

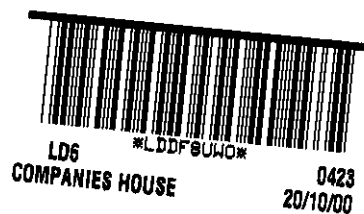
No. 1529998



SKY GROUP OF COMPANIES PLC
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 24TH MARCH 2000



GERALD EDELMAN

CHARTERED ACCOUNTANTS

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SKY GROUP OF COMPANIES PLC

REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 24th March 2000.

ACTIVITY

The principal activity of the group is property investment, dealing and development.

RESULTS AND STATE OF AFFAIRS

The financial statements on pages 4 to 17 set out the consolidated results for the year ended 24th March 2000 and reflect the state of the company's and group's affairs at that date.

DIVIDEND

The directors do not propose to declare a dividend in respect of the year.

FIXED ASSETS

Details of movements of fixed assets are shown in notes 8 and 9 to the financial statements. The directors have reviewed the open market values of the investment properties at 24th March 2000 and they consider them to approximate to their balance sheet values.

CREDITOR PAYMENT POLICY

The group's operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is the group's policy that payments to suppliers are made in accordance with those terms provided that suppliers also comply with all relevant terms and conditions. Details of the number of days' purchases represented by year end trade creditors are not given as there were no company nor group trade creditors at 24th March 2000.

DIRECTORS AND THEIR INTERESTS

The members of the board during the year and their interests, including family interests, in the company's shares were as follows:-

	Interest at end of year <u>number of shares</u>	Interest at beginning of year <u>number of shares</u>
M.L.A. Rose	-	-
J. Rose	-	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the results for that year.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of the financial statements and that applicable accounting standards have been followed. The financial statements have been prepared on the going concern basis.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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 preventing and detecting fraud and other irregularities.

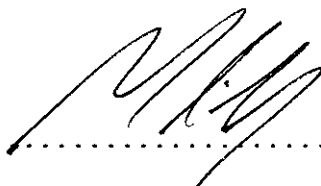
REPORT OF THE DIRECTORS
(CONTINUED)

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Gerald Edelman, who have expressed their willingness to continue in office as auditors for the ensuing year.

BY ORDER OF THE BOARD

4th October 2000
Dated


.....
(M. ROSE)
CHAIRMAN

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF SKY GROUP OF COMPANIES PLC

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

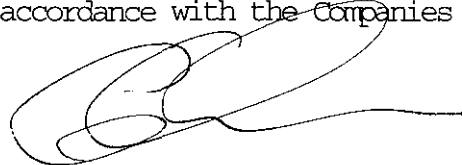
BASIS OF OPINION

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 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 24th March 2000 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



25 Harley Street
London W1N 2BR

GERALD EDELMAN
REGISTERED AUDITOR AND
CHARTERED ACCOUNTANTS

4th October 2000

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 24TH MARCH 2000

	Note	2000	1999
		£	£
Sale of properties		241,862	1,298,369
Cost of sales		(318,232)	(1,530,315)
<u>Gross (loss)/profit</u>		(76,370)	(231,946)
Gross rental and service charge income		501,305	442,442
Net property outgoings		(106,934)	(74,923)
<u>Net revenue from properties</u>		394,371	367,519
<u>Gross profit</u>		318,001	135,573
Administrative expenses		(340,328)	(375,013)
		(22,327)	(239,440)
Other operating income		8,616	13,690
<u>Trading (loss)/profit</u>	2	(13,711)	(225,750)
Loss on sale of investment property		-	(32,163)
Share of profit of associated undertakings		245,633	240,457
		231,922	(17,456)
Interest receivable	4	13,715	13,241
Interest payable	5	(259,041)	(320,735)
		(245,326)	(307,494)
<u>(Loss)/profit on ordinary activities before taxation</u>		(13,404)	(324,950)
Taxation	6	(47,086)	(47,397)
<u>(Net loss)/retained profit for the financial year</u>	7	£ (60,490)	£ (372,347)


There have been no acquisitions or discontinued operations during the year. The results shown above for this year and the prior year therefore relate to continuing operations.

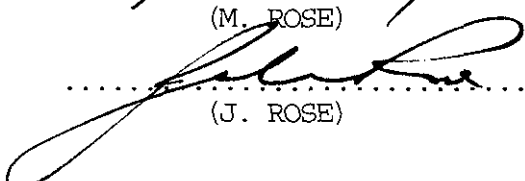
SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 24TH MARCH 2000

	Note	2000	1999
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	8	1,756,824	1,762,315
Investments	9	2,994,672	1,872,012
		<hr/>	<hr/>
		4,751,496	3,634,327
<u>CURRENT ASSETS</u>			
Stock of properties	10	1,237,065	3,281,339
Debtors	11	303,092	260,628
Cash at bank and in hand		174,679	173,833
		<hr/>	<hr/>
		1,714,836	3,715,800
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
	12	(2,871,201)	(4,543,436)
		<hr/>	<hr/>
<u>NET CURRENT LIABILITIES</u>			
		(1,156,365)	(827,636)
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			
		3,595,131	2,806,691
<u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u>			
	13	(916,173)	(991,356)
		<hr/>	<hr/>
		£2,678,958	£1,815,335
		<hr/>	<hr/>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	14	100,000	100,000
Other reserve	15	839,811	839,811
Profit and loss account	16	214,672	275,163
Revaluation reserve	17	1,524,475	600,361
		<hr/>	<hr/>
		£2,678,958	£1,815,335
		<hr/>	<hr/>

The financial statements on pages 4 to 17 were approved by the board of directors on 4th October 2000 and were signed on its behalf by:


.....DIRECTOR
(M. ROSE)

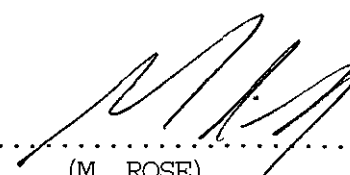

.....DIRECTOR
(J. ROSE)

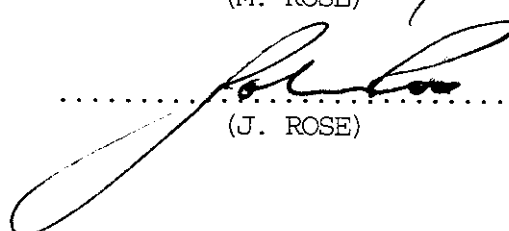
SKY GROUP OF COMPANIES PLC

BALANCE SHEET AS AT 24TH MARCH 2000

	<u>Note</u>	<u>2000</u>	<u>1999</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	8	49,574	55,065
Investments	9	30,244	30,244
		<hr/>	<hr/>
		79,818	85,309
<u>CURRENT ASSETS</u>			
Debtors	11	3,575,805	4,501,608
Cash at bank and in hand		91,117	72,140
		<hr/>	<hr/>
		3,666,922	4,573,748
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>			
	12	(3,498,405)	(4,567,679)
		<hr/>	<hr/>
<u>NET CURRENT ASSETS/ (LIABILITIES)</u>		168,517	6,069
		<hr/>	<hr/>
		£ 248,335	£ 91,378
		<hr/>	<hr/>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	14	100,000	100,000
Profit and loss account	16	148,335	(8,622)
		<hr/>	<hr/>
		£ 248,335	£ 91,378
		<hr/>	<hr/>

The financial statements on pages 4 to 17 were approved by the board of directors on 4th October 2000 and were signed on its behalf by:


.....DIRECTOR
(M. ROSE)


.....DIRECTOR
(J. ROSE)

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES
FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2000</u> £	<u>1999</u> £
(Loss)/profit for the financial year	(60,490)	(372,347)
Unrealised surplus on revaluation of investment on associated undertakings	924,114	600,361
	<hr/>	<hr/>
Total recognised gains and losses for the year	£863,624	£228,014
	<hr/>	<hr/>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no difference between the profit on ordinary activities before taxation or retained profit for the year stated on page 4 and its historical cost equivalent.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2000</u> £	<u>1999</u> £
Total recognised gains and losses for the year	863,624	228,014
	<hr/>	<hr/>
Net movement in shareholders' funds	863,624	228,014
Shareholders' funds at 24th March 1999	1,815,334	1,587,320
	<hr/>	<hr/>
Shareholders' funds at 24th March 2000	£2,678,958	£1,815,334
	<hr/>	<hr/>

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

CASH FLOW STATEMENT FOR THE YEAR ENDED 24TH MARCH 2000

	Note	2000	1999
		£	£
Net cash movement from operating activities	18	1,949,768	181,884
<u>Returns on investments and servicing of finance</u>			
Interest received		13,715	13,241
Interest paid		(259,041)	(320,735)
		<hr/>	<hr/>
<u>Net cash movement from returns on investments and servicing of finance</u>		(245,326)	(307,494)
<u>Capital expenditure and financial investment</u>			
Purchase of tangible fixed assets		(3,300)	(757)
Receipts from sales of tangible fixed assets		-	132,452
		<hr/>	<hr/>
<u>Net cash movement from capital expenditure and financial investment</u>		(3,300)	131,695
		<hr/>	<hr/>
<u>Cash inflow before use of liquid resources and financing</u>		£1,701,142	£ 6,085
		<hr/>	<hr/>
<u>FINANCING</u>			
Repayment of short term loan		(1,500,000)	-
Long term bank borrowings		(75,183)	(43,510)
New short term loans		-	1,700,000
		<hr/>	<hr/>
<u>Net cash movement from financing</u>		£ 125,959	£1,656,490
		<hr/>	<hr/>
Increase in cash in the year	19,20	£ 125,959	£1,662,575
		<hr/>	<hr/>

1. ACCOUNTING POLICIES

The principal accounting policies adopted are as follows:-

a) Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investment properties, and in accordance with applicable accounting standards.

b) Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the parent company and its subsidiary undertakings made up to the end of the financial year.

In accordance with S230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented with these financial statements.

c) Associated undertakings

The consolidated profit and loss account includes the relevant share of the results of associated undertakings. The group's share of post acquisition retained profits and reserves of the associated undertakings is included in the consolidated balance sheet.

d) Investment properties

In accordance with Statement of Standard Accounting Practice No. 19:-

- i) Properties held for investment are periodically revalued. Where the revaluation is adopted in the group's financial statements the net surplus is transferred to the revaluation reserve.
- ii) No depreciation is provided in respect of the investment properties. The directors consider that this accounting policy, which is a departure from the accounting requirement of the Companies Act 1985, is necessary to ensure that the financial statements show a true and fair view.

e) Trading properties

Properties which are held for trading are included at the lower of cost and net realisable value.

f) Depreciation

Depreciation is provided on all tangible fixed assets, except investment properties, at annual rates calculated to write off the cost of each asset over its expected useful life, as follows:

Motor vehicles	- 25% reducing balance method
Fixtures, fittings and equipment	- 15% reducing balance method

1. ACCOUNTING POLICIES - (continued)

g) Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

h) Pension costs

The company operates a defined contribution scheme. The charge to the profit and loss account is the contribution paid to the scheme in respect of the period.

i) Deferred taxation

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Investment properties are held as long term investments and there is no intention to dispose of them. Therefore, no provision is made for the potential liability to taxation which would result in the event of realisation of the properties at the amounts at which they are stated in the financial statements. If they were disposed of the taxation liability could amount to approximately £Nil.

j) Turnover

Turnover is derived from proceeds received on the sale of properties.

2. TRADING PROFIT

2000
£

1999
£

Trading profit is stated after charging:

Staff costs (note 3)	143,297	151,271
Auditors' remuneration	20,550	25,008
Depreciation	13,422	9,776
Operating leases - premises	32,800	32,800

3. STAFF COSTS

a) Staff costs comprise:

Wages and salaries	123,500	101,155
Social security costs	12,597	10,116
Pension contributions	7,200	40,000
	<u>£143,297</u>	<u>£151,271</u>

b) Employees

The average number of employees, in administration, during the year was 2. (1999 - 2).

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000 (CONTINUED)

3. STAFF COSTS - (continued)

	<u>2000</u>	<u>1999</u>
c) <u>Directors' remuneration</u>		

- i) Directors' remuneration is included in staff costs and consists of:-

Fees, including benefits in kind	£140,000	£140,000
	<u> </u>	<u> </u>

4. INTEREST RECEIVABLE

	£	£
Bank interest	3,715	3,241
Other interest	10,000	10,000
	<u> </u>	<u> </u>
	£ 13,715	£ 13,241
	<u> </u>	<u> </u>

5. INTEREST PAYABLE

Bank interest	125,432	210,875
Other interest	133,609	109,860
	<u> </u>	<u> </u>
	£259,041	£320,735
	<u> </u>	<u> </u>

6. TAXATION

Taxation attributed to associated undertakings	£ 47,086	£ 47,397
	<u> </u>	<u> </u>

7. RETAINED PROFIT FOR THE FINANCIAL YEAR

The group (loss)/profit is attributable to:

Parent company	156,957	55,657
Subsidiary undertakings	(415,994)	(621,064)
Associated undertakings	198,547	193,060
	<u> </u>	<u> </u>
	£ (60,490)	£ (372,347)
	<u> </u>	<u> </u>

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000 (CONTINUED)

8. <u>TANGIBLE FIXED ASSETS</u>				
a) <u>The Group</u>				
	<u>Total</u>	<u>Freehold investment properties</u>	<u>Motor vehicles</u>	<u>Fixtures, fittings and equipment</u>
<u>Cost/valuation</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 25th March 1999	1,830,877	1,707,250	4,945	118,682
Additions	3,300	-	-	3,300
At 24th March 2000	1,834,177	1,707,250	4,945	121,982
<u>Depreciation</u>				
At 25th March 1999	68,562	-	4,574	63,988
Charge for the year	8,791	-	92	8,699
At 24th March 2000	77,353	-	4,666	72,687
<u>Balance sheet as at 24th March 2000</u>	<u>£1,756,824</u>	<u>1,707,250</u>	<u>279</u>	<u>49,295</u>
<u>Balance sheet as at 24th March 1999</u>	<u>£1,762,315</u>	<u>1,707,250</u>	<u>371</u>	<u>54,694</u>

The group's freehold investment properties are included in the financial statements at cost which, in the opinion of the directors, approximates to their open market value at the balance sheet date.

b) <u>The Company</u>			
	<u>Total</u>	<u>Motor vehicles</u>	<u>Fixtures and fittings</u>
<u>Cost</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 25th March 1999	123,627	4,945	118,682
Additions	3,300	-	3,300
At 24th March 2000	126,927	4,945	121,982
<u>Depreciation</u>			
At 25th March 1999	68,562	4,574	63,988
Charge for the year	8,791	92	8,699
At 24th March 2000	77,353	4,666	72,687
<u>Balance sheet as at 24th March 2000</u>	<u>£ 49,574</u>	<u>279</u>	<u>49,295</u>
<u>Balance sheet as at 24th March 1999</u>	<u>£ 55,065</u>	<u>371</u>	<u>54,694</u>

9. FIXED ASSET INVESTMENTS

a) <u>The Group</u>	<u>Associated undertakings</u> £
<u>Shares at cost</u>	
At 24th March 1999	960,257
Share of post acquisition reserves:	
Profit and loss account	509,940
Revaluation reserve	1,524,475
	<hr/>
At 24th March 2000	£2,994,672
	<hr/>

b) <u>Parent Company</u>	<u>Subsidiary undertakings</u>
<u>Shares at cost</u>	
At 24th March 1999 and 2000	£ 30,244
	<hr/>

c) Details of fixed asset investments

The group's and the company's fixed asset investments and shareholdings therein are as follows:

<u>Company</u> <u>Name</u>	<u>Country of</u> <u>incorporation</u>	<u>Class of</u> <u>Shares</u> <u>held</u>	<u>Proportion</u> <u>shares held</u> <u>direct/indirect</u>	<u>Activity</u>
<u>Subsidiary undertakings</u>				
Sky Properties Limited	England and Wales	Ordinary	100%	Property dealing
Sky Invest Limited	England and Wales	Ordinary	100%	Property investment
Geoplanetary Investments Limited	England and Wales	Ordinary	100%	Dormant
Subject Properties Limited	England and Wales	Ordinary	100%	Dormant
Sky Properties (Construction) Limited	England and Wales	Ordinary	100%	Building services
<u>Group</u>				
<u>Associated undertakings</u>				
The Red Box Development Company Limited	England and Wales	Ordinary 'B'	50%	Dormant
Riverview Holdings Limited	England and Wales	Ordinary 'B'	25%	Property dealing
Blastland Limited	England and Wales	Ordinary	25%	Property dealing
Imagegreen Limited	England and Wales	Ordinary	25%	Property dealing

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000 (CONTINUED)

9. FIXED ASSET INVESTMENTS - (continued)

c) Details of fixed asset investments - (continued)

Joint ventures

<u>Name</u>	<u>Country of incorporation</u>	<u>Class of shares held</u>	<u>Proportion shares held direct</u>	<u>Activity</u>
Lloyds Wharf	England	-	70%	Property investment
Alma Road	England	-	50%	Property investment

Financial Reporting Standard No.9 ('FRS9') requires the following additional disclosures in respect of the groups investments in its associate companies.

	<u>Riverview Holdings Limited</u>	<u>Blastland Limited</u>	<u>Imagegreen Limited</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Turnover	35,005	156,119	303,368
Profit before tax	28,383	(14,398)	231,648
Taxation	5,783	-	41,303
Profit after tax	22,600	(14,398)	190,345
Fixed assets	1,120,400	2,406,525	2,065,809
Current assets	139,192	131,812	1,033
Liabilities due within one year	99,161	903,380	587,045
Liabilities due after one year	-	-	-

The Red Box Development Company Limited was all dormant during the period under review.

	<u>The Group</u>		<u>Parent Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Trading properties	921,142	1,234,957	-	-
Interest in joint ventures	315,923	2,046,382	-	-
	<u>£1,237,065</u>	<u>£3,281,339</u>	<u>£ -</u>	<u>£ -</u>

	<u>The Group</u>		<u>Parent Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Amount due from subsidiary undertaking	-	-	3,500,545	4,460,874
Other debtors	222,218	211,668	29,618	18,858
Prepayments and accrued income	80,874	48,960	45,642	21,876
	<u>£ 303,092</u>	<u>£ 260,628</u>	<u>£3,575,805</u>	<u>£4,501,608</u>

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000 (CONTINUED)

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>The Group</u>		<u>Parent Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£	£	£	£
Bank loans and overdrafts (note 13)	195,882	320,995	154,975	269,500
Other loan	2,600,000	4,100,000	2,600,000	4,100,000
Other taxation and social security	3,885	4,444	3,885	3,523
Other creditors	29,510	21,040	3,824	3,720
Amounts due to subsidiary undertakings	-	-	714,525	123,833
Accruals and deferred income	41,924	96,957	21,196	67,103
	<u>£2,871,201</u>	<u>£4,543,436</u>	<u>£3,498,405</u>	<u>£4,567,679</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>The Group</u>		<u>Parent Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£	£	£	£
Bank loans	£ 916,173	£ 991,356	-	-

The bank borrowings are secured on certain of the trading and investment properties and bear interest at between 2% and 2½% above LIBOR.

14. CALLED UP SHARE CAPITAL	<u>2000</u>	<u>1999</u>
<u>Authorised, issued and fully paid</u>		
100,000 Ordinary shares of £1 each	£ 100,000	£ 100,000

15. OTHER RESERVE	<u>The Group</u>		<u>Parent Company</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£	£	£	£
Reserve arising on consolidation	£ 839,811	£ 839,811	-	-

16. PROFIT AND LOSS ACCOUNT	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	£	£	£	£
Balance at 25th March 1999	275,162	647,510	(8,622)	(64,279)
Retained profit/(net loss) for the year	(60,490)	(372,347)	156,957	55,657
<u>Balance at 24th March 2000</u>	<u>£ 214,672</u>	<u>£ 275,163</u>	<u>£ 148,335</u>	<u>£ (8,622)</u>

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000 (CONTINUED)

17. <u>GROUP</u>	<u>2000</u> £	<u>1999</u> £	
Balance at 25th March 1999	600,361	-	
Share of post acquisition revaluation reserves in associated undertakings	924,114	600,361	
	<hr/>	<hr/>	
Balance at 24th March 2000	£1,524,475	£ 600,361	
	<hr/>	<hr/>	
18. <u>RECONCILIATION OF OPERATING PROFIT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES</u>			
Trading (loss)/profit	(13,711)	(225,750)	
Depreciation charges	8,791	9,776	
Movement in stocks	2,044,274	417,961	
Movement in debtors	(42,464)	(35,770)	
Movement in creditors	(47,122)	15,667	
	<hr/>	<hr/>	
<u>Net cash movement from operating activities</u>	<u>£1,949,768</u>	<u>£ 181,884</u>	
	<hr/>	<hr/>	
19. <u>ANALYSIS OF CHANGES IN NET DEBT</u>			
<u>Year to 24th March 2000</u>	<u>1999</u> £	<u>cashflow</u> £	<u>2000</u> £
Cash at bank and in hand	173,833	846	174,679
Bank overdrafts	(320,995)	125,113	(195,882)
	<hr/>	<hr/>	<hr/>
	£ (147,162)	125,959	(21,203)
	<hr/>	<hr/>	<hr/>
<u>Year to 24th March 1999</u>	<u>1998</u> £	<u>cashflow</u> £	<u>1999</u> £
Cash at bank and in hand	77,682	96,151	173,833
Bank overdrafts	(1,887,419)	1,566,424	(320,995)
	<hr/>	<hr/>	<hr/>
	£ (1,809,737)	1,662,575	(147,162)
	<hr/>	<hr/>	<hr/>
20. <u>RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT</u>	<u>2000</u> £	<u>1999</u> £	
Increase in cash in period	125,959	1,662,575	
Net funds at 25th March 1999	(147,162)	(1,809,737)	
	<hr/>	<hr/>	
Net debt at 24th March 2000	£ (21,203)	£ (147,162)	
	<hr/>	<hr/>	
21. <u>CONTINGENT LIABILITY</u>			

The company has guaranteed the bank borrowings of one of its subsidiary undertakings, which amounted to £226,263 at 24th March 2000.

SKY GROUP OF COMPANIES PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 24TH MARCH 2000 (CONTINUED)

22. RELATED PARTY TRANSACTIONS

<u>Party</u>	<u>Relationship</u>	<u>Transaction</u>	<u>2000</u> <u>Value</u>	<u>Balance</u>	<u>1999</u> <u>Value</u> £	<u>Balance</u> <u>due from/(to)</u> £
M. Rose	Director	Loan account	1,187	(1,683)	41	(2,870)
J. Rose	Director	Loan account	(189)	(1,039)	908	(850)
Riverview Holdings Limited	Associated undertaking	Investment	- 100,000	100,000		100,000
"	"	Interest receivable	10,000	29,877	10,000	19,877
Blastland Limited	"	Investment	- 20,000		-	20,000
Imagegreen Limited	"	"	- 10,000		-	10,000

The group has taken advantage of the exemptions available whereby no disclosure is required for related party transactions and balances fully eliminated on consolidation.