

DAET GROUP PIC.

FINANCIAL REVIEW



1295201

Capital Structure

The Group's capital structure is as follows:

	1999 £'000	1998 £'000
NET DEBT		
Loans	(15,222)	(19,009)
Finance leases and hire purchase contracts	(997)	(1,353)
Cash and short-term deposits	9,147	6,597
	<u>(7,072)</u>	<u>(13,765)</u>
SHAREHOLDERS' FUNDS		
Equity interests	19,570	16,759
	<u>12,498</u>	<u>2,994</u>

Derivatives And Other Financial Instruments

The Group's principal financial instruments, other than derivatives, comprise aircraft mortgages, bank loans, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group also has various other financial instruments, such as trade debtors and trade creditors, that arise directly from its operations.

The Group does not currently have any outstanding derivative transactions, however the Group treasury policy permits the use of such instruments to manage interest and currency risk. It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign exchange risks. The Board reviews and agrees policy for managing each of these risks and these are summarised below. These policies have been consistent during the year.

Interest Rate Risk

The Group's policy permits it to borrow in both fixed and floating rates of interest. Currently all of the debt has a variable rate which has been the result of a policy decision to take advantage of the decline in Sterling interest rates in the recent past.

Foreign Currency Risk

It is the Group's policy to minimise its exposure to movements in foreign exchange rates against Sterling.

The Group has transactional currency exposures, primarily arising as a result of purchases in foreign currency undertaken in the ordinary course of business.

The Group's policy is to cover all material risks for a minimum period of six months using forward foreign exchange contracts. The magnitude of the foreign currency exchange risk is given in Note 17.

The Group also has a small Singapore Dollar exposure in respect of net overseas investment but as this exposure is not material, no hedging has taken place.

Liquidity Risk

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of aircraft mortgages, overdrafts, bank loans, finance leases and hire purchase commitments. It is the Group's policy to match long term assets with long term liabilities. Accordingly, certain freehold property and aircraft have been financed by five-year mortgage facilities.

Year 2000 Compliance Statement

The Group is fully aware of the serious implications of disruption to business operations as a result of Year 2000 date problems.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain. The Group's compliance plans are well advanced. The Group believes that all of its business critical internal computer systems are now fully millennium compliant and all of the appropriate replacement of both hardware and upgrades of software has now taken place.

The Group has embarked upon an audit of its mission critical suppliers to ensure that they too

have fully dealt with Year 2000 issues and there will be no disruption to the service they supply to Group companies. The Group has also drawn up detailed contingency plans which will be continually updated and revised to minimise any possible disruption to its business.

As a result of the action the Group has taken and will take, customers, suppliers and investors can have every expectation that its businesses will continue to function in such a way that no disruption to either its own or its clients' businesses will result from the Year 2000 problem.

Taxation

An analysis of the taxation charge is set out in Note 7 to the accounts. The taxation charge as a percentage of profit before taxation was 31.7% in the current year and 29.7% in the previous year. The reason for this small increase in the tax

charge over the prior year is that the overall share of profits derived from lower taxation countries is smaller in the current year than in the prior year.

Liquidity

The Consolidated Cash Flow Statement on page 26 illustrates that there was a net reduction in indebtedness of £6,693,000. This was primarily due to strong operational cash flow of £24,480,000 (1998 - £14,388,000). The cash investment in fixed assets was £17,250,000 (1998 - £22,922,000).

Going Concern

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The company is committed to high standards of corporate governance. The Board is accountable to the company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the company and the company's compliance with the provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

Statement By The Directors On Compliance With The Provisions Of The Combined Code

The company has been in full compliance with the provisions set out in section 1 of the Combined Code except as noted below.

With regard to provision D3.1 of the Code, and in common with many smaller companies, the company has only two non-executive directors. The Board believes that it has the right balance at this stage of the Group's development and that the appointment of an additional non-executive is unlikely to be beneficial at present. This policy is kept under review and the Board will consider the appointment of additional non-executives as and when this is thought to be appropriate. The audit committee consists of the company's two non-executive directors. They meet with the company's external auditors as frequently as they consider necessary in the discharge of their duties.

With regard to provision A6.1 of the Code, the non-executive directors do not have formal fixed term contracts. However, under the company's Articles of Association, one third of all directors, including non-executive directors, retire by rotation at each Annual General Meeting.

As guidance is not yet available for directors on the wider aspects of internal control relating to operational and compliance controls and risk management as required by provision D2.1, the Board will continue to review and report on the effectiveness of the Group's system of internal financial controls.

The Workings Of The Board And Its Committees

The Board

The Board currently comprises Philip Meeson, who owns 45.2% of the issued share capital of Dart Group PLC and performs the role of Chairman and Chief Executive, and two non-executive directors, Trevor Crowley and Brian Templar. The biographies of the non-executive directors appear on pages 19 and 20. These demonstrate a range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the accounts is set out on page 21 and a statement on going concern is given within the Financial Review on page 14.

The Board has a formal schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, Nigel Lawrence, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that the directors receive appropriate training as necessary. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Board meets quarterly, reviewing trading performance, ensuring adequate funding and setting and monitoring strategy. To enable the Board to discharge its duties, all directors receive appropriate and timely information, and in months when the Board does not meet, the directors receive a formal written report.

The Group does not operate a Nomination Committee due to the size and nature of the Board. New director appointments are a matter for the Board as a whole.

The following committees deal with the specific aspects of the Group's affairs.

Remuneration Committee

The Group's Remuneration Committee is chaired by Brian Templar and its other member is Trevor Crowley. It is responsible for making recommendations to the Board, within agreed terms of reference, on the company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for the executive directors, including performance related bonus schemes, pension rights and compensation payments.

Further details of the company's policies on remuneration, service contracts and compensation payments are given in the Report on Directors' Remuneration on page 17.

Audit Committee

The Audit Committee which is chaired by Trevor Crowley, its other member being Brian Templar, meets not less than twice per annum. The Committee provides a forum for reporting by the Group's external auditors. Meetings are also attended, by invitation, by the Chief Executive and Chief Financial Officer.

The Audit Committee is responsible for reviewing a wide range of matters including the half-year and annual accounts before their submission to the Board and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders.

Relations With Shareholders

Communications with shareholders are given high priority. The Review of Operations and Financial Review on pages 6 to 14 include a detailed review of the Group's business and future developments. There is regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the interim and full-year results.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the chairmen of the audit and remuneration committees are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 5 August 1999 can be found in the Notice of the Meeting on page 44.

Internal Financial Control

The Board of Directors is responsible for the Group's system of internal financial control. Any such system can provide reasonable, but not absolute, assurance against material misstatement or loss. In order to discharge that responsibility in a manner which ensures compliance with laws and regulations and promotes effective and efficient operations, the directors have established an organisational structure with clear operating procedures, lines of responsibility, and delegated authority.

In particular there are clear procedures for:

- capital investment, with detailed appraisal, authorisation and post investment review;
- financial reporting, within a comprehensive financial planning, budgeting and accounting framework;
- monitoring of business risks, with key risks identified and reported to the Board and the Audit Committee.

The Board confirms that the directors have reviewed the effectiveness of the system of internal financial control for the period under review.

REPORT ON DIRECTORS' REMUNERATION

As detailed on page 16, the Group's Remuneration Committee is chaired by Brian Templar and its other member is Trevor Crowley.

Individual components of remuneration are comprised of the following:

- Basic salary: the salary of individual directors is reviewed at 1 April each year. Account is taken of the performance of the individual concerned, together with any change in responsibilities that may have occurred.
- Performance related bonus: the executive directors receive bonuses based upon targets set each year by the Remuneration Committee.
- Other benefits: executive directors receive a fully expensed car and private health insurance.
- Pensions: under the terms of their service agreements, executive directors are entitled to become members of one of the Group's money purchase pension schemes or, if preferred, to receive payment of a fixed percentage of salary into an approved personal pension scheme.
- Share options: the Committee awards options to executives at its discretion. Details of options awarded to directors are set out later in this report.
- No executive director has a notice period in excess of six months.
- The remuneration of the non-executive directors is the responsibility of the Board as a whole.

The emoluments of the directors are as follows:

	<i>Performance related bonus</i>	<i>Employer's pension contribution</i>	<i>Benefits in kind</i>	<i>1999 Total</i>	<i>1998 Total</i>
<i>Salary/fees</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Executive directors					
P H Meeson	120,000	24,000	9,600	158,739	130,047
G F Westcott (retired 6 August 1998)	30,000	—	2,053	33,766	111,438
Non-executive directors					
T P Crowley	—	—	—	—	—
B S Templar	14,000	—	—	14,000	14,000
	<u>164,000</u>	<u>24,000</u>	<u>11,653</u>	<u>206,505</u>	<u>255,485</u>

T P Crowley is a partner in Levy Blair, Chartered Accountants, a firm which provides professional services to the Group. Fees amounting to £20,050 (1998 - £19,000) chargeable by that firm have been included in these accounts. Of that amount £9,050 was paid during the year and £11,000 was paid after 31 March 1999. £12,000 (1998 - £12,000) of these fees related to services as a director and £8,050 (1998 - £7,000) to other services.

During the year, the following directors held interests in options granted under the Group's Executive Share Option Scheme:

<i>Name</i>	<i>Date of Grant</i>	<i>Exercise price</i>	<i>31 March 1999</i>	<i>31 March 1998</i>
G F Westcott	21 July 1993	44.5p	—	10,000
	23 December 1994	79p	—	15,000

During the year G F Westcott exercised options over 10,000 shares at 44.5 pence and 15,000 shares at 79 pence when the market value was 221.25 pence, leading to a gain of £39,013.

REPORT ON DIRECTORS' REMUNERATION

No other directors were granted or have exercised options during the year.

The mid-market share price of Dart Group PLC 5 pence ordinary shares as listed on the London Stock Exchange was 200.5p at 31 March 1999 (172.75p at 31 March 1998). During the year the highest and lowest prices per 5 pence ordinary share were 231.5p and 172.5p respectively.

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31 March 1999.

Principal activity and business review

Dart Group PLC is a distribution and aviation services group specialising in:

- the distribution of produce, flowers and temperature-controlled goods to supermarkets and wholesale markets throughout the United Kingdom;
- the operation of cargo aircraft on charter contracts throughout Europe;
- freight forwarding at London Heathrow, Manchester, East Midlands and Newcastle airports and offices in the Far East.

A detailed review of the year's business and future developments is given in the Chairman's Statement and the Review of Operations.

On 7 August 1998 each ordinary share of 10 pence nominal value in the share capital of the company was sub-divided into two ordinary shares of 5 pence nominal value each.

Results and dividends

The results for the year are set out in the Profit and Loss Account and show a profit, after taxation, of £4,169,000 (1998 – £3,603,000).

An interim dividend of 1.27p (1998 – 1.15p) per share (excluding the associated tax credit at the rate of 20%) was paid on 8 January 1999.

Subject to shareholders' approval, the directors recommend the payment of a final dividend of 3.0p (1998 – 2.5p) per share, which will be paid on 26 August 1999.

Directors and their interests

The directors who served during the year and their beneficial interest in the Company are set out below:

(a)	<i>Ordinary shares</i> <i>31 March 1999</i>	<i>Ordinary shares</i> <i>31 March 1998</i>
P H Meeson	14,626,000	15,208,858
G F Westcott (retired 6 August 1998)	—	60,000
T P Crowley	8,047	12,222
B S Templar	26,420	26,420

(b) No directors have a non-beneficial interest in the shares of the Company. Interests in options to acquire ordinary shares are given in the Report on Directors' Remuneration on page 17.

(c) On 8 April 1999, P H Meeson's beneficial shareholding was reduced by the sale of 16,000 ordinary shares to 14,610,000 ordinary shares.

(d) None of the directors has any direct or indirect interest in any contract or arrangement subsisting at the date of these accounts which is significant in relation to the business of the Group and is not otherwise disclosed.

(e) B S Templar, who has no contractual notice period, retires by rotation and, being eligible, offers himself for re-election.

(f) Non-Executive Directors

Trevor Crowley FCA, has served as a non-executive director since 1 November 1988. He is a partner in Levy Blair, a firm of chartered accountants which also acts as a taxation advisor to the Group.

DIRECTORS' REPORT

Brian Templar has served as a non-executive director since 13 July 1993. He graduated with a BA(Hons) degree in Psychology. He has considerable experience in the distribution industry, having held senior management positions with NFC, LEX, Federal Express and Iveco. He is currently Chairman and Chief Executive of Davies and Robson Logistics Limited.

Material holdings

Apart from the interest of P H Meeson in the capital of the Company, the directors are aware of the following holdings in excess of 3% as at 10 June 1999:

Schroder Capital Management Inc.	11.06%
Framlington Group PLC	8.54%
Friends Ivory Sime Unit Trust and Pension Funds	6.80%
Abtrust Fund Managers Limited	3.68%
Clerical Medical and General Life Assurance Company Limited	3.19%

Future developments

The Group's strategy is to grow its business through a combination of organic expansion and carefully planned acquisitions in areas related to its existing businesses and markets.

Movements in share capital

The issued share capital was increased by 66,088 5 pence ordinary shares following the exercise of their rights by holders of share options granted on the following dates:

18 January 1990	28,312
16 January 1991	5,056
30 December 1991	2,720
21 July 1993	10,000
23 December 1994	20,000

Details of the movements in share capital are given in Note 18 to the accounts.

Special business at the Annual General Meeting

At the Annual General Meeting to be held on 5 August 1999 resolution number 5 will be special business. Special Resolution number 5 covers the directors' authority to allot equity securities for cash. Details of the resolutions are set out in the Notice of Meeting on page 44.

Payments to Suppliers

It is the Group's policy to agree terms of payment with suppliers. Suppliers are made aware of the Group's terms of payment and the Group adheres to the terms agreed. It is not the Group's policy to follow a code or standard in relation to payment practice. At 31 March 1999 the Group's creditor days were 66.

Health and Safety at Work

The Group continues to observe the requirements of the Health and Safety at Work Act 1976 and related legislation with the utmost concern for the welfare of its employees.

Equal opportunities

The Group has a policy of treating job applicants and employees in the same way, regardless of their sex, race, ethnic origin or disability. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees. Employees are retained wherever possible in the event of disability during their employment.

**DIRECTORS' REPORT
AND STATEMENT OF RESPONSIBILITIES**

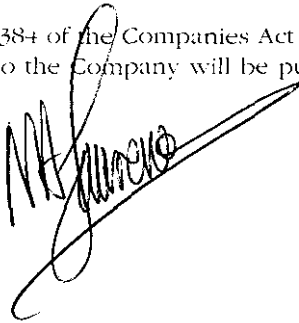
Employee involvement

The importance of promoting and maintaining good communications with the Group's employees is recognised and its policy is to keep employees regularly informed on matters relating to their employment through the Group's "Dashboard" newsletter, Benair Briefing, Aviation Commercial and Special Technical Information bulletins, circulars and team briefings.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Ernst & Young as auditors to the Company will be put to the Annual General Meeting.

By order of the Board
N A Lawrence
Secretary
23 June 1999



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these accounts, 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 accounts.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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.

AUDITORS' REPORT

REPORT OF THE AUDITORS

To Members of Dart Group PLC:

We have audited the accounts on pages 23 to 42, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 27 to 29.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including the accounts, as described above. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on page 15 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of either the company's corporate governance procedures or the Group's internal controls.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young

Registered Auditor
Southampton

23 June 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1999

	<i>Notes</i>	<i>1999</i> £'000	<i>1998</i> £'000
TURNOVER	2	105,730	87,809
Net operating expenses	3	(98,920)	(82,174)
OPERATING PROFIT		6,810	5,635
Surplus on disposal of fixed assets		299	57
Net interest payable	4	(1,004)	(567)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,105	5,125
Taxation	7	(1,936)	(1,522)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,169	3,603
Dividends	8	(1,380)	(1,178)
RETAINED PROFIT FOR THE YEAR		<u>2,789</u>	<u>2,425</u>
 EARNINGS PER SHARE			
– basic	9	12.91p	11.19p
– diluted	9	<u>12.78p</u>	<u>11.11p</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>1999</i> £'000	<i>1998</i> £'000
Profit on ordinary activities after taxation	4,169	3,603
Foreign exchange loss on foreign equity investment	(15)	(57)
	<u>4,154</u>	<u>3,546</u>

A statement of the movement on reserves is given in Note 19 to the accounts.

CONSOLIDATED BALANCE SHEET

at 31 March 1999

		1999		1998*	
Notes	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		38,820		36,111
Investments	11		106		106
			38,926		36,217
CURRENT ASSETS					
Stock	12	1,435		1,478	
Debtors	13	14,122		12,433	
Cash at bank and in hand		9,147		6,597	
		24,704		20,508	
CURRENT LIABILITIES					
CREDITORS: amounts falling due within one year	14	(25,867)		(19,281)	
NET CURRENT (LIABILITIES)/ ASSETS					
			(1,163)		1,227
TOTAL ASSETS LESS CURRENT LIABILITIES					
			37,763		37,444
CREDITORS: amounts falling due after more than one year	15	(14,942)		(18,277)	
PROVISION FOR LIABILITIES AND CHARGES	16	(3,251)		(2,408)	
			(18,193)		(20,685)
			19,570		16,759
CAPITAL AND RESERVES					
Called up share capital	18		1,617		1,614
Share premium account	19		4,564		4,530
Profit and loss account	19		13,389		10,615
SHAREHOLDERS' FUNDS — equity interests					
	20		19,570		16,759

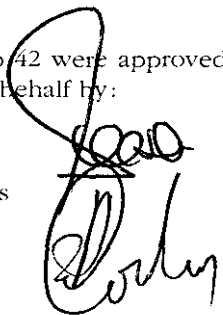
* As restated

The accounts on pages 23 to 42 were approved by the Board of Directors at a meeting held on 23 June 1999 and were signed on its behalf by:

P H MEESON

T P CROWLEY

} Directors



BALANCE SHEET

at 31 March 1999

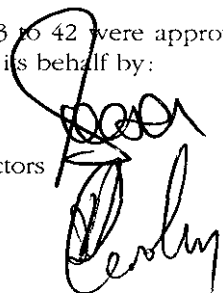
	Notes	1999		1998	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10		31,211		28,335
Investments	11		3,725		3,725
			<u>34,936</u>		<u>32,060</u>
CURRENT ASSETS					
Debtors	13	4,890		2,478	
Cash at bank and in hand		5,025		8,037	
		<u>9,915</u>		<u>10,515</u>	
CREDITORS: amounts falling due within one year	14	(22,393)		(16,241)	
NET CURRENT LIABILITIES			<u>(12,478)</u>		<u>(5,726)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			22,458		26,334
CREDITORS: amounts falling due after more than one year	15	(11,812)		(16,267)	
PROVISION FOR LIABILITIES AND CHARGES	16	(2,949)		(2,164)	
			<u>(14,761)</u>		<u>(18,431)</u>
			<u>7,697</u>		<u>7,903</u>
CAPITAL AND RESERVES					
Called up share capital	18		1,617		1,614
Share premium account	19		4,564		4,530
Profit and loss account	19		1,516		1,759
SHAREHOLDERS' FUNDS — equity interests	20		<u>7,697</u>		<u>7,903</u>

The accounts on pages 23 to 42 were approved by the Board of Directors at a meeting held on 23 June 1999 and were signed on its behalf by:

P H MEESON

T P CROWLEY

} Directors



CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 1999

	<i>Notes</i>	<i>1999</i> £'000	<i>1998</i> £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	24,480	14,388
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	23	(1,004)	(567)
TAXATION	23	(512)	(1,037)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(15,091)	(22,762)
EQUITY DIVIDENDS PAID		<u>(1,217)</u>	<u>(1,078)</u>
CASH INFLOW/(OUTFLOW) BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		6,656	(11,056)
MANAGEMENT OF LIQUID RESOURCES	23	(4,549)	—
FINANCING	23	<u>(4,106)</u>	<u>14,333</u>
(DECREASE)/INCREASE IN CASH IN THE YEAR	25	<u><u>(1,999)</u></u>	<u><u>3,277</u></u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	<i>1999</i> £'000	<i>1998</i> £'000
(Decrease)/increase in cash in the period		(1,999)	3,277
Cash used to increase liquid resources		4,549	—
New finance leases in period		—	(1,309)
Cash outflow/(inflow) from decrease/(increase) in net debt in the period		4,143	(14,276)
Change in net debt in the period	25	<u>6,693</u>	<u>(12,308)</u>
Net debt at 1 April	25	<u>(13,765)</u>	<u>(1,457)</u>
Net debt at 31 March	25	<u><u>(7,072)</u></u>	<u><u>(13,765)</u></u>

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Basis of consolidation

The accounts of the Company and all of its trading subsidiary undertakings are consolidated on the basis of accounts made up to 31 March 1999.

Goodwill

Goodwill arising on acquisitions prior to 1 April 1997 was written off directly against reserves. Goodwill previously eliminated against reserves has not been re-instated on implementation of FRS 10.

Goodwill arising on acquisitions after 1 April 1997 will be capitalised in the balance sheet and amortised over its estimated economic life up to a presumed maximum of 20 years. It will be reviewed for impairment at the end of its first full financial year following the acquisition and in other periods if events indicate that the carrying value may not be recoverable.

If a subsidiary or associate is subsequently sold or closed any goodwill previously written off directly to reserves or not yet amortised through the profit and loss account is taken into account in determining the profit or loss on disposal.

Investments

Investments are recorded at cost, less provisions for permanent diminution in value where appropriate.

Companies in which the Group has an interest of not less than 20% of their voting capital, which are not subsidiary undertakings, are included as associated undertakings only where the Group exercises significant influence over the operations of the companies.

Turnover

Turnover (which excludes Value Added Tax), represents produce and flower distribution, cargo aircraft operations, freight forwarding and all other charges for services provided by the Group.

Aircraft maintenance provisions

Maintenance fees are charged by the Company to Channel Express (Air Services) Limited, a wholly owned subsidiary undertaking, to cover the cost of the Company's obligation to undertake specific periodic maintenance on its aircraft fleet. The amount received by the Company in advance of the maintenance expenditure represents fees unearned to the extent that the Company has not yet completed and incurred the expenditure.

Within the consolidated accounts in prior years, provision was made for the periodic maintenance costs of aircraft, engines and propellers on a usage basis, all other repairs being charged to the Profit and Loss account as incurred. Following the introduction of Financial Reporting Standard No. 12 "Provisions, Contingent Liabilities and Contingent Assets", the establishment of provisions for maintenance costs of owned assets is no longer permitted.

As a result of this change, and in line with the requirements of Financial Reporting Standard No. 15 "Tangible Fixed Assets", within the consolidated accounts, expenditure on maintenance of aircraft, engines and propellers is now capitalised within Tangible Fixed Assets. Depreciation, in addition to that charged against the original capital value, is then charged against these maintenance assets at a variable rate dependent on the actual usage of the aircraft itself, such that over time the depreciation charge will match the related maintenance expenditure.

The opening consolidated balance sheet has been restated in accordance with this revised accounting policy. No change has been required to the opening net asset position, and there has been no change to the reported profit in the current or prior year from this change in accounting policy.

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES (continued)

Stock

Aircraft spares are valued at the lower of cost and estimated net realisable value. Net realisable value is that which would arise on sales in the normal course of business.

Tangible fixed assets

Tangible fixed assets are stated at cost to the Group. Costs associated with the introduction of a new type of aircraft are capitalised. Depreciation is calculated to write off the cost of fixed assets using the straight line method over their estimated useful lives as follows:-

Leasehold property	Over the term of the lease
Freehold property	30 years
Aircraft, engines and propellers	3-10 years
Plant, vehicles and equipment	3-7 years

As noted above, within the consolidated accounts, expenditure on maintenance of aircraft, engines and propellers is capitalised within Tangible Fixed Assets. Depreciation, in addition to that charged against the original capital value, is then charged against these maintenance assets at a variable rate dependent on the actual usage of the aircraft itself, such that over time the depreciation charge will match the related maintenance expenditure.

A freehold property with a book value of £345,000 has not been depreciated as, having regard to the nature of the property, the directors consider that its residual value, which was based upon prices prevailing at the time of acquisition, is not materially less than the amount shown in the accounts. Any material future permanent diminution in value will be provided through the Profit and Loss Account.

The carrying values of tangible fixed assets are reviewed for impairment in the period, if events indicate the carrying value may not be recoverable.

Deferred taxation

The Group provides for deferred taxation using the liability method to take account of all timing differences between the treatment of certain items for accounts purposes and their treatment for taxation purposes to the extent that, in the opinion of the directors, these timing differences will reverse in the foreseeable future. Deferred taxation is calculated at the rate at which it is anticipated the timing differences will reverse.

Advance Corporation Tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Finance leases

Assets acquired under finance leases are capitalised and the related liability is recorded as an obligation to pay future rentals. Finance charges are allocated to accounting periods on the basis of the obligation for each accounting period.

Pension costs

All Group pensions are provided from the proceeds of money purchase schemes. The charge to the Profit and Loss Account represents the payments due during the year.

Foreign currency

Transactions in foreign currencies have been translated into Sterling at the rates applicable when they were completed and assets and liabilities at the year end have been translated at the rates at that date. Differences arising on exchange are reflected in the results for the year.

NOTES TO THE ACCOUNTS

at 31 March 1999

1. ACCOUNTING POLICIES (continued)

On consolidation, assets and liabilities in foreign currencies are translated into Sterling at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange. Exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and at closing rates, are dealt with in reserves.

Financial Instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The criteria for forward foreign currency contracts are that the instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified, and it must reduce the risk of foreign exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or, where the instrument is used to hedge a committed or probable future transaction, are deferred until the transaction occurs.

2. TURNOVER

	<i>1999</i>	<i>1998</i>
	<i>£ '000</i>	<i>£ '000</i>
Distribution	44,942	37,696
Aviation Services	60,788	50,113
	<u>105,730</u>	<u>87,809</u>
Turnover arising within:		
The United Kingdom and the Channel Islands	104,663	86,547
The Far East	1,067	1,262
	<u>105,730</u>	<u>87,809</u>

Analyses of profit before taxation and net assets between the different segments of the Group are not given as, in the opinion of the directors, such analyses would be seriously prejudicial to the commercial interests of the Group. Turnover to third parties by destination is not materially different to that by source and relates to continuing activities.

NOTES TO THE ACCOUNTS

at 31 March 1999

7. TAXATION

	1999 £'000	1998 £'000
UK Corporation Tax based upon the profits for the year:		
Current taxation		
– current year	1,078	—
– prior year	247	(39)
Deferred taxation		
– current year	669	1,420
– prior year	(195)	—
Overseas taxation	137	141
	<u>1,936</u>	<u>1,522</u>

8. DIVIDENDS

	1999 £'000	1998 £'000
Interim 1.27 pence (1998 – 1.15 pence) per share – paid	410	371
Final 3.0 pence (1998 – 2.5 pence) per share – proposed	970	807
	<u>1,380</u>	<u>1,178</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year ended 31 March 1999 of £4,169,000 (1998 – £3,603,000) and on 32,299,341 shares (1998 – 32,202,480) being the weighted average number of shares in issue for the year.

The diluted earnings per share is based on earnings for the year ended 31 March 1999 of £4,169,000 (1998 – £3,603,000), and on 32,622,517 ordinary shares (1998 – 32,413,000) calculated as follows:

	1999 Number	1998 Number
Basic weighted average number of shares	32,299	32,202
Dilutive potential ordinary shares:		
Employee share options	324	211
	<u>32,623</u>	<u>32,413</u>

NOTES TO THE ACCOUNTS

at 31 March 1999

10. TANGIBLE ASSETS

<i>Group</i>	<i>Freehold property £'000</i>	<i>Short leasehold property £'000</i>	<i>Aircraft, engines & propellers £'000</i>	<i>Plant, vehicles & equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>					
At 1 April 1998 (as restated)	3,461	1,350	45,187	16,949	66,947
Additions	546	532	15,589	3,244	19,911
Disposals	—	(41)	(5,361)	(1,714)	(7,116)
At 31 March 1999	4,007	1,841	55,415	18,479	79,742
<i>Depreciation</i>					
At 1 April 1998 (as restated)	(159)	(556)	(20,194)	(9,927)	(30,836)
Charge for the year	(79)	(160)	(13,251)	(1,825)	(15,315)
Disposals	—	21	3,999	1,209	5,229
At 31 March 1999	(238)	(695)	(29,446)	(10,543)	(40,922)
Net book value					
At 31 March 1998 (as restated)	3,302	794	24,993	7,022	36,111
At 31 March 1999	3,769	1,146	25,969	7,936	38,820
<i>Net book value of assets held under finance leases</i>					
At 31 March 1998	—	37	—	226	263
At 31 March 1999	—	29	—	208	237
<i>Company</i>					
<i>Cost</i>					
At 1 April 1998		468	37,464	630	38,562
Additions		407	6,893	97	7,397
Disposals		(6)	(714)	(32)	(752)
At 31 March 1999		869	43,643	695	45,207
<i>Depreciation</i>					
At 1 April 1998		115	9,623	489	10,227
Charge for the year		51	3,870	67	3,988
Disposals		(2)	(193)	(24)	(219)
At 31 March 1999		164	13,300	532	13,996
Net book value					
At 31 March 1998		353	27,841	141	28,335
At 31 March 1999		705	30,343	163	31,211

Aircraft, engines and propellers having an original cost of £43,471,000 (1998 – £37,292,000) and accumulated depreciation of £13,226,000 (1998 – £9,568,000) are held for use in operating leases by a subsidiary company.

NOTES TO THE ACCOUNTS

at 31 March 1999

11. INVESTMENTS

<i>Group</i>	<i>1999</i>	
	<i>£'000</i>	
Shares in other investments at cost		152
Less: provision for diminution in value		(46)
Net investment at 1 April and 31 March		<u>106</u>
	<i>1999</i>	<i>1998</i>
	<i>£'000</i>	<i>£'000</i>
<i>Company</i>		
Shares in subsidiary undertakings at cost: at 1 April and 31 March	3,647	3,647
Shares in other investments at cost:		
At 1 April 1998	124	124
Less: Provision for diminution in value	(46)	(46)
At 31 March 1999	<u>78</u>	<u>78</u>
Total Company investments	<u>3,725</u>	<u>3,725</u>

The principal subsidiary undertakings, which are wholly owned are:

<i>Name</i>	<i>Principal activity</i>	<i>Country of incorporation or registration</i>
Channel Express (CI) Limited	Provision of freight and flower distribution services to, and from, the Channel Islands	Guernsey
Fowler Welch Limited	Temperature controlled distribution	England
Benair Freight International Limited	Freight forwarding	England
Benair Freight Pte Limited	Freight forwarding	Singapore
Channel Express (Air Services) Limited	Operation of cargo aircraft	England

All subsidiaries are wholly owned by the Company, with the exception of Benair Freight Pte Limited. The issued share capital of each subsidiary undertaking consists entirely of ordinary shares.

The Company has a 49% interest in the issued ordinary share capital of Ferryspeed Limited, a company incorporated in England and operating a temperature controlled transport service for produce and goods to and from Jersey. Through a subsidiary, the Group has a 20% interest in Benair (Malaysia) Sdn.Bhd., a company incorporated in and operating as a freight forwarder in Malaysia and a 30% interest in Benair Freight (Hong Kong) Limited, a company incorporated in and operating as a freight forwarder in Hong Kong. These three companies are classed as other investments since the Group does not exercise significant influence over their operations. Were these investments to be equity accounted, the net carrying value would not be materially different from the amount of the net investment shown above.

NOTES TO THE ACCOUNTS

at 31 March 1999

12. STOCK

	1999	1998
	£'000	£'000
Aircraft parts	1,330	1,415
Sundries	105	63
	<u>1,435</u>	<u>1,478</u>

13. DEBTORS

	1999		1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade Debtors	11,533	—	10,709	—
Amounts owed by Group undertakings	—	4,865	—	2,464
Other debtors and prepayments	2,589	25	1,724	14
	<u>14,122</u>	<u>4,890</u>	<u>12,433</u>	<u>2,478</u>

14. CREDITORS: amounts falling due within one year

	1999		1998	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank loans	346	—	346	—
Other Loans	3,340	3,340	3,563	3,563
Trade creditors	16,670	2,211	10,632	157
Amounts owed to Group undertakings	—	11,431	—	8,168
Corporation Tax	912	—	165	—
Other taxation and social security	778	30	606	34
Other creditors and accruals	2,453	656	2,512	370
Obligations under finance leases	277	—	356	—
Dividend proposed	970	970	807	807
Advance corporation tax	121	121	294	294
Maintenance fees received in advance	—	3,634	—	2,848
	<u>25,867</u>	<u>22,393</u>	<u>19,281</u>	<u>16,241</u>

NOTES TO THE ACCOUNTS

at 31 March 1999

15. CREDITORS: amounts falling due after more than one year

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts owed to Group undertakings	—	—	—	1,736
Obligations under finance leases	720	—	997	—
Bank loans	2,281	—	2,630	—
Other loans	9,252	9,252	12,470	12,470
Trade creditors	2,560	2,560	2,061	2,061
Overseas taxation	126	—	119	—
	<u>14,942</u>	<u>11,812</u>	<u>18,277</u>	<u>16,267</u>

Loans and finance leases are repayable as follows:

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Within one year:				
Bank loans	346	—	346	—
Other loans	3,340	3,340	3,563	3,563
Finance leases	277	—	356	—
Between one and two years:				
Bank loans	346	—	346	—
Other loans	3,340	3,340	3,340	3,340
Finance leases	262	—	277	—
Between two and five years:				
Bank loans	1,036	—	1,036	—
Other loans	5,912	5,912	9,130	9,130
Finance leases	458	—	720	—
Over five years:				
Bank loans	902	—	1,248	—
	<u>16,219</u>	<u>12,592</u>	<u>20,362</u>	<u>16,033</u>

Loans totalling £11,204,000 are secured on two of the Group's aircraft. (1998 – £14,227,000). Loans totalling £2,390,000 (1998 – £2,976,000) are secured by a legal mortgage over the freehold warehouse and distribution centre owned by Fowler Welch Limited and by a fixed and floating charge over that company's assets.

Loans not wholly repayable within five years bear interest at 1% over bank base rate as determined from time to time and are repayable in equal monthly instalments until August 2006.

NOTES TO THE ACCOUNTS

at 31 March 1999

16. PROVISION FOR LIABILITIES AND CHARGES

	1999 £'000	1998 £'000
<i>Group</i>		
Deferred taxation:		
Provision at 1 April	2,408	1,282
Charge relating to the year	669	1,420
(Credit) relating to prior year	(195)	—
	<u>2,882</u>	<u>2,702</u>
Less: Movement in advance corporation tax recoverable	369	(294)
Provision at 31 March	<u>3,251</u>	<u>2,408</u>

Deferred taxation has been provided for in full and arises mainly due to capital allowances claimed in advance of depreciation.

	1999 £'000	1998 £'000
<i>Company</i>		
Deferred taxation:		
Provision at 1 April	2,164	1,290
Charge relating to the year	560	1,168
(Credit) relating to prior year	(144)	—
	<u>2,580</u>	<u>2,458</u>
Less: Movement in advance corporation tax recoverable	369	(294)
Provision at 31 March	<u>2,949</u>	<u>2,164</u>

NOTES TO THE ACCOUNTS

at 31 March 1999

17. FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies for the role of financial instruments in managing the risks of the Group can be found in the Financial Review on page 13. The disclosures given below exclude trade debtors and trade creditors except for those relating to Currency Exposure.

Interest Risk – Financial Liabilities

	<i>Floating rate financial liabilities</i> £'000	<i>Financial Liabilities on which no interest is payable</i> £'000	<i>Total</i> £'000
Sterling	14,830	1,389	16,219

The floating rate liabilities comprise aircraft mortgages, property mortgages and finance leases which bear interest at rates between 0.75% and 1% over either bank base rates or LIBOR.

The weighted average period until maturity on financial liabilities on which no interest is paid is 3.3 years.

Interest Risk – Financial Assets

	<i>Floating rate financial assets</i> £'000	<i>Financial Assets on which no interest is payable</i> £'000	<i>Total</i> £'000
Sterling	4,750	2,258	7,008
US Dollar	1,765	63	1,828
Singapore Dollar	136	140	276
Other	—	141	141
	<u>6,651</u>	<u>2,602</u>	<u>9,253</u>

The floating rate financial assets comprise cash on money market deposits for fixed lengths of time at various market rates according to their currency and deposit duration.

Currency Exposure

The table below shows the Group's currency exposures that give rise to net currency gains or losses recognised in the profit and loss account. Such exposures comprise monetary assets and liabilities that are not denominated in the functional currency of the operating unit involved.

	<i>Currency US Dollar</i> £'000	<i>Currency HKD</i> £'000	<i>SGD</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Sterling	<u>(3,518)</u>	<u>(101)</u>	<u>(192)</u>	<u>7</u>	<u>(3,804)</u>

As at 31 March 1999 the Group also held open various forward exchange contracts taken out to hedge expected future foreign currency requirements.

NOTES TO THE ACCOUNTS

at 31 March 1999

Fair Values

The fair value of all financial assets and financial liabilities is not materially different to the carrying amount and is therefore not separately disclosed. The Group has forward foreign exchange contracts with a nil book value and a fair value, based on estimated market values, of £115,000 at 31 March 1999.

Hedges

Gains and losses on instruments used for hedging currency risk are not recognised until the instruments mature. Unrecognised gains at 31 March 1999 amounted to £107,000 which are expected to be recognised during the next 12 months. Gains included in the profit and loss account that arose in previous years amounted to £134,000.

Maturity of financial liabilities

Financial liabilities comprise loans and finance leases. The maturity of the loans and finance leases is given in Note 15.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March 1999 are £3,750,000 which expire within one year.

18. CALLED UP SHARE CAPITAL

	<i>Number of shares</i>	<i>1999 £'000</i>	<i>1998 £'000</i>
Authorised ordinary shares of 10p each	20,000,000	—	2,000
Authorised ordinary shares of 5p each	40,000,000	2,000	—
Allotted, called-up and fully paid:			
As at 1 April 1998	16,136,338	1,614	1,608
Share split	16,136,338	—	—
Options exercised	66,088	3	6
As at 31 March 1999	32,338,764	1,617	1,614

On 7 August 1998 each ordinary share of 10 pence nominal value in the capital of the company was subdivided into two ordinary shares of 5 pence nominal value. Outstanding share options in issue at the time have been adjusted accordingly.

The Company received the sum of £37,000 (1998 – £57,000) in respect of options exercised during the year.

NOTES TO THE ACCOUNTS

at 31 March 1999

18. CALLED UP SHARE CAPITAL (continued)

The Company has granted options to employees under the Dart Group Company Share Option Scheme in respect of 829,624 (1998 – 786,958) ordinary shares of 5p each. At 31 March 1999 the following options had not been exercised:

<i>Number of shares</i>	<i>Option Price</i>	<i>Option exercisable</i>
27,302	44.5p per share	On all the shares before the options expire on 18 January 2000
5,056	46.0p per share	On all the shares before the options expire on 6 June 2000
37,414	41.0p per share	On all the shares before the options expire on 16 January 2001
87,280	62.5p per share	On all the shares before the options expire on 30 December 2001
10,000	42.5p per share	On all the shares before the options expire on 20 July 2002
60,000	79.0p per share	On 20,000 shares from 23 December 1997 and on all the shares from 23 December 2000 The options expire on 23 December 2004
110,600	115.5p per share	On half of the shares from 22 July 1999 and on all the shares from 22 July 2002 The options expire on 22 July 2006
174,200	123.75p per share	On half of the shares from 19 December 1999 and on all the shares from 19 December 2002 The options expire on 19 December 2006
121,940	107.75p per share	On half of the shares from 26 June 2000 and on all the shares from 26 June 2003 The options expire on 26 June 2007
20,000	138.75p per share	On half of the shares from 12 December 2000 and on all the shares from 12 December 2003 The options expire on 12 December 2007
33,332	225.0p per share	On half of the shares from 21 July 2001 and on all the shares from 21 July 2004 The options expire on 21 July 2008
142,500	178.5p per share	On half of the shares from 14 December 2001 and on all the shares from 14 December 2004 The options expire on 14 December 2008

NOTES TO THE ACCOUNTS

at 31 March 1999

19. RESERVES

	<i>Group</i>		<i>Company</i>	
	<i>Share premium</i>	<i>Profit & loss</i>	<i>Share premium</i>	<i>Profit & loss</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 April 1998	4,530	10,615	4,530	1,759
Issue of shares under share option schemes	34	—	34	—
Retained profit/(loss) for the year	—	2,789	—	(243)
Currency translation differences	—	(15)	—	—
At 31 March 1999	<u>4,564</u>	<u>13,389</u>	<u>4,564</u>	<u>1,516</u>

The Company has taken advantage of the provisions of Section 230 of the Companies Act 1985 and has not published its own Profit and Loss Account. Of the profit on ordinary activities after taxation for the year a profit of £1,137,000 (1998 – £2,413,000) is dealt with in the accounts of the holding company, including dividends from subsidiaries of £1,642,000 (1998 – £2,601,000). The cumulative goodwill written off against reserves as at 31 March 1999 amounted to £2,279,000 (1998 – £2,279,000).

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Group</i>		<i>Company</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the year	4,169	3,603	1,137	2,413
Dividends	(1,380)	(1,178)	(1,380)	(1,178)
	<u>2,789</u>	<u>2,425</u>	<u>(243)</u>	<u>1,235</u>
Currency translation differences	(15)	(57)	—	—
Issue of shares under share option schemes	37	57	37	57
Net addition/(reduction) to shareholders' funds	<u>2,811</u>	<u>2,425</u>	<u>(206)</u>	<u>1,292</u>
Opening shareholders' funds	16,759	14,334	7,903	6,611
Closing shareholders' funds	<u>19,570</u>	<u>16,759</u>	<u>7,697</u>	<u>7,903</u>

21. COMMITMENTS

(a) Capital commitments:

	<i>1999</i>		<i>1998</i>	
	<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Contracted for but not provided	<u>1,080</u>	<u>—</u>	<u>3,478</u>	<u>3,435</u>

(b) Annual commitments under non-cancellable operating leases:

	<i>1999</i>		<i>1998</i>	
	<i>Land & buildings</i>	<i>Plant & machinery</i>	<i>Land & buildings</i>	<i>Plant & machinery</i>
<i>Group</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
within one year	2	2,391	27	1,916
between two and five years	261	1,443	381	286
over five years	80	—	80	—
	<u>343</u>	<u>3,834</u>	<u>488</u>	<u>2,202</u>

NOTES TO THE ACCOUNTS

at 31 March 1999

22. CONTINGENT LIABILITIES

The Group has issued various guarantees in the ordinary course of business, none of which are expected to lead to a financial gain or loss.

The Company has cross guarantees in respect of the banking arrangements of certain of its subsidiary undertakings.

23. GROSS CASH FLOWS

	1999 £'000	1998 £'000
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest paid: bank and other loans	(1,413)	(651)
Interest element of finance lease rental payments	(103)	(74)
Interest received: bank	512	158
	<u>(1,004)</u>	<u>(567)</u>
TAXATION		
Corporation and advanced corporation tax paid	(512)	(1,037)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(17,250)	(22,922)
Disposal of tangible fixed assets	2,159	160
	<u>(15,091)</u>	<u>(22,762)</u>
MANAGEMENT OF LIQUID RESOURCES		
Increase in short term deposits	(4,549)	—
FINANCING		
Ordinary share capital issued	37	57
Other loans repaid	(3,441)	(401)
Bank loans repaid	(346)	(284)
Other loans advanced	—	14,250
Bank loans advanced	—	1,000
Capital elements of finance lease rental payments	(356)	(289)
	<u>(4,106)</u>	<u>14,333</u>

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1999 £'000	1998 £'000
Operating profit	6,810	5,635
Depreciation	15,315	9,269
Decrease/(increase) in stock	43	(701)
(Increase)/decrease in debtors	(1,689)	14
Increase in creditors	4,016	228
Exchange differences	(15)	(57)
Net cash inflow from operating activities	<u>24,480</u>	<u>14,388</u>

NOTES TO THE ACCOUNTS

at 31 March 1999

25. ANALYSIS OF NET DEBT

	<i>At 31 March</i>	<i>Cashflow</i>	<i>At 1 April</i>
	<i>1999</i>		<i>1998</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans due within one year	(346)	—	(346)
Bank loans due after one year	(2,284)	346	(2,630)
Other loans due within one year	(3,340)	223	(3,563)
Other loans due after one year	(9,252)	3,218	(12,470)
Finance leases	(997)	356	(1,353)
Total debt	(16,219)	4,143	(20,362)
Cash at bank and in hand	4,598	(1,999)	6,597
Short-term deposits	4,549	4,549	—
Net debt	(7,072)	6,693	(13,765)

Short-term deposits are included within cash at bank and in hand on the balance sheet.

26. RELATED PARTY TRANSACTIONS

There are no related party transactions, except those as disclosed in the Report on Directors' Remuneration on page 17.