

London Luton Airport Limited
Financial statements
for the year ended 31 March 2006

Registered number: 2020381



London Luton Airport Limited

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London Luton Airport Limited

Directors' report for the year ended 31 March 2006

The directors present their report and the audited financial statements of the company for the year ended 31 March 2006.

Principal activities

The company's principal activities until August 1998 were the ownership, operation and management of London Luton Airport. In August 1998 the company granted a concession contract to an unrelated company, London Luton Airport Operations Limited (LLAOL) to operate the airport on its behalf in return for a concession fee. The company continues to own the land and buildings at the airport.

Review of business and future developments

At the year end the company's financial position was strong and its future prospects are good.

The company continues to operate profitably and will share in the future success of the airport via the concession fee receivable from LLAOL.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Price risk

The company is not currently exposed to commodity price risk as a result of its operations

Credit risk

The company is only exposed to credit risk in respect of London Luton Airport Operations Limited whom pays a concession fee to the company on a quarterly basis in arrears. Measures are taken to ensure the liquidity and financial position of London Luton Airport Operations Limited is sufficient to meet their obligations.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt funds and finance that is designed to ensure the company has sufficient available funds for operations.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a fixed rate. The company has a policy of maintaining debt at a mixture of fixed and variable rates reducing exposure to fluctuating interest rates. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

London Luton Airport Limited

Directors' report for the year ended 31 March 2006 (continued)

Results and dividends

The company's profit for the financial year is £3.83m (2005: £6.87m). The members at an Extraordinary General Meeting held on 15th March 2006 approved a final dividend for the year of 7.05 pence (2005: 1.04p) per ordinary share (amounting to £3.163m), making a total dividend for the year of £6.163m (2005: £6.41m). Interim dividends of 2.23, 3.57 and 0.89 pence per ordinary share (amounting to £1.0m, £1.6m and £0.4m) were paid on 30 September 2005, 30 December 2005 and 31 March 2006 respectively.

Directors and their interests

The directors who held office during the year are given below. No director had any interest in the shares of the company at the beginning and at the end of the year.

R Davies
D Franks
R Harris
L Ireland
D Patten (Chairman)
J Titmuss
P Watson (appointed 31st May 2005; resigned 31st March 2006)
M Yasin

Disabled persons

It is company policy to consider always full applications for employment by disabled persons, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort would be made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

London Luton Airport Limited

Directors' report for the year ended 31 March 2006 (continued)

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Charitable donations

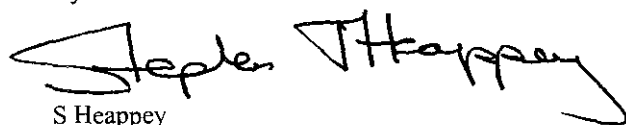
The company has made Gift Aid payments during the year amounting to £3,557,000 (2005: £1,683,000) to local charitable organisations based in Luton. Payments are analysed as follows:

	2006	2005
	£	£
Advice & Information Services	1,064,000	699,000
Health & Social Welfare Services	877,000	984,000
Sport & Leisure Activities	1,636,000	Nil
	3,577,000	1,683,000

Auditors

PricewaterhouseCoopers LLP have acted as auditors to the company in the year. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

By order of the Board



S Heappey
For the Company Secretary
Luton Borough Council
30 May 2006

Independent auditors' report to the members of London Luton Airport Limited

We have audited the financial statements of London Luton Airport Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, reconciliation of movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

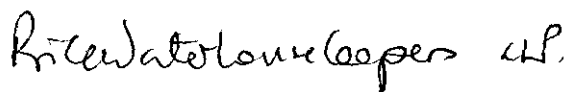
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report to the members of London Luton Airport Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes
30 May 2006

London Luton Airport Limited

Profit and loss account for the year ended 31 March 2006

		2006	2005
	Note	£'000	£'000
Turnover	3	13,587	15,372
Administrative expenses		(6,008)	(3,760)
Operating profit	4	7,579	11,612
Interest receivable and similar income	7	139	180
Interest payable and similar charges	8	(1,693)	(1,693)
Profit on ordinary activities before taxation		6,025	10,099
Tax on profit on ordinary activities	9	(2,200)	(3,230)
Profit for the financial year		3,825	6,869
Dividends	10	(6,163)	(6,408)
(Loss)/retained profit for the financial year	17	(2,338)	461

All the results for the year derive from continuing operations.

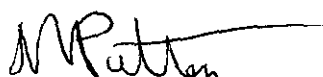
There are no material differences between the profit on ordinary activities before taxation and the retained profit stated above and their historical equivalents.

London Luton Airport Limited

Balance sheet as at 31 March 2006

		2006	2005
	Note	£'000	£'000
Fixed assets			
Investments	11	235,000	235,000
Current assets			
Debtors and accrued income	12	2,869	3,078
Cash at bank and in hand		37	39
		2,906	3,117
Creditors: amounts falling due within one year	13	(3,994)	(2,729)
Net current (liabilities)/assets		(1,088)	388
Total assets less current liabilities		233,912	235,388
Creditors: amounts falling due after more than one year	14	(16,921)	(16,921)
Provisions for liabilities and charges	15	(8,726)	(7,101)
		208,265	211,366
Capital and reserves			
Called up share capital	16	44,837	44,837
Revaluation reserve	17	161,996	161,996
Profit and loss account	17	1,432	4,533
Total equity shareholders' funds		208,265	211,366

The financial statements on pages 6 to 21 were approved by the board of Directors on 30 May 2006



For and on behalf of the Board
Director

London Luton Airport Limited

Statement of total recognised gains and losses for the year ended 31 March 2006

	2006	2005
	£'000	£'000
Profit for the financial year	3,825	6,869
Actuarial loss on unfunded pension liability	(1,090)	-
Corporation tax relief on pension contributions paid on unfunded pension liability	27	-
Movement on deferred tax liability relating to actuarial loss on unfunded pension liability	300	-
Total recognised gains and losses relating to the year	3,062	6,869

Reconciliation of movement in shareholders' funds for the year ended 31 March 2006

	2006	2005
	£'000	£'000
Profit for the financial year	3,825	6,869
Dividends	(6,163)	(6,408)
	(2,338)	461
Actuarial loss on unfunded pension liability	(1,090)	-
Corporation tax relief on pension contributions paid on unfunded pension liability	27	-
Movement on deferred tax liability relating to actuarial loss on unfunded pension liability	300	-
Net (reductions)/additions to shareholders' funds	(3,101)	461
Opening shareholders funds at 1 April	211,366	210,905
Closing shareholders funds at 31 March	208,265	211,366

London Luton Airport Limited

Cash flow statement for the year ended 31 March 2006

		2006	2005
	Note	£'000	£'000
Net cash inflow from operating activities	20	7,011	12,255
Returns on investment and servicing of finance			
Interest received		136	179
Interest paid		(1,685)	(1,693)
Net cash outflow on investment and servicing of finance		(1,549)	(1,514)
Taxation		(1,996)	(2,298)
Equity dividends paid to shareholders		(3,468)	(8,661)
Net cash outflow before use of liquid sources and financing	21	(2)	(218)
Decrease in net cash	21	(2)	(218)

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006

1 Accounting policies

Accounting convention

The financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of investment properties and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Adoption of accounting standards

The company has adopted FRS 17, 'Retirement benefits', FRS 21, 'Events after the balance sheet date', FRS 25, 'Financial instruments: disclosure and presentation', and FRS 28, 'Corresponding amounts' in these financial statements. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly.

Revenue

Revenue for existing routes is recognised as it is earned and represents the amounts falling due under rental and concession agreements.

Revenue relating to some new routes introduced with effect from 1 June 2002 is recognised at the fair value of revenue receivable. A proportion of the revenue is receivable within one year, with the balance due in about 9 years after the date it is earned.

Amounts due after more than one year are not recognised due to the uncertainty of future inflow of economic benefit given the length of time before revenue is receivable. The revenue relating to these amounts is disclosed as a contingent asset (see note 19).

Leased assets

Rental costs under operating leases are charged to the profit and loss account in equal amounts over the periods of the leases.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation, or a right to pay less taxation, in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have been discounted using the post tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates similar to those of the deferred taxation assets and liabilities.

Deferred taxation is not provided in respect of timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

1 Accounting policies (continued)

Pension costs

Certain employees of the airport business prior to the granting of the Concession Contract had taken early retirement, and the company had agreed to enhance their pension benefits. A provision was made, in the year that the employee had retired, to reflect the present value of the anticipated future costs of providing the enhanced benefits.

The balance represents the company's unfunded obligation to make annual contributions to the Bedfordshire County Council Local Government Pension Scheme in respect of former employees' entitlement to pension augmentations arising on redundancy.

This provision has been assessed in accordance with the advice of an independent actuary using the following principal assumptions.

	% pa
Rate of increase to pensions in payment	3.1
Discount rate	4.9
Inflation	3.1

A formal actuarial valuation is carried out every 3 years. The most recent formal actuarial valuation was at 31 March 2006, which has been reflected in these financial statements.

Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date on the basis of the external valuers' valuation. This assessment will be undertaken every 5 years. Drivers Jonas undertook this for the year ended 31 March 2004. This valuation takes into account forecast future cash flows and is discounted using a discount rate of 10% being an estimate of the company's long term weighted average cost of capital.

Depreciation is not provided on investment properties. This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

2 Concession contract

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited (LLAOL).

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instructions of London Luton Airport Limited, Drivers Jonas, Chartered Surveyors have valued the freehold interest in London Luton Airport at as at 31 March 2004. The next valuation is due to be undertaken as at 31 March 2009.

The excess of the amount of this valuation over £73,004,000 (being the net book value of tangible fixed assets redesignated as an interest in an investment property at the concession date) has been recorded within the revaluation reserve (see note 17).

3 Turnover

	2006	2005
	£'000	£'000
Concession income	13,587	15,372

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

4 Operating profit

	2006	2005
	£'000	£'000
Operating profit is stated after the following amounts have been charged:		
Operating leases - land and buildings	1,717	1,128
Charge for enhanced pension payments	130	151
Gift Aid payments	3,577	1,683
Exceptional Income (see below)	-	3,023
Auditors' remuneration:		
Audit services	15	10
Non-audit services	-	8

Related Party Disclosures

The shareholder, Luton Borough Council, provides professional and computer services to the company. Charges to the company for these services amounted to £172,000 (2005: £144,000) and are on commercial terms. £1,717,000 of the operating lease for land is with Luton Borough Council on commercial terms. Luton Borough Council is the company's controlling party by virtue of its majority shareholding.

Exceptional income

As noted in the revenue accounting policy and contingent assets note 18 an element of revenue relating to new routes has been deferred and not recognised due to the uncertainty of future inflow of economic benefit. The deferred revenue to 3 January 2005 had become payable by London Luton Airport Operations Limited due to a change in ownership of London Luton Airport Operations Limited on that date; this amount to £2,178,000, together with related interest of £95,000 (see Note 7). As part of this growth incentive concession agreement the original owners of London Luton Airport Operations Limited are required to pay an amount equal to 33% of the deferred element now payable. This 33% (£750,000) and the deferred amount payable were recognised as concession income (see Note 2) in 2004/5.

5 Directors' emoluments

Directors' emoluments for the year amounted to £nil (2005: £nil). All but one of the directors are council members and therefore do not qualify for remuneration.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

6 Staff costs

The company has no employees (2005: nil). Services to London Luton Airport Limited are carried out by employees of Luton Borough Council and the company is charged for these as set out in note 4.

7 Interest receivable and similar income

	2006	2005
	£'000	£'000
Bank interest	17	13
Other interest receivable	122	72
Exceptional interest (see Note 4)	-	95
	139	180

8 Interest payable and similar charges

	2006	2005
	£'000	£'000
Interest on late payment of Corporation Tax	8	-
Interest on debenture loans - repayable after more than 5 years (note 14)	1,685	1,693
	1,693	1,693

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

9 Tax charge on profit on ordinary activities

	2006 £'000	2005 £'000
Taxation charge on profit for the year:		
Adjustment for previous year	(3)	1
United Kingdom corporation tax at 30%	1,278	2,728
	1,275	2,729
Deferred taxation		
Capital allowances in excess of depreciation	485	237
Other short term timing differences	47	(215)
Discount	393	479
	2,200	3,230

The tax assessed for the period is lower than the standard rate of Corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit on ordinary activities	6,025	10,099
Profit on ordinary activities multiplied by standard rate in UK 30% (2004: 30%)	1,807	3,030
Effects of:		
Expenses non deductible for tax purposes	3	3
Capital allowances in excess of depreciation	(485)	(497)
(Decrease)/increase in provisions	(47)	192
Adjustments to tax charge in respect of previous period	(3)	1
Current tax charge for period	1,275	2,729

Based on current forecasts the company will continue to claim capital and industrial building allowances in excess of depreciation for the foreseeable future.

No provision has been made for the deferred tax on gains recognised on revaluing the investment property. Such tax would become payable only if the property was sold. The company has no intention to sell its investment property. The total amount unprovided for is £45,462,000 (2005: £45,462,000).

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

10 Dividends

	2006	2005
	£'000	£'000
On ordinary equity shares		
1st interim paid 30 September 2005: 2.23p (2005: 4.46p) per share	1,000	2,000
2nd interim paid 30 December 2005: 3.57p (2005: 7.81p) per share	1,600	3,500
3rd interim paid 31 March 2006: 0.89p (2005: 0.98p) per share	400	440
Final proposed 31 March 2006: 7.05p (2005: 1.04p) per share	3,163	468
	6,163	6,408

The final dividend for the year ended 31st March was approved by an Extraordinary General Meeting of the company held on 15th March 2006.

11 Investments

	2006	2005
	£'000	£'000
At 1 April 2005 and at 31 March 2006	235,000	235,000

The interest in investment property has been valued in accordance with the circumstances and principles set out in note 2 above.

The value transferred from tangible fixed assets in 1998 represented the net book value (cost of £102,892,000 less accumulated depreciation of £29,888,000) of assets before the signing of the concession contract as set out in note 2 above.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

12 Debtors and accrued income

	2006	2005
	£'000	£'000
Accrued income	2,866	2,827
Other debtors and prepayments	3	251
	2,869	3,078

13 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Other creditors	-	130
Corporation tax	552	1,296
Other taxation and social security payable	189	817
Proposed dividend	3,163	468
Accruals and deferred income	90	18
	3,994	2,729

14 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Debenture loans		
Debenture loan 1 – interest fixed at 12%	3,153	3,153
Debenture loans 2,3, and 6 – interest at 4% over three months LIBOR	8,878	8,878
Debenture loan 4 – interest 4% over six months LIBOR	1,788	1,788
Debenture loan 5 – interest fixed at 12.125%	3,102	3,102
	16,921	16,921

The debenture loans are from Luton Borough Council, the shareholder. No repayments of principal amounts are scheduled until the end of the concession period.

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

15 Provisions for liabilities and charges

	2006	2005
	£'000	£'000
Deferred tax	5,126	4,501
Provision for enhanced pension payments for early retirees	3,600	2,600
	8,726	7,101

Deferred taxation

The deferred tax liability represents the following:

	2006	2005
	£'000	£'000
Capital allowances in excess of depreciation	8,999	8,513
Short term timing differences	(1,080)	(827)
Undiscounted provision for deferred tax	7,919	7,686
Discount	(2,793)	(3,185)
Discounted provision for deferred tax	5,126	4,501

Amount provided at 1 April 2005	4,501	4,000
Deferred tax charge in the profit and loss account	925	501
Deferred tax credit through the statement of total recognised gains and losses	(300)	-
Amount provided at 31 March 2006	5,126	4,501

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

15 Provisions for liabilities and charges (continued)

Provision for enhanced pension payments for early retirees

	2006	2005
	£'000	£'000
Amount provided at 1 April 2005	2,600	2,043
Charged in the year – through profit and loss account	130	632
Charge in the year – through statement of total recognised gains and losses	1,090	-
Paid in the year	(220)	(75)
Amount provided at 31 March 2006	3,600	2,600

The provision for enhanced pension payments relates to payments due to former employees as set out in the accounting policies. The provision will be utilised over the remaining lives of the pensioners, with £170,000 to be paid in 2006/7.

16 Called up share capital

	2006	2005
	£'000	£'000
60,000,000 Authorised ordinary shares £1 each	60,000	60,000
44,837,002 Allotted and fully paid	44,837	44,837

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

17 Reserves

	Revaluation reserve	Profit and loss account
	£'000	£'000
1 April 2005	161,996	4,533
Retained loss for the financial year	-	(2,338)
Actuarial loss on unfunded pension liability	-	(1,090)
Corporation tax relief on pension contributions paid on unfunded pension liability	-	27
Movement on deferred tax liability relating to actuarial loss on unfunded pension liability	-	300
At 31 March 2006	161,996	1,432

18 Operating lease commitments and contingencies

At 31 March 2006 the company was committed to making the following annual payments in respect of operating leases relating to land and buildings.

	2006	2005
	£'000	£'000
Leases which expire after five years	1,444	1,200

19 Contingent assets

The company renegotiated the terms of the concession agreement with LLAOL on revenue relating to qualifying new routes, introduced with effect from 1 June 2002, with the result that, of the fee payable on the volumes arising on these new routes, an amount is deferred until around 9 years time. Since there is inherent uncertainty as to the recoverability of debtors with such extended credit terms, the directors do not believe it is appropriate for the company to recognise the element of the income receivable in around 9 years time.

The amount relating to revenue earned for the year ended 31 March 2006, which falls for payment in around 9 years time amounted to £3,088,000 (2005: £598,000).

London Luton Airport Limited

Notes to the financial statements for the year ended 31 March 2006 (continued)

20 Reconciliation of operating profit to net cash inflow from operating activities

	2006	2005
	£'000	£'000
Operating profit	7,579	11,612
Movement in pension enhancement provision	(90)	557
Decrease/(increase) in debtors	209	(387)
(Decrease)/increase in creditors	(687)	473
Net cash inflow from operating activities	7,011	12,255

21 Analysis of net debt

	1 April 2005	Cash flow	31 March 2006
	£'000	£'000	£'000
Cash at bank and in hand	39	(2)	37
Debt due after one year:			
Debenture loans	(16,921)	-	(16,921)
Net debt	(16,882)	(2)	(16,884)

22 Reconciliation of net cash flow to movement in net debt

	2006	2005
	£'000	£'000
Decrease in cash in the year	2	218
Net debt at the start of the year	16,882	16,664
Net debt at the end of the year	16,884	16,882