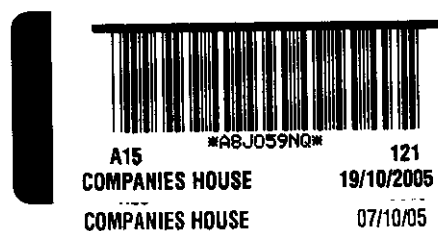


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**FIRST RATE TRAVEL SERVICES HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS**

for the year ended 31 March 2005



First Rate Travel Services Holdings Limited

Annual Report & Financial Statements for the year ended 31 March 2005

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First Rate Travel Services Holdings Limited

General information

Directors

The directors of the company during the year under review and up to the date of this report are as follows:

Michael David Kennedy
Garret George Stokes
David John Mills
Denis Donovan
Peter Corbett
Gordon Steele
Tom Comerford

Secretary and registered Office

Secretary

Colin James Clements

Registered office

Falcon House
113 - 115 Staines Road
Hounslow
TW3 3LL

Company number

04287534

Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

First Rate Travel Services Holdings Limited

Directors' report

The directors present their report together with the audited financial statements of First Rate Travel Services Holdings Limited (the 'Company') and its subsidiary (the 'Group') for the year ended 31 March 2005. The Group accounts comprise the consolidated accounts of the Company including its subsidiary as defined by the Companies Act 1985.

Results and dividends

The profit and loss account is set out on page 4 and shows the result for the period.

A dividend of £35,000,000 has been declared.

Principal activity, trading review and future developments

The Group's principal activity is the sale and purchase of foreign currency.

The directors are satisfied with the results and future prospects for the company.

There have been no events since the balance sheet date which materially affect the position of the company.

Directors

The directors of the company during the year under review and up to the date of this report are as follows:

	Appointed	Resigned
Michael David Kennedy	24 May 2002	
Garret George Stokes	24 May 2002	19 August 2004
David John Mills	18 September 2002	22 April 2004
Denis Donovan	26 February 2003	
Peter Corbett	22 April 2004	
Gordon Steele (Chairman)	22 April 2004	
Tom Comerford	19 August 2004	

None of the directors have any interest in the ordinary share capital of the company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year, 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 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the Group's system of internal financial controls, for the assets of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

Employees

The Company's policy is to encourage effective communication and consultation between employees and management, particularly on matters relating to strategy, financial and economic factors that may influence the Company's performance. This is achieved through the use of an extensive range of communication channels, including briefings, open forums and an intranet website.

Employee Opinion Surveys are conducted to allow employees an opportunity to express their views and opinions on important issues. This two-way communication encourages all employees to contribute towards making business improvements.

We actively encourage continuous training and skill development for all employees to ensure achievement of corporate and individual objectives. Management development and training programmes have been designed to attract and retain the best people. Adoption of a best practice approach to people management includes delivery of a safe, supportive working environment where equal opportunities and open communication are encouraged.

An equal opportunities policy is maintained in all respects including disability, age, religion, colour, sex, nationality, ethnic origin, race, creed and marital status.

Charitable donations

During the financial year under review the company made a charitable donation to the Tsunami Appeal to the value of £10,000.

Registered office

During the year the company's registered office changed as follows:

From	Pharmacia House Price Regents Road Hounslow TW3 1NE	To	Falcon House 113 - 115 Staines Road Hounslow TW3 3LL
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Auditors

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

By order of the board

Secretary



17 October

2005

First Rate Travel Services Holdings Limited

Report of the auditors

Independent auditors' report to the members of First Rate Travel Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 1 and 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Audit Practices Board. 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 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 is not disclosed.

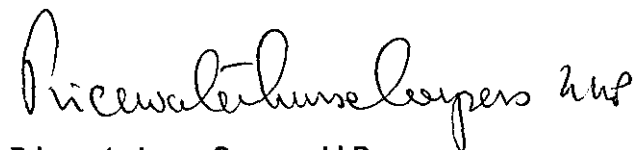
Basis of audit opinion

We conducted our audit in accordance with 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 caused by fraud or any 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 Group at 31 March 2005 and the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
LONDON

24 August 2005.

First Rate Travel Services Holdings Limited

Consolidated profit and loss account for the year ended 31 March 2005

	Note	2005 £	2004 £
Turnover		121,901,076	92,482,868
Cost of sales		(23,311,294)	(18,605,162)
Gross profit		98,589,782	73,877,706
Administrative expenses		(26,554,272)	(27,066,515)
Operating profit		72,035,510	46,811,191
Interest receivable	4	1,615,169	1,023,572
Interest payable	5	(2,123,385)	(1,365,055)
Profit on ordinary activities before taxation	6	71,527,294	46,469,708
Taxation on profit from ordinary activities	8	(20,350,002)	(14,951,630)
Profit on ordinary activities after taxation		51,177,292	31,518,078
Dividends	10	(35,000,000)	(20,000,000)
Retained profit for the year		16,177,292	11,518,078
Retained profit at beginning of year		26,518,078	15,000,000
Retained profit at end of year	19	42,695,370	26,518,078

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements in shareholders funds apart from the profit for the year.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

The notes on pages 7 to 15 form part of these financial statements.

First Rate Travel Services Holdings Limited

Balance sheets At 31 March 2005

		Group		Company	
	Note	2005 £	2004 £	2005 £	2004 £
Fixed assets					
Intangible assets	11	1,724,955	1,827,750	-	-
Tangible assets	12	3,305,062	3,711,715	2,500	2,500
Investment	13	-	-	6,241,339	6,241,339
		<u>5,030,017</u>	<u>5,539,465</u>	<u>6,243,839</u>	<u>6,243,839</u>
Current assets					
Inventory	14	93,438,308	69,928,092	-	-
Accounts receivable	15	57,541,503	42,792,900	29,050	29,050
Cash and bank	25	50,684,593	29,494,973	86,139	290,792
		<u>201,664,404</u>	<u>142,215,965</u>	<u>115,189</u>	<u>319,842</u>
Creditors: amounts falling due within one year	16	159,999,051	117,237,352	2,659,949	2,899,096
Net current assets		<u>41,665,353</u>	<u>24,978,613</u>	<u>(2,544,760)</u>	<u>(2,579,254)</u>
Net assets		<u>46,695,370</u>	<u>30,518,078</u>	<u>3,699,079</u>	<u>3,664,585</u>
Capital and reserves					
Share capital	18	2,000	2,000	2,000	2,000
Share premium	19	3,998,000	3,998,000	3,998,000	3,998,000
Retained earnings	19	42,695,370	26,518,078	(300,921)	(335,415)
Equity shareholder's funds		<u>46,695,370</u>	<u>30,518,078</u>	<u>3,699,079</u>	<u>3,664,585</u>

The financial statements were approved by the Board on *24th August* 2005.


Peter Corbett
Director


Tom Comerford
Director

The notes on pages 7 to 15 form part of these financial statements.

First Rate Travel Services Holdings Limited

Consolidated cash flow statement for the year ended 31 March 2005

	Note	2005 £	2004 £
Net cash flow from operating activities	24	58,667,191	22,096,192
Returns on investment and servicing of finance			
Interest received		1,615,169	1,023,572
Interest paid		(2,123,385)	(1,365,055)
Net cash inflow/(outflow) from returns on investment and servicing of finance		(508,216)	(341,483)
Taxation		(15,876,230)	(5,950,000)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(1,093,126)	(940,244)
Net cash (outflow) from capital expenditure and financial investments		(1,093,126)	(940,244)
Equity dividends paid to shareholders		(20,000,000)	(9,191,711)
Cash inflow before use of liquid resources and financing		21,189,619	5,672,754
Increase in net cash	25	21,189,619	5,672,754

The notes on pages 7 to 15 form part of these financial statements.

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

1. Accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards. A summary of the more important company accounting policies is set out below.

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary. All significant intercompany transactions have been eliminated on consolidation.

(c) Revenue recognition

Revenue from currency exchange transactions is recognised as the difference between the cost and selling price of currency.

(d) Cost of sales

Cost of sales comprises direct selling costs and rebates.

(e) Goodwill and intangible assets

The excess of the fair value of the consideration to acquire businesses over the fair value of net assets acquired which is not otherwise allocated to individual assets and liabilities is determined to be goodwill and is amortised on a straight-line basis over a period of 20 years.

An impairment review of goodwill balances is performed in the first financial year following a financial year in which an acquisition generating goodwill occurs. The carrying amount of goodwill is reviewed by analysing the financial performance of the business acquired compared to the forecasts on which the acquisition was based. When any such impairment exists, the related goodwill is written down to fair value.

(f) Tangible fixed assets

Tangible fixed assets are initially recorded at cost and depreciated so as to write off the cost of the asset over its estimated life. Cost includes those costs directly attributable to bringing the asset into working condition for its intended use.

Where events or changes in circumstances indicate that the carrying amount of fixed assets may not be recoverable the assets are written down to their recoverable amount.

Depreciation is provided to write off the cost, less any estimated residual value, of all tangible fixed assets over their expected useful lives. It is calculated on a straight-line basis using the following rates:

Leasehold improvements	7% to 33%	Straight line
Plant and equipment	20%	Straight line
Motor vehicles	25%	Straight line
Fixtures and fittings	10%	Straight line
Computer equipment and software	20% to 33%	Straight line

(g) Currency inventory

Currency inventory consists of all (domestic and foreign) notes and coins held in the distribution centres and in transit. Currency inventory is valued at the lower of cost and net realisable value.

(h) Foreign currencies

Foreign currency transactions are translated into the measurement currency at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

(i) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(j) Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Incentives received from lessees are spread over the shorter of the lease term and a date from which it is expected that the prevailing market rental will be payable, on a straight-line basis as a reduction to rental expense.

(k) Pension costs

Contributions to the Group's defined contribution pension schemes are charged to the profit and loss account as incurred.

2. Segment reporting

The Group's activities consist solely of the sale and purchase of foreign currency and other travel related commission based income in the United Kingdom.

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

3. Employees

	Group	
	2005	2004
	£	£
Staff costs consist of:		
Salaries and wages	6,800,763	5,443,092
Social security costs	743,174	456,251
Pension costs	98,532	53,235
Other employee costs	578,850	319,227
	<u>8,221,319</u>	<u>6,271,805</u>

The average weekly number of employees during the period was as follows:

	Number	Number
Full time	205	146
Part time	8	12
	<u>213</u>	<u>158</u>

4. Interest receivable

	Group	
	2005	2004
	£	£
Interest receivable from related parties	<u>1,615,169</u>	<u>1,023,572</u>

5. Interest payable

	Group	
	2005	2004
	£	£
Interest payable to related parties	<u>2,123,385</u>	<u>1,365,055</u>

6. Profit on ordinary activities before taxation

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
This is arrived at after charging:				
Amortisation of intangible fixed assets	102,795	103,500	-	-
Depreciation of tangible fixed assets	952,779	1,768,523	-	-
Auditors' remuneration - audit fee	40,000	40,000	-	-
Operating lease rentals - land and buildings	403,534	258,445	-	-
	<u></u>	<u></u>	<u></u>	<u></u>

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

7. Directors' emoluments

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Directors:				
Aggregate emoluments	171,366	168,861	-	-
Company pension contributions to money purchases schemes	-	-	-	-
	6,785	4,818	-	-
	<u>178,151</u>	<u>173,679</u>	<u>-</u>	<u>-</u>

No director has any benefits accruing under defined benefit schemes.

Highest paid director:

Aggregate emoluments	171,366	168,861	-	-
Company pension contributions to money purchases schemes	-	-	-	-
	6,785	4,818	-	-
	<u>178,151</u>	<u>173,679</u>	<u>-</u>	<u>-</u>

Emoluments are paid by the Group in respect of one director. Related parties pay emoluments in respect of the remaining directors, and their services to the Group are considered incidental to the roles they perform for these related parties.

8. Taxation on profits from ordinary activities

	Group	
	2005 £	2004 £
Analysis of tax charge in period		
Current tax:		
Corporation tax at 30%	21,636,265	15,819,091
Group relief payable	-	-
Group relief relating to prior year	(1,364,216)	(59,290)
	<u>20,272,049</u>	<u>15,759,801</u>
Deferred tax:		
Origination and reversal of timing differences (note 17)	77,953	(808,171)
Total taxation charge	<u>20,350,002</u>	<u>14,951,630</u>
Profit on ordinary activities before taxation	71,527,294	46,469,708
Corporation tax at 30%	21,458,188	13,940,912
Effects of:		
Expenses not deductible for tax purposes	28,641	1,360,136
Movements in untaxed provisions	-	175,175
Utilisation of group relief	-	-
Capital allowances in excess of depreciation	48,446	342,868
Group relief relating to prior year	(1,364,216)	(59,290)
Deferred taxation adjustment	100,990	-
	<u>20,272,049</u>	<u>15,759,801</u>

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

9. Profit of holding company

Of the retained profit for the financial year, a retained profit of £34,493 (2004: £154,885) is dealt with in the accounts of First Rate Travel Services Holdings Limited. The Directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss for the Company alone.

10. Dividends

	Group	
	2005 £	2004 £
Equity Ordinary		
Final dividends declared	<u>35,000,000</u>	<u>20,000,000</u>

11. Intangible fixed assets

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Goodwill - at cost				
At 1 April	2,017,500	2,017,500	-	-
Additions during the year	-	-	-	-
Disposals during the year	-	-	-	-
At 31 March	<u>2,017,500</u>	<u>2,017,500</u>	<u>-</u>	<u>-</u>
Amortisation				
At 1 April	189,750	86,250	-	-
Charge for the year	102,795	103,500	-	-
Disposals during the year	-	-	-	-
At 31 March	<u>292,545</u>	<u>189,750</u>	<u>-</u>	<u>-</u>
Net book value at 31 March	<u>1,724,955</u>	<u>1,827,750</u>	<u>-</u>	<u>-</u>
Net book value at 1 April	<u>1,827,750</u>	<u>1,931,250</u>	<u>-</u>	<u>-</u>

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

12. Tangible assets

Group 2005	Leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £	Computer equipment & software £	Total £
Cost						
At 1 April 2004	1,696,511	2,012,011	193,632	462,400	1,543,653	5,908,207
Assets written off	-	(553,266)	-	-	-	(553,266)
Reclassification	(76,469)	116,083	-	(109,371)	69,757	-
Additions	294,833	26,111	15,069	194,819	562,294	1,093,126
Disposals	(505,689)	(410,389)	(1,946)	(249,586)	(590,534)	(1,758,144)
At 31 March 2005	1,409,186	1,190,550	206,755	298,262	1,585,170	4,689,923
Depreciation						
At 1 April 2004	345,659	967,636	65,393	106,531	711,273	2,196,492
Depreciation on assets written off	-	(553,266)	-	-	-	(553,266)
Reclassification	(55,239)	33,439	-	(10,120)	31,920	-
Charge for the period	238,786	263,494	40,615	13,450	396,434	952,779
Depreciation on disposals	(328,737)	(213,641)	(1,946)	(87,742)	(579,078)	(1,211,144)
At 31 March 2005	200,469	497,662	104,062	22,119	560,549	1,384,861
Net book value						
At 31 March 2005	<u>1,208,717</u>	<u>692,888</u>	<u>102,693</u>	<u>276,143</u>	<u>1,024,621</u>	<u>3,305,062</u>
At 31 March 2004	<u>1,350,852</u>	<u>1,044,375</u>	<u>128,239</u>	<u>355,869</u>	<u>832,380</u>	<u>3,711,715</u>
Company 2005					Leasehold land and buildings £	Total £
Cost						
At 1 April 2004					2,500	2,500
Additions					-	-
At 31 March 2005					<u>2,500</u>	<u>2,500</u>
Depreciation						
At 1 April 2004					-	-
Charge for the period					-	-
At 31 March 2005					<u>-</u>	<u>-</u>
Net book value						
At 31 March 2005					<u>2,500</u>	<u>2,500</u>
At 31 March 2004					<u>2,500</u>	<u>2,500</u>

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

13. Investment

	Company	
	2005 £	2004 £
At 1 April	6,241,339	6,241,339
Additions during the year	-	-
At 31 March	<u>6,241,339</u>	<u>6,241,339</u>

On 24 May 2002 the company acquired 100% of the share capital of First Rate Travel Services Limited (a company incorporated in the United Kingdom). The Group financial statements consolidate the financial statements of the Company and the subsidiary.

14. Inventory

	Group	
	2005 £	2004 £
Currency inventory	<u>93,438,308</u>	<u>69,928,092</u>

15. Debtors: amounts due within one year

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade debtors	56,417,329	41,546,279	-	-
Other debtors	29,050	29,050	29,050	29,050
Prepayments and accrued income	364,906	409,400	-	-
Deferred tax (Note 17)	730,218	808,171	-	-
	<u>57,541,503</u>	<u>42,792,900</u>	<u>29,050</u>	<u>29,050</u>

16. Creditors: amounts due within one year

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade creditors	98,327,692	72,121,486	-	-
Creditors for taxation and social security	386,566	341,155	1,816	1,919
Corporation tax	16,948,649	12,552,830	36,899	33,943
Proposed dividends	35,000,000	20,000,000	-	-
Accruals	9,336,144	12,221,881	(46,621)	(54,700)
Amounts due to subsidiary undertaking	-	-	2,667,855	2,917,934
	<u>159,999,051</u>	<u>117,237,352</u>	<u>2,659,949</u>	<u>2,899,096</u>

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

17. Deferred tax

	Group	
	2005 £	2004 £
Depreciation in excess of capital allowances	730,218	490,171
Other timing differences	-	318,000
Total deferred tax asset	<u>730,218</u>	<u>808,171</u>

The movement in the deferred tax asset for the year was as follows:

At 1 April 2004	808,171	-
Credit in the profit and loss account (note 8)	(77,953)	808,171
At 31 March 2005	<u>730,218</u>	<u>808,171</u>

18. Share capital

	2005 Number of shares	2005 £	2004 Number of shares	2004 £
Authorised				
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Allotted, issued and fully paid up:				
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>

19. Reconciliation of movement in equity shareholders funds

	Share Capital £	Share Premium Reserve £	Profit and Loss Reserve £	Total £
Group:				
At 1 April 2004	2,000	3,998,000	26,518,078	30,518,078
Retained profit for the year	-	-	16,177,292	16,177,292
At 31 March 2005	<u>2,000</u>	<u>3,998,000</u>	<u>42,695,370</u>	<u>46,695,370</u>
Company:				
At 1 April 2004	2,000	3,998,000	(335,415)	3,664,585
Retained profit for the year	-	-	34,494	34,494
At 31 March 2005	<u>2,000</u>	<u>3,998,000</u>	<u>(300,921)</u>	<u>3,699,079</u>

20. Commitments under operating leases

	Group	
	2005 £	2004 £
As at 31 March 2005, the Group had annual commitments under non-cancellable operating leases as set out below:		
Operating leases which expire:		
Within one year	575,852	241,850
In the second to fifth year inclusive	1,820,923	426,500
In over five years	3,828,596	628,667
	<u>6,225,371</u>	<u>1,297,017</u>

First Rate Travel Services Holdings Limited

Notes forming part of the financial statements for the year ended 31 March 2005

21. Capital commitments

At 31 March 2005, the Group had no contractual commitments. (31 March 2004: NIL)

22. Contingent liabilities

The company did not have any contingent liabilities at 31 March 2005. (31 March 2004: NIL)

23. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions paid by the company for the year were £98,532. (2004: £53,235)

24. Reconciliation of consolidated operating profit to net cash inflow from operating activities

	Group	
	2005 £	2004 £
Operating profit	72,035,510	46,811,191
Amortisation of intangible assets	102,795	103,500
Depreciation of tangible fixed assets	952,779	1,768,523
Increase in inventory	(23,510,216)	(34,842,874)
Increase in debtors	(14,826,556)	(26,099,504)
Increase in creditors	23,912,879	34,355,356
	<u>58,667,191</u>	<u>22,096,192</u>

25. Reconciliation of net cash inflow to movement in net funds

	Group	
	2005 £	2004 £
Increase in cash in the year	21,189,619	5,672,754
Net funds at 1 April	29,494,973	23,822,219
Net funds at 31 March	<u>50,684,593</u>	<u>29,494,973</u>

26. Related party transactions

The group is a joint venture between Post Office Limited, whose ultimate parent company is Royal Mail Holdings plc, and First Rate Enterprises, whose ultimate parent company is Bank of Ireland. A significant proportion of the group's sales and purchases were transacted with these related parties.

Year-end balances arising from sales/purchases of goods:

	Group	
	2005 £'000	2004 £'000
Receivables from related parties		
Post Office Limited	87	65
Bank of Ireland	43,586	32,037
	<u>43,673</u>	<u>32,102</u>
Payables to related parties		
Post Office Limited	6,645	144
Bank of Ireland	17,472	39,057
	<u>24,117</u>	<u>39,201</u>

27. Ultimate parent company and controlling company

On 24 May 2002, the Company became a joint venture between Post Office Limited whose ultimate parent company is Royal Mail Holdings plc and First Rate Enterprises Limited whose ultimate parent company is Bank of Ireland. As each party owns 50% of the shares of the Company, the directors consider neither shareholder to have control of the Group. The results of the Group are therefore included in the consolidated financial statements of the shareholders under the equity accounting method.

Copies of the financial statements of Royal Mail Holdings plc are available from 130 Old Street, London, EC1V 9PQ. Copies of the financial statements of Bank of Ireland are available from Bank of Ireland Head Office, Lower Baggot Street, Dublin 2, Republic of Ireland.