

# **British Mediterranean Airways Limited**

Financial statements 31 March 2004  
together with directors' and auditors' reports

Registered number: 2524595



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## Company information

**Directors:** Lord Hesketh\* (chairman)  
Lord Powell\*  
Wilfrid Caldwell\*  
Desmond Hetherington (chief executive officer)  
Farouk Kamal\*  
Angus Saunders  
Christopher Swan\*

\* non executive directors

**Secretary:** Angus Saunders

**Registered office:** Cirrus House  
Bedfont Road  
London Heathrow Airport  
Staines  
Middlesex  
TW19 7NL

**Auditors:** Deloitte & Touche LLP  
London

**Principal bankers:** Barclays Bank PLC

**Registered number:** 2524595

## Directors' report

For the year ended 31 March 2004

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 March 2004.

### Principal activity and business review

The principal activity of the company continues to be that of providing scheduled airline services. The company operates as a franchisee of British Airways. The company will continue to develop and consolidate its operations in the next financial year.

### Results and dividends

The audited accounts for the year ended 31 March 2004 are set out on pages 6 - 20. The profit for the year after taxation was £3,486,000 compared to a profit of £7,645,000 in the prior year.

No dividend has been proposed (2003 – £nil).

### Directors and their interests

The directors who served during the year were:

Lord Hesketh

Lord Powell

Wilfrid Caldwell

Desmond Hetherington

Farouk Kamal

Angus Saunders

Christopher Swan

The directors who held office at 31 March 2004 do not have any interests required to be disclosed under schedule 7 of the Companies Act 1985, other than those described below which comprise interests in the ordinary share capital of the company.

## Directors' report (continued)

### Directors and their interests (continued)

	<u>Number of shares as at:</u>	
	31 March 2004	31 March 2003
Lord Hesketh	9,852,696	9,852,696
Lord Powell	-	-
Desmond Hetherington	-	-
Angus Saunders	-	-
Wilfrid Caldwell	-	-
Farouk Kamal	-	-
Christopher Swan	-	-

On 31 March 2004 Desmond Hetherington held options over 3,484,085 ordinary shares of the company. The options are exercisable at 20 pence per share in five equal instalments beginning on 16 January 2001 and then on 31 March 2001 to 2004. The options are exercisable at any time from the date of vesting until 13 October 2005.

On 31 March 2004 Lord Hesketh held options over 1,393,630 ordinary shares of the company. The options are exercisable at 20p per share in five equal instalments beginning on 16 October 2001 and then on 31 December 2001 to 2004. The options are exercisable at any time from the date of vesting until 7 July 2007.

On 31 March 2004 Lord Powell held options over 1,045,221 ordinary shares of the company. The options are exercisable at 20p per share in five equal instalments beginning on 16 October 2001 and then on 31 December 2001 to 2004. The options are exercisable at any time from the date of vesting until 7 July 2007.

### Employee involvement

Staff employed increased from an average of 373 in the year to March 2003 to 486 in the year to March 2004.

The company keeps staff informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through formal and informal meetings.

### Disabled employees

The company gives full consideration to applications for employment from disabled persons where the position can be filled by a handicapped or disabled person. Where existing employees become disabled, the company takes steps to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Supplier payment policy

The company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of the payment and abide by the terms of the payment. Trade creditors of the company at 31 March 2004 were equivalent to 22 (2003 - 26) days' purchases, based on the average daily amount invoiced by suppliers during the year.

## Directors' report (continued)

### Statement of directors' responsibilities

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 as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

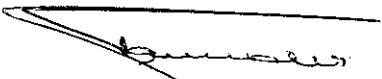
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche LLP as auditors for the next year.

By order of the Board



Angus Saunders  
Company Secretary  
8 July 2004

## Independent auditors' report

### To the members of British Mediterranean Airways Limited

We have audited the financial statements of British Mediterranean Airways Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under 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 United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

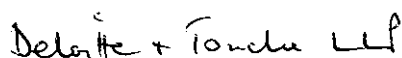
### Basis of audit opinion

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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

8 July 2004

## Profit and loss account

For the year ended 31 March 2004

		2004 £'000	2003 £'000
	Notes		
<b>Turnover</b>	1	82,030	73,927
Cost of sales		(59,234)	(55,905)
<b>Gross profit</b>		22,796	18,022
Other operating expenses		(18,041)	(13,269)
<b>Operating profit</b>		4,755	4,753
Finance income (net)	4	251	208
<b>Profit on ordinary activities before taxation</b>	2	5,006	4,961
Taxation on profit on ordinary activities	5	(1,520)	2,684
<b>Profit on ordinary activities after taxation</b>	14	3,486	7,645

The company has no recognised gains or losses other than the profit for each year.

The profit for the year has been calculated on the historical cost basis.

Turnover and operating profit are all derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

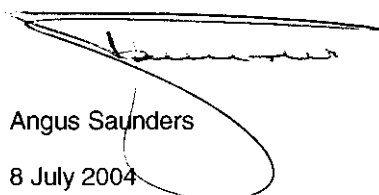


# Balance sheet

31 March 2004

	Notes	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Tangible fixed assets	6	2,320	2,144
<b>Current assets</b>			
Stocks	7	600	424
Debtors - Falling due within one year	8	10,655	7,234
- Falling due after more than one year	9	-	1,694
Cash at bank and in hand		14,615	12,127
		25,870	21,479
<b>Creditors: Amounts falling due within one year</b>	10	(11,884)	(10,111)
<b>Net current assets</b>		13,986	11,368
<b>Total assets less current liabilities</b>		16,306	13,512
<b>Creditors: Amounts falling due after more than one year</b>			
Accruals and deferred income		(3,326)	(4,018)
Subordinated convertible loan	11	(1,441)	(1,441)
		(4,767)	(5,459)
<b>Net assets</b>		11,539	8,053
<b>Capital and reserves</b>			
Called-up share capital	13	15,542	15,542
Profit and loss account	14	(4,003)	(7,489)
<b>Shareholders' funds</b>	14	11,539	8,053
Equity interests		5,666	2,180
Non-equity interests		5,873	5,873
<b>Shareholders' funds</b>		11,539	8,053

Approved by the Board and signed on its behalf by:

  
Angus Saunders  
8 July 2004

The accompanying notes are an integral part of this balance sheet.

## Cash flow statement

For the year ended 31 March 2004

	Notes	2004 £'000	2003 £'000
<b>Net cash inflow from operating activities</b>	16a	<u>3,994</u>	<u>5,365</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		234	301
Interest paid		<u>(3)</u>	<u>(17)</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>		231	284
<b>Taxation</b>			
UK taxation paid		-	-
Overseas taxation paid		<u>-</u>	<u>(17)</u>
<b>Net cash outflow from taxation</b>		-	(17)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(1,429)	(547)
Disposal of fixed assets		<u>-</u>	<u>-</u>
<b>Net cash outflow from capital expenditure</b>		<u>(1,429)</u>	<u>(547)</u>
<b>Cash inflow before financing and managing of liquid resources</b>		2,796	5,085
<b>Management of liquid resources</b>			
Increase in short-term cash deposit	16b	<u>-</u>	<u>(3,000)</u>
<b>Net cash outflow from management of liquid resources</b>		<u>-</u>	<u>(3,000)</u>
<b>Financing</b>			
Issue of ordinary share capital		<u>-</u>	<u>-</u>
<b>Net cash inflow from financing</b>		<u>-</u>	<u>-</u>
<b>Increase in cash</b>	16c	<u>2,796</u>	<u>2,085</u>

The accompanying notes are an integral part of this cash flow statement.

## Notes to financial statements

For the year ended 31 March 2004

### 1 Statement of accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below.

#### *Basis of accounting*

The accounts have been prepared under the historical cost convention and in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985.

The company is required to prepare consolidated accounts. The subsidiary undertakings are dormant and have been excluded from the consolidation as they are immaterial to the group. The results of the group, had consolidated accounts been prepared, would have been the same as the company results.

#### *Turnover*

Turnover consists of net revenue arising from the provision of passenger and freight services.

Passenger and cargo revenues are recognised when the service is provided.

#### *Depreciation*

Depreciation is calculated to write off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life.

The principal asset depreciation periods are:

Leasehold improvements	-	shorter of lease or useful economic life
Rotable spares	-	shorter of useful life of related aircraft type or useful economic life
Office equipment, fixtures and fittings	-	3 years
Cabin equipment and motor vehicles	-	4 years
Aircraft modifications	-	shorter of lease or useful economic life

#### *Leases*

Lease rentals under operating leases, whereby the lessor effectively retains substantially all the risks and benefits of ownership of the aircraft, are included in the determination of operating profit or loss on a straight-line basis over the life of the lease.

#### *Maintenance*

Under the lease agreements, provision is required to be made on an hourly basis in respect of maintenance, overhaul and repair costs of the airframe and engines.

Routine maintenance costs are charged to the profit and loss account as incurred.

## Notes to financial statements (continued)

### 1 Statement of accounting policies (continued)

#### *Foreign currency*

Foreign currency transactions, except those subject to specific hedging arrangements, are converted to sterling at the rate of exchange ruling at the date of the transaction. Items covered by specific hedging arrangements are recorded at the relevant hedge rate.

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange in effect at the balance sheet date. Gains or losses on transactions are included in the profit and loss accounts in the year in which they arise.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value, using the first in first out method and consists of consumable stores and engineering expendables.

#### *Pension costs*

The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year, all of which relate to defined contribution schemes.

#### *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 at the balance sheet date. Timing differences are differences between the company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Full provision is made for deferred tax on all material 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, or the right to pay less, tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that 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 average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

## Notes to financial statements (continued)

### 2 Profit on ordinary activities before taxation

The profit on ordinary activities is stated after charging:

	2004 £'000	2003 £'000
Auditors' remuneration - audit fees	30	25
- non audit fees	23	20
Depreciation	774	594
Exchange losses	1,178	236
Operating lease rentals		
- land and buildings	537	162
- hire of aircraft	11,635	11,107
Staff costs (note 3)	<u>12,247</u>	<u>9,975</u>

### 3 Staff costs

The average monthly number of employees (including executive directors) was:

	2004 Number	2003 Number
Flight operations	293	261
Commercial	51	9
Technical	18	15
Customer services	94	65
Finance and administration	<u>30</u>	<u>23</u>
	<u>486</u>	<u>373</u>

Their aggregate remuneration comprised:

	2004 £'000	2003 £'000
Wages and salaries	10,526	8,691
Social security costs	1,176	842
Pension costs	<u>545</u>	<u>442</u>
	<u>12,247</u>	<u>9,975</u>

## Notes to financial statements (continued)

### 3 Staff costs (continued)

The aggregate directors' remuneration included in the above:

	2004 £	2003 £
Emoluments	507,603	450,034
Company contributions to money purchase pension schemes	51,513	50,233
	<u>559,116</u>	<u>500,267</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. No directors exercised share options in the year (2003 – nil) and no shares were received or receivable under long-term incentive schemes by directors (2003 – nil).

The emoluments of the directors included:

#### *Pensions*

The number of directors who were members of pension schemes was as follows:

	2004 Number	2003 Number
Money purchase schemes	<u>2</u>	<u>2</u>

#### *Highest-paid director*

	2004 £	2003 £
Emoluments	212,586	181,178
Company contributions to money purchase schemes	38,440	37,963
	<u>251,026</u>	<u>219,141</u>

The highest paid director did not exercise any share options during the year (2003 - nil).

The highest paid director did not receive any shares under a long term incentive scheme during the year (2003 – nil).

## Notes to financial statements (continued)

### 4 Finance income (net)

	2004 £'000	2003 £'000
<i>Investment income</i>		
Interest receivable	254	225
<i>Interest payable</i>		
Lease rental deferrals and bank overdrafts	(3)	(17)
	<u>251</u>	<u>208</u>

### 5 Taxation on profit on ordinary activities

#### a) Analysis of charge for the year

	2004 £'000	2003 £'000
<i>Current tax</i>		
UK corporation tax at 30% (2003 – 30%)	1,409	1,486
Utilisation of assessed losses brought forward	(1,361)	(1,441)
	<u>48</u>	<u>45</u>
Overseas taxation	<u>-</u>	<u>49</u>
Adjustments in respect of prior periods:		
UK corporation tax	(14)	(34)
Current tax charge	<u>34</u>	<u>60</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	1,486	(2,744)
Total deferred tax (see note 12)	<u>1,486</u>	<u>(2,744)</u>
Taxation on ordinary activities	<u>1,520</u>	<u>(2,684)</u>

## Notes to financial statements (continued)

### 5 Taxation on profit on ordinary activities (continued)

#### *b) Factors affecting the tax charge for the year*

The difference between the total current tax shown above and the amount calculated by applying the standard rate of corporation tax in the UK to the profit before tax is as follows:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	5,006	4,961
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 – 30%)	1,502	1,488
Effects of:		
Expenses not deductible for tax purposes	32	21
Capital allowances in excess of depreciation	(40)	(86)
Other timing differences	(57)	85
Utilisation of tax losses	(1,361)	(1,441)
Investment income taxed at the lower rate of 19%	(28)	(22)
Overseas taxation payable not subject to relief	-	49
Adjustments in respect of prior periods	(14)	(34)
Current tax charge for the year (Note 5a)	34	60

#### *c) Factors that may affect future tax charges*

Based on current investment plans, and the level of unused allowances, the company expects to be able to claim capital allowances that are at least equal to depreciation. In addition, the company has substantial brought forward tax losses which are available to reduce tax payments on future taxable profits.

As at 31 March 2004 the company has unutilised tax losses of £3.8 million (2003 - £8.3 million), subject to the agreement of the Inspector of Taxes.



## Notes to financial statements (continued)

### 6 Tangible fixed assets

The movement in the year was as follows:

	Leasehold improvements £'000	Office equipment £'000	Cabin equipment £'000	Rotable spares £'000	Motor vehicles £'000	Aircraft modifications £'000	Total £'000
<b>Cost</b>							
Balance at 1 Apr 2003	248	838	241	573	83	2,584	4,567
Additions	60	540	13	172	46	120	951
Disposals	(49)	(101)	(88)	-	(5)	-	(243)
Balance at 31 Mar 2004	259	1,277	166	745	124	2,704	5,275
<b>Depreciation</b>							
Balance at 1 Apr 2003	225	507	137	242	57	1,255	2,423
Charge	30	212	40	26	25	441	774
Disposals	(49)	(100)	(88)	-	(5)	-	(242)
Balance at 31 Mar 2004	206	619	89	268	77	1,696	2,955
<b>Net book value</b>							
31 March 2003	23	331	104	331	26	1,329	2,144
31 March 2004	53	658	77	477	47	1,008	2,320

### 7 Stocks

	2004 £'000	2003 £'000
Catering consumable stores	132	98
Engineering expendables	468	326
	<u>600</u>	<u>424</u>

The replacement cost of stocks is considered to be not materially different from their balance sheet values.

### 8 Debtors: Amounts falling due within one year

	2004 £'000	2003 £'000
Trade debtors	5,081	3,848
Other debtors	3,154	1,294
Deferred tax (see note 12)	1,258	1,050
Prepayments	1,162	1,042
	<u>10,655</u>	<u>7,234</u>

## Notes to financial statements (continued)

### 9 Debtors: Amounts falling due after more than one year

	2004 £'000	2003 £'000
Deferred tax (see note 12)	-	1,694
	<u>-</u>	<u>1,694</u>

### 10 Creditors: Amounts falling due within one year

	2004 £'000	2003 £'000
Trade creditors	5,829	4,525
Taxation and social security	397	308
Accruals and deferred income	5,658	5,278
	<u>11,884</u>	<u>10,111</u>

### 11 Subordinated convertible loan

The loan is an interest free unsecured subordinated convertible loan and is not repayable except in the event that the company passes a winding up resolution or an order for the winding up of the company is made. The loans are convertible, at any time, into ordinary shares of 20 pence each at 40 pence per share at the option of the unsecured subordinated convertible loan holder.

### 12 Deferred tax

	2004 £'000	2003 £'000
The deferred tax asset comprises:		
Depreciation in excess of capital allowances	110	181
Tax losses available	1,148	2,478
Other timing differences	-	85
	<u>1,258</u>	<u>2,744</u>

#### *Movement in deferred tax asset*

At 1 April 2003	2,744	-
(Debited)/credited to the profit and loss account	(1,486)	2,744
At 31 March 2004	<u>1,258</u>	<u>2,744</u>

## Notes to financial statements (continued)

### 13 Called-up share capital

	2004 £'000	2003 £'000
<i>Authorised share capital</i>		
63,112,350 ordinary shares of 20p each	12,623	12,623
7,925,100 deferred ordinary shares of 80p each	6,340	6,340
	<u>18,963</u>	<u>18,963</u>
<i>Allotted, called-up and fully-paid</i>		
48,343,783 ordinary shares of 20p each - equity	9,669	9,669
7,340,726 deferred ordinary shares of 80p each - non-equity	5,873	5,873
	<u>15,542</u>	<u>15,542</u>

The ordinary shares of 20p each are voting shares and participate in the profits of the company. The deferred ordinary shares of 80p each are non-voting shares and do not participate in the profits of the company and rank after the ordinary shares of 20p each on the return of any capital.

The company has granted options in respect of the following shares:

	Number of shares	Earliest exercise date	Option price
Ordinary shares of 20p each	696,817	16 January 2001	20p per share
Ordinary shares of 20p each	696,817	31 March 2001	20p per share
Ordinary shares of 20p each	487,771	16 October 2001	20p per share
Ordinary shares of 20p each	487,770	31 December 2001	20p per share
Ordinary shares of 20p each	696,817	31 March 2002	20p per share
Ordinary shares of 20p each	487,770	31 December 2002	20p per share
Ordinary shares of 20p each	696,817	31 March 2003	20p per share
Ordinary shares of 20p each	487,770	31 December 2003	20p per share
Ordinary shares of 20p each	696,817	31 March 2004	20p per share
Ordinary shares of 20p each	487,770	31 December 2004	20p per share

## Notes to financial statements (continued)

### 14 Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Balance at 1 April</b>	15,542	(7,489)	8,053
Profit for the year	-	3,486	3,486
<b>Balance at 31 March</b>	<u>15,542</u>	<u>(4,003)</u>	<u>11,539</u>

The profit and loss account is wholly attributable to the equity shares (note 13).

### 15 Lease obligations

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

	2004		2003	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
- within one year	235	-	-	-
- between two and five years	238	1,826	162	2,130
- thereafter	<u>436</u>	<u>11,369</u>	<u>-</u>	<u>13,406</u>

### 16 Cash flow statement

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

	2004 £'000	2003 £'000
Operating profit	4,756	4,753
Depreciation	774	594
Increase in stocks	(176)	(78)
Increase in debtors	(3,193)	(248)
Increase in creditors	1,524	447
Decrease/(increase) in restricted cash	308	(103)
Loss on disposal of fixed assets	<u>1</u>	<u>-</u>
Net cash inflow from operating activities	<u>3,994</u>	<u>5,365</u>

## Notes to financial statements (continued)

### 16 Cash flow statement (continued)

#### b) Analysis of the changes in net funds

	2003 £'000	Cash flow £'000	2004 £'000
Cash at bank and in hand	2,970	2,796	5,766
Short-term cash deposit	7,000	-	7,000
Subordinated convertible loan	(1,441)	-	(1,441)
Total	<u>8,529</u>	<u>2,796</u>	<u>11,325</u>

#### c) Reconciliation of net cash flow to movement in net funds

	2004 £'000	2003 £'000
Increase in cash in the year	2,796	2,085
Cash outflow to increase liquid resources	-	3,000
Change in net funds resulting from cashflows	<u>2,796</u>	<u>5,085</u>
Net funds at 31 March 2003	<u>8,529</u>	<u>3,444</u>
Net funds at 31 March 2004	<u>11,325</u>	<u>8,529</u>

#### d) Reconciliation of cash in balance sheet to cash in cash flow statement

	2004 £'000	2003 £'000
Cash per balance sheet	14,615	12,127
Short-term cash deposit	(7,000)	(7,000)
Restricted cash (note 17)	(1,849)	(2,157)
Cash per cash flow statement	<u>5,766</u>	<u>2,970</u>

### 17 Banking facilities

The Company's Bankers have issued guarantees totalling £1,849,315 (2003 - £2,157,124) on behalf of the company to certain of the company's suppliers. The guarantees are supported by cash deposits of £1,849,315 (2003 - £2,157,124) which are disclosed as part of restricted cash (note 16d).

## Notes to financial statements (continued)

### **18 Capital Expenditure Commitments**

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £3,232,000 (2003 - £nil).

### **19 Controlling Party**

In the directors' opinion there is no controlling party.