,499
Net book value:				
At 31 May 2004	1,605,342	46,718	70,360	1,722,420
At 1 June 2003	1,626,575	75,668	100,468	1,802,711

The net book value of fixtures and fittings and vehicles includes an amount of £31,846 (2003 - £69,779) in respect of assets held under finance leases and hire purchase contracts.

The freehold land and buildings which the company occupies were valued as at 19 April 2000 at their open market value with vacant possession. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Alder King, a firm of independent Chartered Surveyors. Whilst using this revaluation basis is not in accordance with Financial Reporting Standard 15 (FRS 15), which states that specialised properties should be valued using the depreciated replacement cost basis, the directors do not consider it worthwhile incurring the additional expense of having this alternative valuation completed. Alder King have indicated that, in their experience, it is likely that a depreciated replacement cost valuation would produce a value in excess of that shown above under the open market value with vacant possession basis.

The directors have obtained an interim valuation from Alder King which confirms that there is currently no need for any impairment loss to be recognised.

On the historical cost basis freehold land and buildings would have been included as follows:

	2004 £	*2003* £
Cost	952,809	952,809
Cumulative depreciation	(80,620)	(71,164)
Net book value	872,189	881,645

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £480,000 (2003 - £480,000).

Notes to the financial statements

at 31 May 2004

9. Debtors

	2004	*2003*
	£	*£*
Trade debtors	42,247	53,536
Deferred taxation (note 7 (d))	300,000	-
Other debtors	938	23,965
Prepayments and accrued income	354,267	735,649
	697,452	813,150

10. Creditors: amounts falling due within one year

	2004	*2003*
	£	*£*
Bank overdraft	588,682	541,362
Current instalment due on bank loan (note 12)	26,040	24,784
Amount due to group undertaking	-	19,643
Other loan (note 12)	-	12,215
Obligations under finance leases and hire purchase contracts (note 13)	12,496	29,287
Trade creditors	188,335	901,407
Other taxes and social security costs	292,232	301,383
Accruals and deferred income	490,329	431,600
	1,598,114	2,261,681

The bank overdraft is secured by way of a fixed charge over the freehold property of the company and a corporate guarantee provided by a related undertaking.

11. Creditors: amounts falling due after more than one year

	2004	*2003*
	£	*£*
Bank loan (note 12)	137,441	165,637
Amount due to group undertaking	-	2,000,000
Obligations under finance leases and hire purchase contracts (note 13)	9,724	22,221
Deferred income	52,680	72,242
	199,845	2,260,100

ERNST & YOUNG

Notes to the financial statements

at 31 May 2004

12. Loans

	2004	*2003*
	£	*£*
Not wholly repayable within five years:		
£250,000 bank loan at 2.75% above Barclays Bank base rate per annum repayable over 10 years in 8 equal monthly instalments per annum commencing 6 November 2000	163,481	190,421
Wholly repayable within five years:		
Other loan	-	12,215
	163,481	202,636
Less: included in creditors: amounts falling due within one year (note 10)	(26,040)	(36,999)
Included in creditors: amounts falling due after more than one year (note 11)	137,441	165,637
Amounts repayable:		
In one year or less	26,040	36,999
In more than one year but not more than two years	26,040	20,707
In more than two years but not more than five years	78,120	62,121
	130,200	119,827
In more than five years	33,281	82,809
	163,481	202,636

The bank loan is secured by way of a fixed charge over the freehold property of the company and a corporate guarantee provided by a related undertaking.

13. Obligations under finance leases and hire purchase contracts

	2004	*2003*
	£	*£*
Amounts payable:		
Within one year	14,841	33,456
In two to five years	11,527	26,362
	26,368	59,818
Less: finance charges allocated to future periods	(4,148)	(8,310)
	22,220	51,508
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 10)	12,496	29,287
Non-current obligations (note 11)	9,724	22,221
	22,220	51,508

Notes to the financial statements

at 31 May 2004

14. Called up share capital

		Authorised		Allotted, called up and fully paid
	2004	2003	2004	2003
	No.	No.	£	£
Ordinary shares of £1 each	-	12,000	-	11,667
'A' ordinary shares of 0.25p each	4,800,000	-	11,667	-
'B' ordinary shares of £1 each	5,000,000	-	-	-
4% Cumulative redeemable preference shares of £1 each	2,800,000	800,000	2,800,000	800,000
	12,600,000	812,000	2,811,667	811,667

On 3 September 2003 the authorised share capital of the Company was increased to £7,812,000 by the creation of 2,000,000 cumulative redeemable preference shares of £1 each and 5,000,000 'B' ordinary shares of £1 each. The 2,000,000 cumulative redeemable preference shares of £1 each were subsequently issued at par by way of conversion of the debt due to the parent undertaking (note 11).

Also on 3 September 2003 each of the 11,667 issued and each of the 333 un-issued ordinary shares of £1 each in the company were sub divided into 400 new 'A' ordinary shares of 0.25p each.

The cumulative redeemable preference shares are entitled to a fixed cumulative preference dividend of 4% per annum payable on 1 August each year commencing on 1 August 2000. No dividend has been accrued in these financial statements due to the lack of reserves available for distribution. However, a transfer between equity and non-equity shareholders funds has been made to reflect the dividends due. These shares are redeemable at any time in whole or in part at par at the option of the company, but in any event not later than 1 August 2010, or, if earlier, upon any person (not already holding such an interest) acquiring an interest in shares in the company conferring in aggregate more than 50% of the total voting rights conferred by all the shares in the equity share capital. The 'A' and 'B' ordinary shares rank pari passu in all respects.

15. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Share premium account	Revaluation reserve	Profit and loss account	Total 2004	Total 2003
	£	£	£	£	£	£
At 1 June	811,667	41,483	744,930	(3,490,661)	(1,892,581)	(1,996,229)
Retained profit for the year	-	-	-	569,612	569,612	103,648
Shares issued in the year	2,000,000	-	-	-	2,000,000	-
Transfer of revaluation element of depreciation charge	-	-	(11,777)	11,777	-	-
At 31 May	2,811,667	41,483	733,153	(2,909,272)	677,031	(1,892,581)

Notes to the financial statements

at 31 May 2004

16. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2004 £	*2003* £
Operating profit	373,598	207,960
Depreciation of tangible fixed assets (note 8)	83,291	109,057
Decrease/(increase) in debtors and prepayments	415,698	(334,704)
(Decrease)/increase in creditors and accruals	(683,056)	871,328
Net cash inflow from operating activities	189,531	853,641

b) Analysis of net debt

	At 1 June 2003 £	*Cash flow* £	*Other changes* £	*At 31 May 2004* £
Cash at bank and in hand	13,339	41,779	-	55,118
Bank overdraft (note 10)	(541,362)	(47,320)	-	(588,682)
	(528,023)	(5,541)	-	(533,564)
Debt due within one year	(56,642)	30,602	-	(26,040)
Debt due after one year	(2,165,637)	28,196	2,000,000	(137,441)
Finance leases and hire purchase contracts (note 13)	(51,508)	29,288	-	(22,220)
	(2,273,787)	88,086	2,000,000	(185,701)
	(2,801,810)	82,545	2,000,000	(719,265)

(c) Major non cash transactions

During the year £2,000,000 due to the parent undertaking was converted to preference share capital.

17. Operating lease commitments

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Plant and equipment	
	2004 £	*2003* £
Operating leases which expire:		
Within one year	306	2,914
In two and five years	2,149	810
	2,455	3,724

18. Ultimate parent undertaking

The directors regard Try Investments Limited as the ultimate parent undertaking and controlling party. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Manufactory House, Bell Lane, Hertford, SG14 1BP.

Notes to the financial statements

at 31 May 2004

19. Related party transactions

a) £28,099 (2003 - £Nil) was paid during the year to PHD Consultancy Services Limited. P Darnbrough, a director of this company, is also a director of PHD Consultancy Services Limited.

b) The company has taken advantage of the exemptions in FRS 8 from disclosing transactions with its parent undertaking as in excess of 90% of the company's voting rights are controlled by the parent undertaking.