

**MKM HOLDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**Company Number : 04364235**

ALEXANDER & CO  
Chartered Accountants



**MKM HOLDINGS LIMITED**

**REPORT AND ACCOUNTS**

**31 MARCH 2003**

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# **MKM HOLDINGS LIMITED**

## **COMPANY INFORMATION**

REGISTERED NUMBER : 04364235

DIRECTORS : M Koch  
V Koch

SECRETARY : J Pink

REGISTERED OFFICE : MKM House  
Warwick Road  
Old Trafford  
Manchester  
M16 0XX

AUDITORS : Alexander & Co  
Chartered Accountants  
17 St Ann's Square  
Manchester  
M2 7PW

BANKERS: Royal Bank of Scotland Plc  
P O Box 320  
St Ann's Street  
Manchester  
M60 2SS

SOLICITORS : Richard Saleh & Co  
Didsbury House  
748 Wilmslow Road  
Didsbury  
Manchester  
M20 2DW

**MKM HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2003**

The directors present their report and audited financial statements for the year ended 31 March 2003.

**Principal activity**

The principal activity of the group continues to be that of marketing and promotions and acting as a travel agency.

**Review of business**

On 22 February 2002 the company entered into an unconditional contract with Air Miles Travel Promotions Limited for the purchase of the entire share capital of MKM Group Limited (formerly MKM Group PLC). This transaction completed on 2 April 2002.

The directors are pleased to report increases in both turnover and profitability and are confident that these trends will continue in the ensuring year.

**Results and dividends**

The profit of the group for the year attributable to shareholders amounted to £215,956 (2002 – £23,247). The results for the year are shown in the profit and loss account on page 6. During the year the group paid an interim dividend of £127,800 (2002 – £nil). The directors do not recommend a final dividend.

**Fixed assets**

The movement in fixed assets are shown in note 9.

**Directors**

The directors of the company during the year and their interest in the shares of the company were as follows:

	<b>Ordinary shares of £1 each</b>	
	<b>31 March 2003</b>	<b>31 March 2002</b>
M Koch	50	50
V Koch	50	50

The directors had no interest in the share capital of the subsidiary companies.

**Auditors**

A resolution to re-appoint Alexander & Co as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

  
J Pink  
Secretary

Date: 30 September 2003

## **MKM HOLDINGS LIMITED**

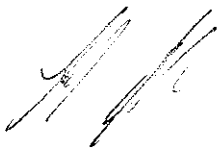
### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

We are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company and of the profit of the group for that year. In preparing those financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.



By order of the Board

Date: 30 September 2003

**MKM HOLDINGS LIMITED**  
**INDEPENDENT AUDITORS' REPORT**

**Independent auditors' report to the members of**  
**MKM Holdings Limited**

We have audited the financial statements of MKM Holdings Limited for the year ended 31 March 2003 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and 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 financial statements in accordance with applicable law and United Kingdom 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 misstatement 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 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.

**MKM HOLDINGS LIMITED  
INDEPENDENT AUDITORS' REPORT**

**Independent auditors' report to the members of  
MKM Holdings Limited (cont...)**

**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 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Alexander & Co.*

Alexander & Co  
Chartered Accountants &  
Registered Auditor  
17 St Ann's Square  
Manchester M2 7PW

Date: *2 October 2003*

**MKM HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	Note	2003 £	22 February 2002 to 31 March 2002 £
Turnover	1	3,323,935	324,939
Cost of sales		(1,434,097)	(161,108)
<b>Gross profit</b>		<u>1,889,838</u>	<u>163,831</u>
Overheads		(1,232,887)	(131,388)
<b>Operating profit</b>	2	<u>656,951</u>	<u>32,443</u>
Interest receivable		14,718	5,581
Interest payable	5	(21,336)	(1,377)
<b>Profit on ordinary activities before taxation</b>		<u>650,333</u>	<u>36,647</u>
Tax on profit on ordinary activities	6	(306,577)	(13,400)
<b>Profit on ordinary activities after taxation</b>		<u>343,756</u>	<u>23,247</u>
Dividends paid	7	(127,800)	-
<b>Profit transferred to reserves</b>	16	<u><u>215,956</u></u>	<u><u>23,247</u></u>

Movements in reserves are shown in note 16.

None of the group's activities were acquired or discontinued during the above two financial periods.

There are no recognised gains and losses in 2003 or 2002 other than the profit for the year/period.

The notes on pages 10 to 20 form part of these accounts.



**MKM HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**

**AS AT 31 MARCH 2003**

	<b>Note</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
<b>Fixed Assets</b>			
Intangible assets	8	520,266	428,354
Tangible assets	9	73,166	59,920
		<u>593,432</u>	<u>488,274</u>
<b>Current assets</b>			
Stocks		1,164	1,164
Debtors	10	860,909	761,477
Cash		776,338	770,400
		<u>1,638,411</u>	<u>1,533,041</u>
<b>Creditors - amounts falling due within one year</b>	11	(1,983,044)	(1,986,789)
<b>Net current liabilities</b>		<u>(344,633)</u>	<u>(453,748)</u>
<b>Total assets less current liabilities</b>		<u>248,799</u>	<u>34,526</u>
<b>Creditors - amounts falling due after more than one year</b>	12	(5,056)	(6,739)
<b>Deferred taxation</b>	13	(4,440)	(4,440)
		<u>239,303</u>	<u>23,347</u>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Profit and loss account	16	239,203	23,247
<b>Shareholders' funds</b>	16	<u>239,303</u>	<u>23,347</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 30 September 2003

Signed on behalf of the Board of Directors

  
M Koch  
Director

The notes on pages 10 to 20 form part of these accounts.

**MKM HOLDINGS LIMITED**  
**COMPANY BALANCE SHEET**

**AS AT 31 MARCH 2003**

	Note	2003		2002	
		£	£	£	£
<b>Fixed Assets</b>					
Investments	17		780,000		660,000
<b>Current Assets</b>					
Debtors	10	54,300		10,100	
<b>Creditors - amounts falling due within one year</b>	11	(833,655)		(684,569)	
<b>Net current liabilities</b>			(779,355)		(674,469)
			645		(14,469)
<b>Capital and reserves</b>					
Called up share capital	15		100		100
Profit and loss account	16		545		(14,569)
<b>Shareholders' funds</b>	16		645		(14,469)

The financial statements on pages 6 to 20 were approved by the board of directors on 30 September 2003

Signed on behalf of the Board of Directors

M Koch  
 Director

The notes on pages 10 to 20 form part of these accounts.

**MKM HOLDINGS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2003**

	2003	2002
	£	£
<b>Net cash inflow from operating activities</b>	305,977	694,066
<b>Returns on investments and servicing of finance</b>		
Interest paid	(18,990)	(1,377)
Interest received	14,718	5,581
Hire purchase interest	(2,346)	-
	-----	-----
Net cash (outflow)/inflow from returns on investments and servicing of finance	(6,618)	4,204
<b>Taxation</b>		
Corporation tax paid	12,906	-
	-----	-----
Tax paid	(12,906)	-
<b>Investing activities</b>		
Payments to acquire:		
Subsidiary	(120,000)	(660,000)
Tangible fixed assets	(43,995)	-
	-----	-----
Receipts from sales of:		
Tangible fixed assets	6,575	-
	-----	-----
Net cash outflow from investing activities	(157,420)	(660,000)
	-----	-----
<b>Net cash inflow before financing</b>	129,033	38,270
<b>Financing</b>		
Bank loan advances	(577,362)	(90,569)
Bank loan repayments	589,603	-
New finance agreements	(15,000)	-
Finance repaid	14,709	1,194
	-----	-----
Net cash (outflow)/inflow from financing	(11,950)	89,375
<b>Equity dividends paid</b>	(127,800)	-
	-----	-----
<b>(Decrease)/increase in cash and cash equivalents</b>	(10,717)	127,645
	=====	=====

See note 24 for the notes to this statement.

**MKM HOLDINGS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2003**

**1. ACCOUNTING POLICIES**

The following accounting policies have been adopted in preparing these financial statements.

**(a) Basis of accounting**

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

**(b) Basis of consolidation**

The group accounts consolidate the results of the company and its subsidiary undertakings for the year ended 31 March 2003. As permitted by Section 230 of the Companies Act 1985 a separate profit and loss account dealing with the results of the company has not been presented as part of these accounts.

The group's profit after taxation is after accounting for the company's profit of £15,114 (2002 – loss £14,569)

**(c) Goodwill**

Goodwill is capitalised and amortised through the profit and loss account over its useful economic life, which the directors consider to be twenty years.

**(d) Turnover**

Turnover represents the amount derived from the provision of goods and services which fall within the group's ordinary activities entirely within the United Kingdom, stated net of value added tax.

Where a subsidiary undertaking acts as an agent, turnover represents the commission due, which is recognised when there is a reasonable expectation that a holiday is unlikely to be cancelled.

**(e) Depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated so as to write off the cost of all fixed assets over their estimated useful lives as follows:

Fixtures and fittings	15% of cost per annum
Leasehold improvements	5% of cost per annum
Motor vehicles	25% of cost per annum

**(f) Deferred taxation**

Deferred taxation is provided for in accordance with FRS 19.

# MKM HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (cont...)

### FOR THE YEAR ENDED 31 MARCH 2003

#### 1. ACCOUNTING POLICIES (cont...)

##### (g) Leases and hire purchase contracts

Assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

##### (h) Pension costs

The group operates a defined contribution scheme, contributions to which are charged to profit in the period they are paid.

##### (i) Investments

Fixed Asset Investments are stated at cost, less provision for any permanent diminution in value.

2. OPERATING PROFIT	2003	2002
Operating profit is stated after charging/(crediting):	£	£
Office equipment operating lease rentals	2,393	916
Auditors remuneration – audit services	9,000	832
Amortisation	28,088	-
Depreciation – owned assets	16,613	2,830
Depreciation – assets held under hire purchase or finance lease contracts	1,250	488
Loss/(profit) on disposal of fixed assets	6,311	(284)
	<u>          </u>	<u>          </u>

#### 3. DIRECTORS REMUNERATION

	£	£
Emoluments including pension contributions	300,928	88,846
	<u>          </u>	<u>          </u>
Remuneration in respect of the highest paid director:		
Salary and bonuses	133,072	10,498
Pension contributions	4,656	750
	<u>          </u>	<u>          </u>
	137,728	11,248
	<u>          </u>	<u>          </u>

Pension contributions were paid in respect of 3 directors (2002 – 2).

# **MKM HOLDINGS LIMITED**

## **NOTES TO THE ACCOUNTS (cont...)**

### **FOR THE YEAR ENDED 31 MARCH 2003**

<b>4. STAFF COSTS</b>	<b>2003</b>	<b>2002</b>
The average number of employees during the year was as follows:		
Sales and administration	37	34
	<u>=====</u>	<u>=====</u>
	<b>£</b>	<b>£</b>
Wages and salaries	944,766	102,884
Social security costs	88,400	9,213
Pension costs	23,185	1,214
	<u>-----</u>	<u>-----</u>
	1,056,351	113,311
	<u>=====</u>	<u>=====</u>

The group has made payments totalling £23,185 (2002 - £1,214) to defined contribution pension schemes, the assets of which are held in independently administered funds. The pension cost charge represents the total contributions payable to the funds.

<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Bank interest paid	4,310	866
Hire purchase and finance lease interest	2,346	511
Loan interest	14,680	-
	<u>-----</u>	<u>-----</u>
	21,336	1,377
	<u>=====</u>	<u>=====</u>

# **MKM HOLDINGS LIMITED**

## **NOTES TO THE ACCOUNTS (cont...)**

### **FOR THE YEAR ENDED 31 MARCH 2003**

<b>6. TAXATION</b>	<b>2003</b>		<b>2002</b>	
(a) Analysis of charge in year	£	£	£	£
Current tax:				
UK Corporation Tax on ordinary activities (note 6b)	198,500		13,400	
Adjustment in respect of previous year *	108,570		-	
Overprovision in earlier years	(493)		-	
	-----		-----	
Total current tax		<u>306,577</u>		<u>13,400</u>
		<b>2003</b>		<b>2002</b>
		<b>£</b>		<b>£</b>
(b) Factors affecting tax charge for year				
The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK (30%).				
The differences are explained below:				
Profit on ordinary activities before tax		<u>650,333</u>		<u>36,647</u>
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the UK 30% (2002 : 30%)		195,100		10,994
Effects of:				
Expenses not deductible for tax purposes		7,656		1,695
Capital allowances in excess of depreciation		(3,634)		-
Other differences		(622)		711
		-----		-----
Current tax charge for year (note 6a)		<u>198,500</u>		<u>13,400</u>

\* The adjustment in respect of previous periods represents a provision for tax payable in relation to the year ended 31 March 2002. It was originally anticipated that profits for that year would be fully covered by the surrender of group losses at nil cost. The losses were subsequently purchased at the above cost in the current year.

<b>7. DIVIDENDS</b>	<b>£</b>	<b>£</b>
Dividend paid		
of £1,278 (2002: £nil) per £1 ordinary share	<u>127,800</u>	<u>-</u>

# MKM HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (cont...)

### FOR THE YEAR ENDED 31 MARCH 2003

#### 8. INTANGIBLE FIXED ASSETS

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 April 2002	428,354
Additional consideration arising from earnout agreement	120,000
	<u>-----</u>
At 31 March 2003	<u>548,354</u>
<b>Amortisation</b>	
At 1 April 2002	-
Charged during the year	28,088
	<u>-----</u>
At 31 March 2003	<u>28,088</u>
<b>Net book value</b>	
At 31 March 2002	<u>520,266</u>
At 31 March 2003	<u>428,354</u>

Goodwill is being amortised over its useful economic life, which the directors estimate to be 20 years.

#### 9. TANGIBLE FIXED ASSETS

<b>THE GROUP</b>	<b>Leasehold Improve- ments</b>	<b>Motor Vehicles</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
As at 1 April 2002	13,962	24,994	116,927	155,883
Additions	-	-	43,995	43,995
Disposals	-	(24,994)	(4,025)	(29,019)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
As at 31 March 2003	<u>13,962</u>	<u>-</u>	<u>156,897</u>	<u>170,859</u>
<b>Depreciation</b>				
As at 1 April 2002	13,962	10,938	71,063	95,963
Provided during the year	-	1,170	16,693	17,863
Disposals	-	(12,108)	(4,025)	(16,133)
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
As at 31 March 2003	<u>13,962</u>	<u>-</u>	<u>83,731</u>	<u>97,693</u>
<b>Net book value</b>				
As at 31 March 2003	<u>-</u>	<u>-</u>	<u>73,166</u>	<u>73,166</u>
As at 31 March 2002	<u>-</u>	<u>14,056</u>	<u>45,864</u>	<u>59,920</u>

The net book value of tangible fixed assets includes £13,570 (2002: £14,057) in respect of assets held under hire purchase contracts, the depreciation of which is shown in note 2.



**MKM HOLDINGS LIMITED**

**NOTES TO THE ACCOUNTS (cont...)**

**FOR THE YEAR ENDED 31 MARCH 2003**

**10. DEBTORS**

<b>Amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
<b>The Group</b>	<b>£</b>	<b>£</b>
Trade debtors	852,125	745,935
Prepayments and accrued income	8,784	15,542
	<u>860,909</u>	<u>761,477</u>
<b>The Company</b>		
Amounts due from subsidiary undertakings	52,200	-
Prepayments and accrued income	2,100	10,100
	<u>54,300</u>	<u>10,100</u>

**11. CREDITORS**

<b>Amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>The Group</b>		
Bank loans and overdrafts	94,983	90,569
Net obligations under hire purchase and finance lease contracts	7,531	5,557
Trade creditors	815,720	617,010
Corporation Tax	198,500	13,400
Other taxes and social security costs	119,178	106,240
Other creditors	289,461	609,204
Accruals and deferred income	457,671	544,809
	<u>1,983,044</u>	<u>1,986,789</u>
<b>The Company</b>		
Bank overdraft	19	7,931
Bank loan	70,397	82,638
Amounts owed to group undertakings	602,156	-
Accruals	1,000	-
Other creditors	160,083	594,000
	<u>833,655</u>	<u>684,569</u>

# MKM HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (cont...)

### FOR THE YEAR ENDED 31 MARCH 2003

#### 11. CREDITORS (cont...)

The bank loan was advanced by the Royal Bank of Scotland plc for the acquisition of the whole of the issued share capital of MKM Group Ltd.

Interest on the loan is calculated at a rate of 3% above the bank's base rate and is repayable as follows:-

	£	£
Within one year	70,397	370,000
Between two and five years	-	290,000
	-----	-----
	70,397	660,000
	=====	=====

A debenture dated 2 April 2002, in favour of the Royal Bank of Scotland, exists over all of the group's assets.

#### 12. CREDITORS

##### Amounts falling due after one year

The Group	£	£
Net obligations under hire purchase and finance lease contracts	5,056	6,739
	=====	=====

#### 13. DEFERRED TAXATION

The Group	£	£
At 1 April 2002 and 31 March 2003	4,440	4,440
	=====	=====
The principal components of deferred taxation representing full provision of timing differences are:		
Accelerated Capital Allowances	4,440	4,440
	=====	=====

# MKM HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (cont...)

### FOR THE YEAR ENDED 31 MARCH 2003

#### 14. OBLIGATIONS UNDER HIRE PURCHASE AND FINANCE LEASES

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts falling due for repayment as follows:		
Within one year	7,531	5,557
Between one and two years	5,056	5,557
Between two and five years	-	1,182
	<u>12,587</u>	<u>12,296</u>

Obligations under finance leases and hire purchase are secured on the assets concerned.

#### 15. SHARE CAPITAL

	£	£
<b>Authorised</b>		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>

#### 16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Share Capital £	Profit & loss account £	Total shareholders funds £
<b>THE GROUP</b>			
Profit for year	-	343,756	343,756
Dividends	-	(127,800)	(127,800)
	<u>          </u>	<u>          </u>	<u>          </u>
Net addition to shareholders funds	-	215,956	215,956
Balance b/fwd	100	23,247	23,347
	<u>          </u>	<u>          </u>	<u>          </u>
Balance c/fwd	100	239,203	239,303
	<u>          </u>	<u>          </u>	<u>          </u>

# MKM HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (cont...)

### FOR THE YEAR ENDED 31 MARCH 2003

#### 16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS (cont...)

	Share Capital £	Profit & loss account £	Total shareholders funds £
<b>The Company</b>			
Profit for year	-	142,914	142,914
Dividends	-	(127,800)	(127,800)
	-----	-----	-----
Net addition to shareholders funds	-	15,114	15,114
Balance b/fwd	100	(14,569)	(14,469)
	-----	-----	-----
Balance c/fwd	100	545	645
	=====	=====	=====

#### 17. FIXED ASSET INVESTMENTS THE COMPANY

	Shares in group undertakings £
<b>Cost</b>	
At 1 April 2002	660,000
Additional consideration arising from earnout agreement	120,000
	-----
At 31 March 2003	780,000
	=====
<b>Amounts written off</b>	
At 1 April 2002 and 31 March 2003	-
	=====
<b>Net book value</b>	
At 31 March 2003	780,000
	=====
At 31 March 2002	660,000
	=====

During the year the group provided for an additional £120,000, being part of an earnout agreement for the original purchase of MKM Group Limited, from Air Miles Travel Promotions Limited.

	Shareholder's funds at 31 March 2003 £	Retained profit 31 March 2003 £	Period £	Nature of Business
MKM Group Limited	293,237	-	12 months	Holding company
MKM Marketing & Promotions Ltd	247,231	193,499	12 months	Marketing and promotions
Travel Design Limited	42,840	35,431	12 months	Travel Agency

Further details of subsidiary undertakings are shown in note 18.

# MKM HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS (cont...)

### FOR THE YEAR ENDED 31 MARCH 2003

18. SUBSIDIARY UNDERTAKINGS	Percentage	Country of
Consolidated	owned	incorporation
MKM Group Limited	100%	England
MKM Marketing and Promotions Limited*	100%	England
Travel Design Limited*	100%	England

\* Subsidiary undertakings of MKM Group Limited.

#### 19. OPERATING LEASE COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	2003	2002
	£	£
Office equipment		
Expiring:		
Within one year	2,771	2,667

#### 20. RELATED PARTY TRANSACTION

The company has taken advantage of the exemption within FRS 8 available to wholly owned subsidiaries in respect of related party transactions.

During the year, MKM Marketing and Promotions Limited made purchases from Hidden Retreats Limited amounting to £370,788 (2002 - £nil) a company of which M Koch is both a director and shareholder.

#### 21. CONTROLLING PARTY

In the opinion of the directors the company is controlled by Messrs Mark and Victor Koch by virtue of their majority shareholding of the shares of the company.

#### 22. CONTINGENT LIABILITIES

An unlimited intercompany guarantee exists between the company and Travel Design Limited, MKM Marketing and Promotions Limited and MKM Group Limited. The maximum liability arising from this guarantee at 31 March 2003 was £94,982 (2002: £90,569).

#### 23. POST BALANCE SHEET EVENTS

On 3<sup>rd</sup> April 2003, MKM Group Limited, a subsidiary of this company, acquired the whole of the issued share capital of Hidden Retreats Limited for £44,000. Hidden Retreats Limited is a bespoke tour operator. The share capital of the company was previously held by M Koch, a director of this company.

# **MKM HOLDINGS LIMITED**

## **NOTES TO THE ACCOUNTS (cont...)**

### **FOR THE YEAR ENDED 31 MARCH 2003**

#### **24. NOTES TO THE CASHFLOW STATEMENT**

<b>(i) Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit	656,951	32,443
Depreciation and amortisation	45,951	3,318
Loss on sale of fixed assets	6,311	-
(Increase)/decrease in debtors	(99,432)	106,128
(Decrease)/Increase in creditors	(303,804)	552,177
	-----	-----
Net cash inflow from operating activities	305,977	694,066
	=====	=====
 <b>(ii) Reconciliation of net cash flow to movement in net debt</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
(Decrease)/increase in cash for the year/period	(10,717)	127,645
Bank loan advances	(577,362)	(90,569)
Bank loan repayments	589,603	-
New hire purchase contracts	(15,000)	-
Hire purchase repayments	14,709	1,194
	-----	-----
	1,233	38,270
Net position at 1 April 2002	667,535	629,265
	-----	-----
Net position at 31 March 2003	668,768	667,535
	=====	=====

#### **(iii) Analysis of changes in net cash/(debt)**

	<b>At 1 April 2002</b>	<b>Cash flows</b>	<b>At 31 March 2003</b>
Cash at bank and in hand	770,400	5,938	776,338
Bank overdraft	(7,931)	(16,655)	(24,586)
Bank loan due within one year	(82,638)	12,241	(70,397)
Hire purchase contracts	(12,296)	(291)	(12,587)
	-----	-----	-----
	667,535	1,233	668,768
	=====	=====	=====