Paragon Hotels Limited

Report and Financial statements

25 March 2004

Ernst & Young

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COMPANIES HOUSE 13/01/05

Registered No: 02971215

Directors
T J Hemmings (Chairman)
J C Kay

Secretary
S Stott

Auditors
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Directors' report

The directors present their report and the group financial statements for the period ended 25 March 2004.

Results and dividends

The group made a loss after tax of £550,000 (2003: Profit £537,000) for the period ended 25 March 2004. Dividends of £78,125 were paid on the 7.5% redeemable preference shares during the period and a provision of £109,375 has been made for the remaining part of the dividend.

Principal activities and review of business developments

The group's principal activity is the ownership and operation of hotels.

Directors and their interests

The current directors are shown on page 2. No director has an interest in the shares of the company.

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

Secretary 15th November 2004

Statement of 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 group and of the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent auditors' report

to the members of Paragon Hotels Limited

We have audited the group's financial statements for the period ended 25 March 2004 which comprise the Group Profit and Loss Account, Group Balance Sheet, Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 21. 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 group 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 25 March 2004 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Edinburgh

1 November 2004

Group profit and loss account

for the period ended 25 March 2004

	Notes	2004 £000	Period ended 3 April 2003 £000
Turnover		18,934	21,086
Cost of sales		(13,940)	(15,246)
Gross profit		4,994	5,840
Administrative expenses		(2,809)	(2,269)
Operating profit	2	2,185	3,571
Loss on sale of fixed assets		(380)	(661)
Investment Income		1,103	1,306
Interest payable	4	(3,748)	(3,639)
(Loss)/profit on ordinary activities before taxation		(840)	577
Tax on (loss)/profit on ordinary activities	5	290	(40)
(Loss)/profit for the financial year		(550)	537
Dividends	6	(187)	(187)
Loss for the period		(737)	350

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the group.

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Group balance sheet

at 25 March 2004

	Notes	2004 £000	3 April 2003 £000
Fixed assets			
Tangible assets	8	55,568	58,674
Investments	9	25,853	23,657
		81,421	82,331
Current assets			
Stocks	10	143	172
Debtors	11	1,919	3,070
Cash at bank and in hand		23	24
		2,085	3,266
Creditors: amounts falling due within one year	12	(6,638)	(8,684)
Net current liabilities		(4,553)	(5,418)
Total assets less current liabilities		76,868	76,913
Creditors: amounts falling due after more than one year	13	(60,000)	(59,000)
Provisions for liabilities and charges	14	(3,240)	(3,548)
Total assets less liabilities		13,628	14,365
Capital and reserves			
Called up share capital	15	5,000	5,000
Share premium account	16	5,000	5,000
Capital redemption reserve	16	7,500	7,500
Profit and loss account	16	(3,872)	(3,135)
Shareholders' funds (including non-equity interests)		13,628	14,365

Director

15th November 2004

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Balance sheet
at 25 March 2004

	Notes	*2004* *£000*	*3 April 2003* *£000*
Fixed assets			
Tangible assets	8	49,774	50,297
Investments	9	26,374	24,178
		76,148	74,475
Current assets			
Stocks	10	115	130
Debtors	11	52,756	49,310
Cash in bank and in hand		17	17
		52,888	49,457
Creditors: amounts falling due within one year	12	(52,657)	(52,484)
Net current assets/(liabilities)		231	(3,027)
Total assets less current liabilities		76,379	71,448
Creditors: amounts falling due after more than one year	13	(60,000)	(50,000)
Provisions for liabilities and charges	14	(3,121)	(3,440)
Total assets less liabilities		13,258	18,008
Capital and reserves			
Called up share capital	15	5,000	5,000
Share premium account	16	5,000	5,000
Capital redemption reserve	16	7,500	7,500
Profit and loss account	16	(4,242)	508
Shareholders' funds (including non-equity interests)	16	13,258	18,008

Director

1st November 2004

Group statement of cash flows

for the period ended 25 March 2004

	Notes	*2004* *£000*	*2003* *£000*
Net cash inflow from operating activities	2b	3,579	5,557
Returns on investments and servicing of finance	17	(2,723)	(2,288)
Taxation		987	(43)
Management of liquid resources	17	(2,196)	(5,758)
Capital expenditure and financial investments	17	1,469	1,961
Cash outflow before financing		1,116	(571)
Financing	17	1,000	(3,500)
Increase/(decrease) in cash		2,116	(4,071)

Reconciliation of net cash flow to movement in net debt

	Notes	*2004* *£000*	*2003* *£000*
Increase/(decrease) in cash		2,116	(4,071)
Cash (inflow)/outflow from new loans less repayment of loans		(1,000)	3,500
Change in net debt		1,116	(571)
Net debt at 3 April 2003	17	(63,812)	(63,241)
Net debt at 25 March 2004	17	(62,696)	(63,812)

Notes to the financial statements

at 25 March 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Paragon Hotels Limited and all its subsidiary undertakings. No profit and loss account is presented for Paragon Hotels Limited as permitted by section 230 of the Companies Act 1985.

Goodwill

Purchased goodwill arising prior to 29 March 1998 is set off directly against reserves.

Fixed assets

Depreciation is provided to write down the assets to their estimated residual value by equal instalments over their estimated useful economic lives as follows:-

Land	- not depreciated
Freehold hotel properties	- 50 years
Fixtures, fittings and equipment	- 4 to 10 years
Motor vehicles	- 4 years

Depreciation is not provided, if on calculation it is found to be immaterial.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Revenue grants are released to profit over the life of the project to which they relate.

Assets under development

These assets are separately recorded under fixed assets then transferred to the appropriate classification within fixed assets once the project is complete.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred tax

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 a 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, and 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.

- 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 future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 25 March 2004

1. Accounting policies

(continued)

Deferred tax

(continued)

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

Turnover

Turnover comprises the value of sales of goods and services supplied in the normal course of operation of an hotel business (excluding Value Added Tax).

Investments

Income from listed investments is recognised on a cash basis.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

2. Operating profit

(a) This is stated after charging:

		2004 *£000*	2003 *£000*
Auditors' remuneration -	audit services	27	27
-	non-audit services	25	25
Depreciation of owned assets		997	1,021
Impairment provision against fixed assets		260	-

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

	2004 *£000*	2003 *£000*
Operating profit	2,185	3,571
Depreciation and impairment of tangible fixed assets	1,257	1,021
Decrease in stocks	29	12
Decrease in operating debtors and prepayments	174	718
(Decrease)/increase in operating creditors and accruals	(66)	235
Net cash inflow from operating activities	3,579	5,557

Notes to the financial statements

at 25 March 2004

3. Directors' remuneration and staff costs

	2004	*2003*
	£000	*£000*
Fees	-	-
Emoluments (including pension contributions):	-	-
	-	-

The company has no employees. Gross profit is stated after charging £6,095,352 (2003: £6,552,279) paid to the hotel staff who are employed by a hotel management company.

4. Interest payable

	2004	*2003*
	£000	*£000*
Net bank loan and overdraft interest payable	3,748	3,639

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5. Tax on profit on ordinary activities

a) The taxation (credit)/charge is made up as follows:

	2004	*2003*
	£000	*£000*
Current tax:		
Based on the profit for the period:		
Corporation tax	-	(299)
Adjustments in respect of prior periods	18	(17)
Total current tax	18	(316)
Deferred tax:		
Origination and reversal of timing differences	(308)	356
	(290)	40

b) Factors affecting the tax charge for the period

The tax assessed on the (loss)/profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2004	*2003*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(840)	577
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (2003: 30.00%)	(252)	180
Effect of:		
Disallowed expenses and non-taxable income	(1)	(100)
Capital allowances in excess of depreciation	5	(271)
Short term timing differences	26	(108)
Adjustments in respect of previous periods	18	(17)
Tax losses carried forward	222	-
Current tax for the period	18	(316)

Notes to the financial statements

at 25 March 2004

5. Tax on profit on ordinary activities

(continued)

c) Factors that could affect future tax charges

In the company no provision has been made for deferred tax on gains recognised on revaluing property. Such tax would become payable only if the properties were sold without it being possible to set off capital losses/claim rollover relief. The total amount unprovided in respect of the revalued properties in the company is £3,037,000 (2003: £1,925,000), however, at present it is not envisaged that any tax will become payable in the foreseeable future.

The deferred tax asset of approximately £1,005,000 (2003: £1,202,000) which would arise if the properties were sold for their revalued amounts in Cairn Hotels Limited has not been recognised in the financial statements. When the properties are sold, the asset would only be recoverable against capital gains of that period or future periods. £125,000 of the asset is not expected to crystallise in the foreseeable future whilst the balance will crystallise in the year to 31 March 2005 when the Grampian Hotel is sold.

No deferred tax asset has been recognised on potential capital losses which would arise if the listed and unlisted investments were disposed of at their market value. The total amount unprovided in respect of the listed and unlisted investments is £615,000 (2003: £1,754,000). At present it is not envisaged that any losses will crystallise. These losses would be available for offset against future chargeable gains.

No deferred tax is recognised in respect of the capital losses carried forward at 25 March 2004. The amount of deferred tax not recognised on capital losses is £270,000 (2003: £270,000) in Paragon Hotels Limited and £4,670,000 (2003: £4,256,000) in the subsidiary undertakings. The capital losses may be offset against future capital gains of the companies within the group.

d) Deferred taxation included in the balance sheet is as follows:

Group	*2004*	*2003*
	£000	*£000*
Capital allowances in advance of depreciation	3,504	3,579
Other timing differences	(264)	(31)
Provision for deferred tax	3,240	3,548

Company	*2004*	*2003*
	£000	*£000*
Capital allowances in advance of depreciation	3,374	3,468
Other timing differences	(253)	(28)
Provision for deferred tax	3,121	3,440

6. Dividends

	2004	*2003*
	£000	*£000*
Dividend on preference shares - paid	78	187
Dividend on preference shares – provided	109	-
	187	187

Notes to the financial statements

at 25 March 2004

7. Profit attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £4,563,000 (2003: loss £988,000).

8. Tangible fixed assets

Group

	Freehold land and buildings £000	*Fixtures, fittings and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:				
At 4 April 2003	52,983	10,178	35	63,196
Additions	35	386	-	421
Disposals	(2,159)	(370)	(35)	(2,564)
At 25 March 2004	50,859	10,194	-	61,053
Depreciation:				
At 4 April 2003	195	4,309	18	4,522
Provided during the period	70	927	-	997
Impairment provision during the period	260	-	-	260
On disposals	(18)	(258)	(18)	(294)
At 25 March 2004	507	4,978	-	5,485
Net book value				
At 25 March 2004	50,352	5,216	-	55,568
At 3 April 2003	52,788	5,869	17	58,674

Company

	Freehold land and buildings £000	*Fixtures fittings and equipment £000*	*Motor vehicles £000*	*Total £000*
Cost:				
At 4 April 2003	45,207	8,650	25	53,882
Additions	35	346	-	381
On disposals	-	-	(25)	(25)
At 25 March 2004	45,242	8,996	-	54,238
Depreciation:				
At 4 April 2003	147	3,414	24	3,585
Provided during the period	57	846	-	903
On disposals	-	-	(24)	(24)
At 25 March 2004	204	4,260	-	4,464
Net book value				
At 25 March 2004	45,038	4,736	-	49,774
At 3 April 2003	45,060	5,236	1	50,297

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Notes to the financial statements

at 25 March 2004

9. Investments

Group	*Listed investments £000*	*Unlisted investments £000*	*Total £000*
Cost at 3 April 2003	23,657	-	23,657
Additions in period	-	2,196	2,196
Cost at 25 March 2004	23,657	2,196	25,853

The market value of the listed investments at 25 March 2004 is £21,840,000 (2003: 17,810,000)

Company	*Listed investments £000*	*Unlisted investments £000*	*Total £000*
Cost at 3 April 2003	23,657	-	23,657
Purchased during period	-	2,196	2,196
	23,657	2,196	25,853

The market value of the listed investments at 25 March 2004 is £21,840,000 (2003: 17,810,000)
The listed investments represent a holding of ordinary shares in Scottish & Newcastle plc.

The group and the company acquired 20% of the ordinary share capital of Holyrood Hotels Limited and 21% of the ordinary share capital of Cardrona Hotel, Golf & Country Club Limited in the period. These interests are included within investments as the group and company does not exert significant influence over these companies.

Company	*Subsidiary undertakings*	
	2004 £000	*2003 £000*
Cost:		
At 3 April 2003	8,021	8,021
Provision against cost of investment	(7,500)	(7,500)
Net book value	521	521
Net book value of total investments	26,374	24,178

Subsidiary undertakings

All held by the company apart from Grovefield Hotel Limited which is held by Southern Hotels (Cairn) Limited.

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Cairn Hotels Limited	Ordinary shares	100%	Hotels
Southern Hotels (Cairn) Limited	Ordinary shares	100%	Non-trading
Grovefield Hotel Limited	Ordinary shares	100%	Non-trading
Englefield Hotel Limited	Ordinary shares	100%	Non-trading
Cartland Hotels Limited	Ordinary shares	100%	Non-trading

Notes to the financial statements

at 25 March 2004

9. Investments

(continued)

PHL Hotels Limited	Ordinary shares	100%	Non-trading
Balmoral Hotel Harrogate Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Ordinary shares	100%	Non-trading
Roxburghe Hotel Limited	Preference shares	100%	Non-trading

10. Stocks

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	£000	*£000*	*£000*	*£000*
Food and liquor	143	172	115	130

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. Debtors

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	£000	*£000*	*£000*	*£000*
Trade debtors	691	1,085	543	889
Other debtors and prepayments	1,228	1,008	1,202	937
Amounts owed by subsidiary undertakings	-	-	51,011	46,507
Taxation recoverable	-	977	-	977
	1,919	3,070	52,756	49,310

Amounts falling due after more than one period included above are:

	Company	
	2004	*2003*
	£000	*£000*
Amounts owed by subsidiary undertakings	51,011	46,507

12. Creditors: amounts falling due within one period

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	£000	*£000*	*£000*	*£000*
Amounts due to subsidiary undertakings	-	-	46,414	37,823
Trade creditors	1,324	1,100	1,124	961
Corporation tax	28	-	28	-
Other taxation and social security	120	303	119	236
Other creditors	1,117	1,117	1,017	1,052
Accruals	1,226	1,328	1,204	1,174
Bank overdraft	2,714	4,836	2,642	11,238
Preference dividend	109	-	109	-
	6,638	8,684	52,657	52,484

Notes to the financial statements

at 25 March 2004

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

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	£000	*£000*	*£000*	*£000*
Bank loans - wholly repayable within two and five years	60,000	59,000	60,000	50,000

The bank loans and overdrafts are secured by bond and floating charge and standard securities over all of the group's properties.

14. Provisions for liabilities and charges

Deferred tax

	Group	*Company*
	£000	*£000*
Provision at 3 April 2003	3,548	3,440
Deferred tax credit in profit and loss account for the period	(308)	(319)
Provision at 25 March 2004	3,240	3,121

15. Share capital

Authorised	*2004*	*2003*
	£	*£*
Ordinary shares of £1 each	7,000,000	7,000,000
7.5% redeemable preference shares of £1 each	7,500,000	7,500,000
	14,500,000	14,500,000

Allotted, called up and fully paid	*Group*		*Company*	
	2004	*2003*	*2004*	*2003*
	No	*No*	*£000*	*£000*
Ordinary shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
7.5% redeemable preference shares of £1 each	2,500,000	2,500,000	2,500,000	2,500,000
	5,000,000	5,000,000	5,000,000	5,000,000

The holders of ordinary shares are entitled to such dividend as may be determined by the directors.

The 7.5% redeemable preference shares, which were issued at par on 30 August 2001, are redeemable at any time up to 29 August 2006 or, if earlier on a sale or listing, the appointment of a receiver or on the appointment of a liquidator over the Company. The preference shares carry a dividend of 7.5% per annum, payable annually in arrears on 1 March and 1 September. The dividend rights are cumulative.

Notes to the financial statements

at 25 March 2004

15. Share capital

(continued)

On a return of assets or liquidation or otherwise, the assets available for distribution are as follows:

a) in paying to the holders of the preference shares (in proportion to the number of such shares held by them) and in priority to all other shareholders an amount equal to the amount paid up or credited as paid together with a sum equal to all arrears of the Preference Dividend calculated down to the date of return of assets;

b) in paying to the holders of ordinary shares pro rata in proportion to the number of such shares held by them respectively any surplus assets of the company.

The holders of ordinary shares are entitled to one vote for each share held. The holders of the preference shares have no votes.

16. Reconciliation of shareholders' funds and movement on reserves

Group	*Capital Redemption Reserve*	*Share capital*	*Share premium*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 4 April 2002	7,500	5,000	5,000	(3,485)	14,015
Profit for the period	-	-	-	537	537
Dividends	-	-	-	(187)	(187)
At 3 April 2003	7,500	5,000	5,000	(3,135)	14,365
Loss for the period	-	-	-	(550)	(550)
Dividends	-	-	-	(187)	(187)
At 25 March 2004	7,500	5,000	5,000	(3,872)	13,628

The cumulative amount of goodwill written off at 25 March 2004 is £2,338,000 (2003: £2,338,000).

Company	*Capital Redemption Reserve*	*Share capital*	*Share premium account*	*Profit and loss account*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
At 4 April 2002	7,500	5,000	5,000	1,683	19,183
Loss for the period	-	-	-	(988)	(988)
Dividends	-	-	-	(187)	(187)
At 3 April 2003	7,500	5,000	5,000	508	18,008
Loss for the period	-	-	-	(4,563)	(4,563)
Dividends	-	-	-	(187)	(187)
At 25 March 2004	7,500	5,000	5,000	(4,242)	13,258

Notes to the financial statements

at 25 March 2004

16. Reconciliation of shareholders' funds and movement on reserves

(continued)

Shareholder funds are attributable as follows:		*Group*		*Company*
	2004	*2003*	*2004*	*2003*
	£000	*£000*	*£000*	*£000*
Equity interests	11,128	11,865	10,758	15,508
Non equity interests	2,500	2,500	2,500	2,500
	13,628	14,365	13,258	18,008

17. Notes to the cash flow statement

	2004	*2003*
	£000	*£000*
Returns on investments and servicing of finance		
Interest paid	(3,748)	(3,313)
Investment income	1,103	1,306
Preference dividend	(78)	(281)
Net cash outflow from returns on investments and servicing of finance	(2,723)	(2,288)
Management of liquid resources		
Purchase of investments	2,196	5,758
Capital expenditure and financial investments		
Proceeds of sale of tangible fixed assets	1,872	2,552
Purchase of tangible fixed assets	(403)	(591)
Net cash inflow for capital expenditure	1,469	1,961
Financing		
New long term loans	1,000	1,000
Redemption of long term loans	-	(4,500)
	1,000	(3,500)

	At 3 April 2003	*Cash flows*	*At 25 March 2004*
	£000	*£000*	*£000*
Analysis of changes in net debt:			
Cash at bank and in hand	24	(1)	23
Bank overdraft	(4,836)	2,117	(2,719)
Bank loans	(59,000)	(1,000)	(60,000)
	(63,812)	1,116	(62,696)

Notes to the financial statements

at 25 March 2004

18. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

Group	*Land and buildings*		*Fixtures and fittings*	
	2004	*2003*	*2004*	*2003*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one period	-	-	-	-
between two and five years	-	-	-	-
	-	-	-	-

19. Related party transactions

The company paid a management fee of £195,000 to Guild Ventures Limited for goods and services provided. Guild Ventures Limited is a related party since the directors of this company are directors of that company and its parent company. During the period the company purchased the investments shown in note 9 from Guild Ventures Limited at their market value.

20. Contingent liabilities

The company is party to an agreement with its bankers whereby the bank is entitled to hold all sums at credit of any accounts in the company's name in security of all sums due to the bank by the company's subsidiary undertakings. The overdraft is secured by bond and floating charge and standard security over all of the group's properties.

21. Ultimate parent company

The company's ultimate parent company and controlling party is Calgarth Limited, which is incorporated in the Isle of Man.