# Gloucester Rugby Limited
## (formerly Gloucester Rugby Football Club Limited)

### Report and Financial Statements

31 May 2005

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
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GL50 1YD

**Registered Office**
Gloucester Rugby Club
Kingsholm
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# Directors' report

The directors present their report and financial statements for the year ended 31 May 2005.

## Change of name

The company changed its name from Gloucester Rugby Football Club Limited to Gloucester Rugby Limited on 16 December 2004.

## Results and dividends

The profit for the year, before taxation, amounted to £437,552 (2004 - £269,612). 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 financial health of the company continues to improve with a strong result in the year ended May 2005. A number of factors contributed to this success. Foremost was the development, in the close season of summer 2004, of the new 3,000 capacity grandstand at the east end of the Kingsholm stadium. This has proved to be an unqualified success, generating additional season ticket sales and producing further income in both attendances and catering. The expectation of a 55% utilisation of the new facilities was greatly exceeded with 85% usage being achieved. This success is set to continue with a 40% increase in season ticket sales already achieved for the 2005/6 season.

Despite modest playing performance during the league season the team progressed well in the domestic cup competition (Powergen Cup) and this further enhanced gate receipts enabling the financial result to surpass £400,000 operational profit.

## Future developments

The board of directors have announced their intention to continue to develop the Kingsholm site and are confident that the development of the south side of the stadium will be achieved during the summer of 2006. Planning for this development is at an advanced stage and contractors are soon to be appointed. The proposed new grandstand has seated capacity for almost 7,000 and will provide new facilities for players changing, bars, catering and conferencing facilities. Overall this new development will enable the company to continue to expand its revenue generating capability both on match days and during the week. The funding for this development is in hand and detailed plans will be announced during the coming months.

In addition the establishment of training facilities off site have enabled the development of the "shed" terracing during the 2005 close season to meet the latest health and safety standards and to provide additional bar and catering provision to our loyal supporters within the old clubhouse adjacent to the "shed".

The board are confident that the company's progress will continue given the buoyant state of the game and the continuing drive for both playing and financial success.

## Directors and their interests

The present members of the Board, all of whom served as directors throughout the year, are as listed on page 1. 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;
- 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

Peter H Darnbrough

Director

KEN NUTTAGE

DIRECTOR

Date 16th September 2005

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# Independent auditors' report

**to the members of Gloucester Rugby Limited**

We have audited the company's financial statements for the year ended 31 May 2005 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.

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# Independent auditors' report

**to the members of Gloucester Rugby Limited**

## Qualified opinion: disagreement about accounting treatment

As detailed in note 8 to the financial statements, certain freehold land and buildings of the company (included within the net book value of £2,676,429; 2004 - £1,605,342) 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 valued on the basis of depreciated replacement cost. Furthermore, FRS 15 requires valuations to be updated regularly, generally with a full valuation every five years. 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 2005 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 31 October 2005

# Profit and loss account

**for the year ended 31 May 2005**

| | Notes | 2005 £ | 2004 £ |
|---|---|---|---|
| ***Turnover*** | 2 | 5,685,386 | 5,038,503 |
| Cost of sales | | (3,693,414) | (3,394,432) |
| ***Gross profit*** | | 1,991,972 | 1,644,071 |
| Other operating income | | 68,967 | 92,581 |
| Other operating expenses | | (1,566,196) | (1,363,054) |
| ***Operating profit*** | 3 | 494,743 | 373,598 |
| Interest payable and similar charges | 6 | (57,191) | (103,986) |
| ***Profit on ordinary activities before taxation*** | | 437,552 | 269,612 |
| Tax on profit on ordinary activities | 7 | 461,000 | 300,000 |
| ***Profit for the financial year transferred to reserves*** | 15 | 898,552 | 569,612 |

# Statement of total recognised gains and losses

**for the year ended 31 May 2005**

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.

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# Balance sheet
**at 31 May 2005**

| | Notes | 2005 £ | 2004 £ |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Tangible assets | 8 | 2,743,425 | 1,722,420 |
| ***Current assets*** | | | |
| Debtors | 9 | 1,018,520 | 697,452 |
| Cash at bank and in hand | 16(b) | 44,914 | 55,118 |
| | | 1,063,434 | 752,570 |
| ***Creditors:*** amounts falling due within one year | 10 | (1,828,879) | (1,598,114) |
| ***Net current liabilities*** | | (765,445) | (845,544) |
| ***Total assets less current liabilities*** | | 1,977,980 | 876,876 |
| ***Creditors:*** amounts falling due after more than one year | 11 | 402,397 | 199,845 |
| ***Capital and reserves*** | | | |
| Called up share capital | 14 | 2,811,667 | 2,811,667 |
| Share premium account | 15 | 41,483 | 41,483 |
| Revaluation reserve | 15 | 721,813 | 733,153 |
| Profit and loss account | 15 | (1,999,380) | (2,909,272) |
| | 15 | 1,575,583 | 677,031 |
| | | 1,977,980 | 876,876 |
| ***Shareholders' funds are attributable to:*** | | | |
| Equity interests | | (1,519,084) | (2,305,636) |
| Non-equity interests | | 3,094,667 | 2,982,667 |
| | | 1,575,583 | 677,031 |

Peter H Darnbrough

Director

Date 16th September 2005

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# Statement of cash flows

**for the year ended 31 May 2005**

| | 2005 £ | 2004 £ |
|---|---|---|
| ***Cash inflow from operating activities (note 16 (a))*** | 844,555 | 189,531 |
| ***Returns on investment and servicing of finance*** | | |
| Interest paid | (29,128) | (99,822) |
| Interest element of finance leases and hire purchase contracts | (28,063) | (4,164) |
| | (57,191) | (103,986) |
| ***Capital expenditure and financial investment*** | | |
| Payments to acquire tangible fixed assets | (438,871) | (3,000) |
| ***Financing*** | | |
| Repayment of loan from group undertaking | - | (19,643) |
| New bank loan taken out in year | 370,000 | - |
| Repayment of bank and other loans | (283,481) | (39,155) |
| Repayment of capital element of finance leases and hire purchase contracts | (371,696) | (29,288) |
| | (285,177) | (88,086) |
| ***Increase/(decrease) in cash*** | 63,316 | (5,541) |
| ***Reconciliation of net cash flow to movement in net debt (note 16 (b))*** | | |
| Increase/(decrease) in cash | 63,316 | (5,541) |
| Cash used to repay capital element of finance leases and hire purchase contracts | 371,696 | 29,288 |
| Cash (inflow)/outflow from movement in loans | (86,519) | 58,798 |
| Change in net debt resulting from cash flows | 348,493 | 82,545 |
| New hire purchase contracts and finance leases | (731,211) | - |
| Debt converted to preference share capital | - | 2,000,000 |
| ***Movement in net debt*** | (382,718) | 2,082,545 |
| ***Opening net debt*** | (719,265) | (2,801,810) |
| ***Closing net debt*** | (1,101,983) | (719,265) |

# Notes to the financial statements

**at 31 May 2005**

## 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 to write off the cost or valuation, less any estimated residual value, 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, office, vehicles | 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 2005**

## 1. Accounting policies (continued)

**Deferred taxation** (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**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 employees. Contributions are charged to the profit and loss account as they fall due.

**Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the period of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in 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):

| | *2005* | *2004* |
|---|---|---|
| | *£* | *£* |
| Rent receivable | (64,167) | (87,781) |
| Depreciation: | | |
| Tangible fixed assets - owned | 77,266 | 74,839 |
| Tangible fixed assets - leased | 38,275 | 8,452 |
| Auditors' remuneration | 11,000 | 7,000 |
| Operating lease payments | 3,391 | 4,295 |

## 4. Directors' emoluments

| | *2005* | *2004* |
|---|---|---|
| | *£* | *£* |
| Emoluments | 199,068 | 268,356 |

# Notes to the financial statements

**at 31 May 2005**

## 5. Staff costs

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 3,148,625 | 2,945,960 |
| Social security costs | 342,090 | 325,941 |
| | 3,490,715 | 3,271,901 |

The monthly average number of employees during the year was:

| | 2005 | 2004 |
|---|---|---|
| | No. | No. |
| Players including academy | 47 | 47 |
| Coaching and fitness | 14 | 13 |
| Offices and administration | 12 | 12 |
| Grounds and maintenance | 4 | 4 |
| Stewards (part time) | 56 | 45 |
| | 133 | 121 |

## 6. Interest payable and similar charges

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Bank loans and overdrafts | 27,489 | 18,294 |
| Finance charges payable under finance leases and hire purchase contracts | 28,063 | 4,164 |
| Interest on loan from group undertakings | - | 80,000 |
| Other interest payable | 1,639 | 1,528 |
| | 57,191 | 103,986 |

## 7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax credit is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Current tax: | | |
| UK corporation tax (note 7 (b)) | - | - |
| Deferred tax (note 7 (d)) | 461,000 | 300,000 |
| | 461,000 | 300,000 |

# Notes to the financial statements

**at 31 May 2005**

## 7. Tax on profit on ordinary activities (continued)

(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% (2004 – 30%). The differences are explained below:

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before taxation | 437,552 | 269,612 |
| Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%) | 131,266 | 80,884 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 77,893 | 11,020 |
| Non-taxable income | - | (16,667) |
| Depreciation in excess of capital allowances | (22,502) | 18,617 |
| Short-term timing differences | - | 50,000 |
| Utilisation of tax losses | (186,657) | (143,854) |
| Current tax charge for the year (note 7 (a)) | - | - |

(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 £150,000 (2004 - £155,000). 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:

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Tax losses | 777,000 | 300,000 |
| Accelerated capital allowances | (16,000) | - |
| | 761,000 | 300,000 |

The movements in deferred taxation during the year are as follows:

| | £ |
|---|---|
| At 1 June 2004 | 300,000 |
| Credit in the year (note 7 (a)) | 461,000 |
| | 761,000 |

The company has tax losses at 31 May 2005 of £2,589,000 (2004 - £3,013,000) that are available indefinitely for offset against future taxable profits.

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# Notes to the financial statements

**at 31 May 2005**

## 8. Tangible fixed assets

| | *Freehold land and buildings* | *Office, vehicles, plant and machinery* | *Fixtures and fittings* | *Total* |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cost or valuation: | | | | |
| At 1 June 2004 | 1,698,190 | 164,694 | 376,035 | 2,238,919 |
| Additions | 1,170,082 | - | - | 1,170,082 |
| Disposals | (36,900) | - | - | (36,900) |
| At 31 May 2005 | 2,831,372 | 164,694 | 376,035 | 3,372,101 |
| Depreciation: | | | | |
| At 1 June 2004 | 92,848 | 117,976 | 305,675 | 516,499 |
| Provided during the year | 65,459 | 22,433 | 27,649 | 115,541 |
| Disposals | (3,364) | - | - | (3,364) |
| At 31 May 2005 | 154,943 | 140,409 | 333,324 | 628,676 |
| Net book value: | | | | |
| At 31 May 2005 | 2,676,429 | 24,285 | 42,711 | 2,743,425 |
| At 1 June 2004 | 1,605,342 | 46,718 | 70,360 | 1,722,420 |

The net book value of fixtures and fittings and vehicles includes an amount of £23,393 (2004 - £31,846) in respect of assets held under finance leases and hire purchase contracts.

The net book value of freehold land and buildings includes an amount of £701,388 (2004 - £Nil) in respect of assets financed using 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.

Additions to freehold land and buildings during the year are stated at historic cost, which is materially the same as valuation.

# Notes to the financial statements

**at 31 May 2005**

## 8. Tangible fixed assets (continued)

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

| | 2005 £ | 2004 £ |
|---|---|---|
| Cost | 2,085,991 | 952,809 |
| Cumulative depreciation | (131,375) | (80,620) |
| Net book value | 1,954,616 | 872,189 |

Depreciation has not been charged on freehold land, which is stated at its revalued amount of £480,000 (2004 - £480,000).

## 9. Debtors

| | 2005 £ | 2004 £ |
|---|---|---|
| Trade debtors | 70,822 | 42,247 |
| Deferred taxation (note 7 (d)) | 761,000 | 300,000 |
| Other debtors | 12,000 | 938 |
| Prepayments and accrued income | 174,698 | 354,267 |
| | 1,018,520 | 697,452 |

## 10. Creditors: amounts falling due within one year

| | 2005 £ | 2004 £ |
|---|---|---|
| Bank overdraft | 515,162 | 588,682 |
| Current instalment due on bank loan (note 12) | 144,000 | 26,040 |
| Obligations under finance leases and hire purchase contracts (note 13) | 204,602 | 12,496 |
| Trade creditors | 530,985 | 188,335 |
| Other taxes and social security costs | 191,954 | 292,232 |
| Accruals and deferred income | 242,176 | 490,329 |
| | 1,828,879 | 1,598,114 |

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.

# Notes to the financial statements

**at 31 May 2005**

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

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Bank loan (note 12) | 106,000 | 137,441 |
| Obligations under finance leases and hire purchase contracts (note 13) | 177,133 | 9,724 |
| Deferred income | 119,264 | 52,680 |
| | 402,397 | 199,845 |

## 12. Loans

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Not wholly repayable within five years: | | |
| £370,000 bank loan at 2.75% above Barclays Bank base rate per annum repayable in equal monthly instalments commencing 15 August 2004 | 250,000 | 163,481 |
| Less: included in creditors: amounts falling due within one year (note 10) | (144,000) | (26,040) |
| Included in creditors: amounts falling due after more than one year (note 11) | 106,000 | 137,441 |
| Amounts repayable: | | |
| In one year or less | 144,000 | 26,040 |
| In more than one year but not more than two years | 106,000 | 26,040 |
| In more than two years but not more than five years | - | 78,120 |
| | 250,000 | 130,200 |
| In more than five years | - | 33,281 |
| | 250,000 | 163,481 |

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

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Amounts payable: | | |
| Within one year | 232,386 | 14,841 |
| In two to five years | 184,671 | 11,527 |
| | 417,057 | 26,368 |
| Less: finance charges allocated to future periods | (35,322) | (4,148) |
| | 381,735 | 22,220 |

# Notes to the financial statements

**at 31 May 2005**

## 13. Obligations under finance leases and hire purchase contracts (continued)

| | | |
|---|---|---|
| Finance leases and hire purchase contracts are analysed as follows: | | |
| Current obligations (note 10) | 204,602 | 12,496 |
| Non-current obligations (note 11) | 177,133 | 9,724 |
| | 381,735 | 22,220 |

## 14. Called up share capital

| | Authorised | | Allotted, called up and fully paid | |
|---|---|---|---|---|
| | *2005* | *2004* | *2005* | *2004* |
| | *No.* | *No.* | *£* | *£* |
| 'A' ordinary shares of 0.25p each | 4,800,000 | 4,800,000 | 11,667 | 11,667 |
| 'B' ordinary shares of £1 each | 5,000,000 | 5,000,000 | - | - |
| 4% Cumulative redeemable preference shares of £1 each | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 |
| | 12,600,000 | 12,600,000 | 2,811,667 | 2,811,667 |

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 2005* | *Total 2004* |
|---|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* | *£* |
| At 1 June | 2,811,667 | 41,483 | 733,153 | (2,909,272) | 677,031 | (1,892,581) |
| Retained profit for the year | - | - | - | 898,552 | 898,552 | 569,612 |
| Shares issued in the year | - | - | - | - | - | 2,000,000 |
| Transfer of revaluation element of depreciation charge | - | - | (11,340) | 11,340 | - | - |
| At 31 May | 2,811,667 | 41,483 | 721,813 | (1,999,380) | 1,575,583 | 677,031 |

# Notes to the financial statements

**at 31 May 2005**

## 16. Notes to the statement of cash flows

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

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| Operating profit | 494,743 | 373,598 |
| Depreciation of tangible fixed assets (note 8) | 115,541 | 83,291 |
| Loss on sale of tangible fixed assets | 33,536 | - |
| Decrease in debtors and prepayments | 139,932 | 415,698 |
| Increase/(decrease) in creditors and accruals | 60,803 | (683,056) |
| Net cash inflow from operating activities | 844,555 | 189,531 |

b) Analysis of net debt

| | At 1 June 2004 | Cash flow | Other changes | At 31 May 2005 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cash at bank and in hand | 55,118 | (10,204) | - | 44,914 |
| Bank overdraft (note 10) | (588,682) | 73,520 | - | (515,162) |
| | (533,564) | 63,316 | - | (470,248) |
| Bank loan due within one year | (26,040) | (117,960) | - | (144,000) |
| Bank loan due after one year | (137,441) | 31,441 | - | (106,000) |
| Finance leases and hire purchase contracts (note 13) | (22,220) | 371,696 | (731,211) | (381,735) |
| | (185,701) | 285,177 | (731,211) | (631,735) |
| | (719,265) | 348,493 | (731,211) | (1,101,983) |

(c) Major non cash transactions

During the year the company signed further finance leases and hire purchase contracts with an initial capital value of £731,211.

## 17. Operating lease commitments

At 31 May 2005 the company had annual commitments under non-cancellable operating leases as set out below:

| | Plant and equipment | |
|---|---|---|
| | 2005 | 2004 |
| | £ | £ |
| Operating leases which expire: | | |
| Within one year | - | 306 |
| In two and five years | 3,341 | 2,149 |
| | 3,341 | 2,455 |

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# Notes to the financial statements

**at 31 May 2005**

## 18. Ultimate parent undertaking and controlling party

The directors regard Try Investments Limited, a company registered in England, 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.

## 19. Related party transactions

a) £44,897 (2004 - £28,099) was paid during the year to PHD Consultancy Services Limited. Peter H 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.

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