

6 May 2003

**THUS Group plc  
Preliminary Results  
year ended 31 March 2003**

**ON TRACK FOR FURTHER GROWTH**

**Highlights**

Sustained growth and margin expansion

- Statutory turnover up 9% to £291.2 million, with like for like turnover up 12%<sup>1</sup>
- Gross profit up 30% to £64.2 million, with gross margin up from 18% to 22%
- EBITDA<sup>2</sup> £27.1 million (2002: £3.1<sup>3</sup> million), with EBITDA margin at 9% (2002: 1%)
- Loss before tax reduced 44% to £58.8 million
- Capital expenditure £44.9 million, down to 15% of turnover (2002: 29%)

Financially strong

- Net cash flow from continuing operating activities £26.1 million (2002: £(1.6) million)
- Cash outflow before financing costs<sup>4</sup> £28.3 million (2002: £(67.0) million)
- Cash £12.1 million. Net debt £32.7 million. Gearing 11%. Fully funded.

**Commenting on today's results, William Allan, Chief Executive said:**

'Despite difficult trading conditions, THUS has delivered another strong set of results in line with our objective to become cash flow positive after interest and capital expenditure by March 2004. THUS is now operating cash flow positive for the full financial year, with a strong trajectory for our stated objectives for operating profits.

'Throughout the year, we remained cautious on the outlook for the UK economy, and highlighted uneconomic pricing by distressed competitors. As we have previously and consistently stressed, we are focused on generating quality recurring revenues with sound operating margins. This strategy has proved effective and has resulted in 4% statutory gross margin expansion, and a nine-fold increase in EBITDA from customer growth and the planned operating efficiencies we implemented last year.

'Our focused marketing through the THUS and Demon brands has resulted in significant growth in our data services. Our record on service innovation remains class-leading, allowing us to win a growing blue chip customer base, including new business from Shell, Conoco, Orange, UKERNA, Ordnance Survey, the Scottish Executive and Capital Radio Plc.

'We expect the cautious trends from this year on the economy and competitor activity to continue. However, the strategy we outlined at the time of our listing enabled us to scale and flex our business according to changing market conditions. Assuming the macro environment remains broadly unchanged, we remain comfortable with market expectations for the year ahead.'

1 Like for like growth excludes turnover from Interactive Branded, Scotland On-Line Limited and the residential telephone service which were either disposed of or ceased in the year ended 31 March 2002

2 Earnings before interest, tax, depreciation and amortisation (See Note 4 of the Preliminary Statement)

3 EBITDA for the year ended 31 March 2002 excludes £3.2 million exceptional restructuring costs

4 Representing cash outflow before financing of £(36.7) million (2002: £(86.3) million) and returns on investments and servicing of finance of £(8.4) million (2002: £(19.3) million)

**Further information**

**THUS Group plc**

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**An analysts' conference will be held this morning at 9.00am for 9.30am at the offices of Investec, 2 Gresham Street, London, EC2V 7QP. A simultaneous webcast of the conference will be screened at <http://www.thus.net/investors/fin-mar-03.htm>. Webcast participants are advised to visit the web address at least 15 minutes before the start of the conference to ensure they have all the necessary software to take part.**

## **Performance Review**

### **Turnover**

Group turnover grew 9% to £291.2 million, with like for like turnover up 12<sup>1</sup>%. Data and telecoms and Internet were the strongest performing divisions.

### **Segmental analysis of turnover**

#### ***Data and telecoms***

Data and telecoms turnover grew by 13% to £160.5 million and by 17% to £141.8 million, excluding turnover from the ScottishPower Facilities Management (SP FM) contract.

Growth was strongest in data services, driven forward by a new contract to provide data networking services for Capital Radio Plc and by a good take up on our new City and National Ethernet services. THUS was the first UK operator to launch Ethernet using its own network facilities. Ethernet dramatically simplifies data connectivity between companies' sites and, to date, the services have attracted a wide range of customers including Conoco, Shell, UKERNA, Baillie Gifford, the Scottish Executive and Imperial College.

Good growth was also recorded in some of the more traditional voice products, with a 33% increase in outgoing minutes from directly connected customers to 580 million minutes and a 32% increase in incoming minutes on our non-geographic numbering services to 640 million minutes. THUS also took early advantage of a new regulatory development known as Carrier Pre Select (CPS), which was made operational in the last half of the year. Early adoption of this technology assisted with the provision of services to support the retail telephony products of existing and new customers.

Turnover from the SP FM contract fell 12% to £18.7 million and is expected to stabilise at around this level in the current year.

#### ***Internet***

During the year, the market polarised on the development of broadband services helping to increase Internet turnover by 10% to £90.3 million. Broadband customers grew five-fold to 25,000 attracted by the wide range of service options on offer, improved pricing and targeted marketing promotions to business customers under the Demon brand. By leveraging our in-house development expertise and extensive network, we introduced a unique differentiated product set to our business market. Specifically, THUS customers can now elect for a broadband service either dedicated for their exclusive use or shared with a maximum of 5 users compared to the standard 20 and 50 user options. This product extension becomes more important as increasing use of standard services leads to congestion.

Our UK broadband success was replicated in Demon Netherlands, which grew its ADSL customer base more than three-fold to 7,800. While THUS remains focused on the UK, the cash flow positive Netherlands operation at 3% of turnover remains a successful and core adjunct to existing activities.

Turnover from broadband and related services grew to the same level as that generated by traditional narrowband access and termination, an important transition point for the business.

#### ***Contact centre services***

Contact centre turnover fell marginally from £25.4 million to £24.6 million although we continued to improve the margin and cash flow profile of the business. Our focus is on the top end of the market providing support for customers who have often complex needs and whose operations must be based in the UK. In this respect, THUS recently completed a contract for Capita to assist with the initial implementation of London's new congestion charging scheme.

#### ***Interactive***

Following the disposal of the Interactive Branded division in October 2001, Interactive turnover fell by 15% to £15.8 million. Having taken the decision not to dispose of the Interactive Creative division for the time being, we successfully concentrate d management attention on growing this side of the business and like for like turnover rose 12%.

## **Margin expansion and progress to profit**

Gross profit before depreciation grew 20% to £108.2 million, representing a 3% margin expansion to 37%. This improvement resulted from action including an increase in our interconnect points with other operators, a sustained programme designed to minimise the cost of routing our telecommunication traffic from origination to destination and an extensive exercise to minimise the cost of 'last mile' access to customers from third parties.

S,D&A (Selling, distribution and administration) costs excluding depreciation and amortisation fell from 34% to 28% of turnover and fell 10% in absolute terms to £81.1 million. Action taken included the rationalisation of our property portfolio, reductions in headcount without impacting capability and the renegotiation of selected supplier contracts.

Combining revenue growth and cost efficiencies, EBITDA<sup>2</sup> grew strongly to £27.1 million compared with £3.1 million<sup>3</sup> in the year ended 31 March 2002 and negative £24.6 million the year previous. Margins were 9% compared with 1% last year and negative 11% previously.

Depreciation and amortisation for the year was £12.7 million higher at £77.9 million and included a £13.4 million impairment charge on existing billing platforms due for replacement, capitalised property improvements and some product development costs.

After depreciation included within cost of sales, gross profit increased 30% to £64.2 million, lifting the margin from 18% to 22% and the operating loss improved from £65.2 million to £50.8 million.

Net interest fell from £18.7 million to £6.9 million in line with lower debt levels following the financial restructuring completed last year. Within this, £2.9 million related to interest charges directly connected with the new bank facility.

After interest, the loss before tax showed significant improvement, down 44% from £104.3 million last year to £58.8 million.

A small tax charge of £0.2 million arose from trading activities in the Netherlands, leaving a loss transferred to reserves of £59.0 million for the year.

## **Earnings per share**

The loss per ordinary share reduced by 70% to 4.44p, reflecting the impact of higher revenue and better margins combined with an increase in the number of shares in issue following the financial restructuring last year.

## **Capital investment**

Following completion of our network build, capital investment fell sharply from £77.9 million to £ 44.9 million.

One of our key investment projects during the year was a doubling of the capacity in the core network to handle increasing traffic loads. The cost of that upgrade at around £5 million was just 5% of the cost of installing the first 10 gigabits of capacity reflecting the benefit of the network design choices made at the time of the national deployment.

Notwithstanding the focus on turnover growth, we continue to invest in key systems to further improve the customer experience. As an illustration, we have invested during the year to consolidate our billing systems down to one primary platform. This investment will reduce our billing costs, speed up our billing cycle and improve our visibility of individual customer activity.

## Cash flows

Net cash flow from continuing operating activities was positive for the first time since flotation at £26.1 million. The cash outflow before financing costs<sup>4</sup> was £28.3 million, compared with £67.0 million in the year ended 31 March 2002 and £171.9 million in the year previous, leaving THUS on track to achieve sustainable positive cash flow after interest and capital expenditure in quarter four of the current financial year ending 31 March 2004.

## Net debt

At the year end, net debt stood at £32.7 million and gearing at 11%. Draw down on the facility is expected to be less than £50 million and the Company is more than fully funded for its current business plan.

## Outlook

We expect the cautious trends from this year on the economy and competitor activity to continue. However, the strategy we outlined at the time of our listing enabled us to scale and flex our business according to changing market conditions. Assuming the macro environment remains broadly unchanged, we remain comfortable with market expectations for the year ahead.

- 1 Like for like growth excludes turnover from Interactive Branded, Scotland On-Line Limited and the residential telephone service which were either disposed of or ceased in the year ended 31 March 2002
- 2 Earnings before interest, tax, depreciation and amortisation (See Note 4 of the Preliminary Statement)
- 3 EBITDA for the year ended 31 March 2002 excludes £3.2 million exceptional restructuring costs
- 4 Representing cash outflow before financing of £(36.7) million (2002: £(86.3) million) and returns on investments and servicing of finance of £(8.4) million (2002: £(19.3) million)

# THUS Group plc

## Group Profit and Loss Account for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
<b>Turnover from continuing operations</b>	<b>2</b>	<b>291,236</b>	268,354
Cost of sales	<b>3</b>	<b>(227,039)</b>	(218,923)
<b>Gross profit from continuing operations</b>		<b>64,197</b>	49,431
Selling and distribution		<b>(27,180)</b>	(34,842)
Administration expenses *	<b>3</b>	<b>(87,816)</b>	(79,765)
<b>Operating loss from continuing operations</b>		<b>(50,799)</b>	(65,176)
Exceptional items			
- Gain on sale of fixed assets		<b>250</b>	1,660
- Loss on disposal of businesses		-	(741)
<b>Loss on ordinary activities before interest and other similar charges</b>		<b>(50,549)</b>	(64,257)
Amounts written off investments	<b>5</b>	<b>(1,325)</b>	(21,259)
Net interest payable and other similar charges		<b>(6,915)</b>	(18,738)
<b>Loss on ordinary activities before taxation</b>		<b>(58,789)</b>	(104,254)
Taxation on loss on ordinary activities	<b>6</b>	<b>(196)</b>	(416)
<b>Loss after taxation</b>		<b>(58,985)</b>	(104,670)
Minority interest		-	914
<b>Loss for the financial year</b>		<b>(58,985)</b>	(103,756)
Appropriations – non equity	<b>8</b>	-	(2,425)
<b>Loss transferred to reserves</b>		<b>(58,985)</b>	(106,181)
<b>Loss per ordinary share (pence)</b>	<b>7</b>	<b>(4.44)</b>	(14.76)
<b>Diluted loss per ordinary share (pence)</b>	<b>7</b>	<b>(4.43)</b>	(14.76)

There were no discontinued operations in either the current or previous year.

\* In 2002, administration expenses included exceptional items of £3,152,000.

# THUS Group plc

## Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
<b>Loss for the financial year</b>		<b>(58,985)</b>	(103,756)
Currency translation differences on overseas net assets	9	(62)	(100)
Unrealised (losses) / gains on fixed asset disposals	9	(507)	14,905
<b>Total recognised gains and losses relating to the year</b>		<b>(59,554)</b>	(88,951)

## Reconciliation of Movements in Shareholders' Funds for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
<b>Loss for the financial year</b>		<b>(58,985)</b>	(103,756)
Appropriations – non equity	8	-	(2,425)
<b>Loss transferred to reserves</b>		<b>(58,985)</b>	(106,181)
Currency translation differences on overseas net assets	9	(62)	(100)
Reversal of appropriations – non equity	8	-	2,425
Share capital issued		-	272,139
Merger reserve movement	9	814	-
Unrealised (losses) / gains on fixed asset disposals	9	(507)	14,905
<b>Net movement in shareholders' funds</b>		<b>(58,740)</b>	183,188
<b>Opening shareholders' funds</b>		<b>466,152</b>	282,964
<b>Closing shareholders' funds</b>		<b>407,412</b>	466,152

# THUS Group plc

## Group Balance Sheet as at 31 March 2003

	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Intangible assets		301	466
Tangible assets		436,508	469,482
		<b>436,809</b>	<b>469,948</b>
<b>Current assets</b>			
Stocks		2,867	5,323
Debtors		90,837	89,071
Investments		1,666	2,991
Cash at bank and in hand		12,143	9,533
<b>Total current assets</b>		<b>107,513</b>	<b>106,918</b>
<b>Creditors: amounts falling due within one year</b>			
Other creditors		(95,511)	(104,323)
Loans and other borrowings		(117)	(691)
<b>Total creditors falling due within one year</b>		<b>(95,628)</b>	<b>(105,014)</b>
<b>Net current assets</b>		<b>11,885</b>	<b>1,904</b>
<b>Total assets less current liabilities</b>		<b>448,694</b>	<b>471,852</b>
<b>Creditors: amounts falling due after more than one year</b>			
Loans and other borrowings		(40,666)	(4,800)
<b>Total creditors falling due after more than one year</b>		<b>(40,666)</b>	<b>(4,800)</b>
<b>Provisions for liabilities and charges</b>		<b>(616)</b>	<b>(900)</b>
<b>Net assets</b>		<b>407,412</b>	<b>466,152</b>
<b>Capital and reserves</b>			
Called-up share capital	9	33,715	56,963
Merger reserve	9	566,560	565,746
Capital redemption reserve	9	23,248	-
Other reserves	9	18,840	20,292
Profit and loss account	9	(234,951)	(176,849)
<b>Shareholders' funds</b>	<b>9</b>	<b>407,412</b>	<b>466,152</b>
Equity Shareholders' funds		407,412	442,904
Non equity Shareholders' funds		-	23,248
<b>Total Shareholders' funds</b>		<b>407,412</b>	<b>466,152</b>

# THUS Group plc

## Group Cash Flow Statement for the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
<b>Net cash inflow / (outflow) from continuing operating activities</b>	<b>11</b>	<b>26,076</b>	(1,604)
Returns on investments and servicing of finance	10(a)	(8,413)	(19,316)
<b>Free cash flow</b>		<b>17,663</b>	(20,920)
Capital expenditure	10(b)	(54,362)	(85,875)
<b>Cash outflow before disposals</b>		<b>(36,699)</b>	(106,795)
Disposals	10(c)	-	2,910
<b>Cash outflow before management of liquid resources and financing</b>		<b>(36,699)</b>	(103,885)
Management of liquid resources	10(d)	-	17,550
<b>Cash outflow before financing</b>		<b>(36,699)</b>	(86,335)
Financing	10(e)	39,394	92,543
<b>Increase in cash in the year</b>	<b>12</b>	<b>2,695</b>	6,208

Free cash flow represents cash flow from continuing operating activities after adjusting for returns on investments and servicing of finance.

## Reconciliation of Net Cash Flow to Movement in Net (Debt) / Funds for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Increase in cash in the year	12	2,695	6,208
Cash (inflow) / outflow from (increase) / reduction in debt	12	(39,394)	179,596
Cash inflow from decrease in liquid resources		-	(17,550)
<b>Change in net (debt) / funds resulting from cash flows</b>	<b>12</b>	<b>(36,699)</b>	168,254
Net debt disposed		-	3,560
<b>Movement in net (debt) / funds in the year</b>	<b>12</b>	<b>(36,699)</b>	171,814
<b>Net funds / (debt) at the beginning of the year</b>	<b>12</b>	<b>4,042</b>	(167,772)
<b>Net (debt) / funds at the end of the year</b>	<b>12</b>	<b>(32,657)</b>	4,042

# THUS Group plc

## Notes to the Preliminary Statement for the year ended 31 March 2003

### 1 Basis of preparation

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The financial information included within this Preliminary Statement has been prepared on the basis of accounting policies consistent with those set out in the Annual Report and Accounts for the year ended 31 March 2002.

The information shown for the years ended 31 March 2003 and 31 March 2002 does not constitute statutory Accounts within the meaning of Section 240 of the Companies Act 1985 but has been extracted from the full Accounts for those years. The report of the auditors on those Accounts was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985. The Accounts for the year ended 31 March 2003 will be delivered to the Registrar of Companies in due course.

The financial information on pages 6 to 15 was approved by the Board on 2 May 2003.

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### 2 Segmental reporting

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Turnover has been analysed below between Internet services, interactive services, data and telecom services, and contact centre services. The Directors consider these to be the same class of business and accordingly no segmental analysis of operating loss or net assets has been given.

	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Turnover analysis</b>		
Internet services	<b>90,273</b>	81,713
Interactive services	<b>15,776</b>	18,664
Data and telecom services	<b>160,556</b>	142,539
Contact centre services	<b>24,631</b>	25,438
	<b>291,236</b>	268,354
<b>Turnover by origin</b>		
United Kingdom	<b>281,920</b>	262,259
Europe	<b>9,316</b>	6,095
	<b>291,236</b>	268,354
<b>Turnover by destination</b>		
United Kingdom	<b>278,503</b>	261,254
Europe	<b>12,134</b>	6,767
USA	<b>599</b>	333
	<b>291,236</b>	268,354

# THUS Group plc

## Notes to the Preliminary Statement for the year ended 31 March 2003

### 3 Depreciation charge

Depreciation is charged on network and non-network assets and is included within cost of sales and administration expenses on that basis as follows:

	2003 £'000	2002 £'000
Cost of sales	43,977	40,509
Administration expenses	33,760	24,516
	<b>77,737</b>	<b>65,025</b>

The cost of sales depreciation charge includes asset impairment charges of £2,694,000 (2002: £1,141,000). The depreciation charge for administration expenses includes asset impairment charges of £10,688,000 (2002: £1,792,000).

### 4 Earnings before interest, taxation, depreciation and amortisation (EBITDA)

	Note	2003 £'000	2002 £'000
Operating loss		(50,799)	(65,176)
Depreciation charge for the year	3	77,737	65,025
Amortisation charge for the year		165	143
<b>EBITDA after exceptional items</b>		<b>27,103</b>	<b>(8)</b>
Exceptional items:			
Restructuring		-	3,152
<b>EBITDA before exceptional items</b>		<b>27,103</b>	<b>3,144</b>

### 5 Amounts written off investments

Own shares held in trust are valued at the lower of cost and net realisable value, being mid-market price at the balance sheet date, resulting in a write down in the year of £1,325,000 (2002: £21,259,000).

### 6 Taxation

	2003 £'000	2002 £'000
UK Corporation tax charge at 30% (2002: 30%)	-	-
Overseas taxation	(196)	(416)
	<b>(196)</b>	<b>(416)</b>

No provision for deferred taxation is considered necessary at 31 March 2003, since accumulated taxation losses are expected to offset any reversal of accelerated capital allowances. Deferred tax assets have not been recognised as their future recoverability is not certain.

# THUS Group plc

## Notes to the Preliminary Statement for the year ended 31 March 2003

### 7 Loss per ordinary share

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The loss and diluted loss per ordinary share have been calculated in accordance with Financial Reporting Standard 14 "Earnings per Share" (FRS 14) for both years. The loss for the financial year after non equity appropriations, divided by the weighted average number of ordinary shares in issue during the financial year has been used to calculate the loss per ordinary share.

The diluted loss per ordinary share has been calculated by adjusting the basic weighted average share capital by the dilutive potential ordinary shares as a result of share options.

	<b>2003</b>	2002
Loss for the financial year after non equity appropriations (£'000s)	<b>(58,985)</b>	(106,181)
Basic weighted average share capital (number of shares, thousands)	<b>1,329,347</b>	719,349
Dilutive potential ordinary shares – share options (number of shares, thousands)	<b>2,979</b>	-
<u>Diluted weighted average share capital (number of shares, thousands)</u>	<u><b>1,332,326</b></u>	<u>719,349</u>

The basic weighted average share capital excludes 18,930,284 ordinary shares held by the Company under Trust in connection with the Employee Share Schemes.

### 8 Appropriations – non equity

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	<b>2003</b>	2002
	<b>£'000</b>	£'000
<b>Appropriations:</b>		
Cumulative participating non redeemable Preference Shares		
10% Cumulative preferential appropriation	-	2,425

In accordance with the provisions of Financial Reporting Standard 4 "Capital Instruments" (FRS 4), the cumulative participating non redeemable Preference Shares were classified as non equity and the Company therefore, appropriated through the Profit and Loss Account an amount equal to the Preference Share dividends for the period up to 19 March 2002. The Company did not have sufficient distributable reserves to pay such Preference Share dividends, therefore this amount was credited back in the Profit and Loss Account reserve.

The Preference Shares were redesignated on 19 March 2002 as Deferred non-voting shares. As part of the redesignation all historic and future rights to dividends attached to the Preference Shares were cancelled.

# THUS Group plc

## Notes to the Preliminary Statement for the year ended 31 March 2003

### 9 Analysis of movements in shareholders' funds

	Number of shares 000's	Share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 April 2002	1,373,613	56,963	565,746	-	20,292	(176,849)	466,152
Cancellation of Deferred Shares <b>Note (a)</b>	(25,000)	(23,248)	-	23,248	-	-	-
Merger reserve movement <b>Note (b)</b>	-	-	814	-	-	-	814
Retained loss for the year	-	-	-	-	-	(58,985)	(58,985)
Unrealised losses on fixed asset disposals <b>Note (c)</b>	-	-	-	-	(507)	-	(507)
Transfer <b>Note (d)</b>	-	-	-	-	(945)	945	-
Currency translation differences on overseas net assets	-	-	-	-	-	(62)	(62)
<b>At 31 March 2003</b>	<b>1,348,613</b>	<b>33,715</b>	<b>566,560</b>	<b>23,248</b>	<b>18,840</b>	<b>(234,951)</b>	<b>407,412</b>

- (a) The Deferred non-voting shares were cancelled on 9 September 2002 for no consideration.
- (b) In the prior year a new share issue took place and expenses of £2,921,227 were incurred in connection with this issue. These expenses were set against the Share Premium account which in turn was transferred to the Merger Reserve account. At the time the Accounts were prepared last year the exact amount of some of these expenses was not known and hence an estimate was made. The merger reserve movement during the current year of £814,000 represents an adjustment to costs which were estimated and which the Directors believe will not be charged.
- (c) The unrealised losses on fixed asset disposals reflect revisions to cost estimates made in the prior year for sales made under Indefeasible Rights of Use arrangements.
- (d) The transfer from Other Reserves to the Profit and Loss Account Reserve represents the element of previously unrealised gains on fixed asset disposals attributable to the current year.

# THUS Group plc

## Notes to the Preliminary Statement for the year ended 31 March 2003

### 10 Analysis of cash flows

	Note	2003 £'000	2002 £'000
<b>(a) Returns on investments and servicing of finance</b>			
Interest received		346	343
Interest paid		(2,812)	(19,266)
Interest element of finance lease rental payments		(383)	(393)
Expenses paid in connection with the issue of debt		(5,564)	-
<b>Net cash outflow for returns on investments and servicing of finance</b>		<b>(8,413)</b>	<b>(19,316)</b>
<b>(b) Capital expenditure</b>			
Purchase of tangible and intangible fixed assets		(54,825)	(107,728)
Sale of tangible fixed assets		463	21,853
<b>Net cash outflow for capital expenditure</b>		<b>(54,362)</b>	<b>(85,875)</b>
<b>(c) Disposals</b>			
Disposals		-	2,910
<b>Net cash inflow from disposals</b>		<b>-</b>	<b>2,910</b>
<b>(d) Management of liquid resources *</b>			
Funds deposited with former parent company		-	17,550
<b>Net cash inflow from management of liquid resources</b>		<b>-</b>	<b>17,550</b>
*Liquid resources comprised funds on deposit which were repayable on demand.			
<b>(e) Financing</b>			
Issue of ordinary share capital		-	275,060
Expenses paid in connection with issue of ordinary share capital		-	(2,921)
		-	272,139
Former parent company loan accounts		-	(180,000)
Secured credit facilities	12	40,000	-
Other loans	12	(500)	500
Capital element of finance lease rental payments	12	(106)	(96)
Increase / (reduction) in debt	12	39,394	(179,596)
<b>Net cash inflow from financing</b>		<b>39,394</b>	<b>92,543</b>

# THUS Group plc

## Notes to the Preliminary Statement for the year ended 31 March 2003

### 11 Reconciliation of operating loss to net cash inflow / (outflow) from continuing operating activities

	Note	2003 £'000	2002 £'000
Operating loss		(50,799)	(65,176)
Depreciation of tangible fixed assets	3	77,737	65,025
Amortisation of intangible fixed assets		165	143
Profit on disposal of tangible fixed assets		(66)	-
Release of government grant deferred income		-	(13)
Movements in provisions for liabilities and charges		(284)	705
Decrease in stocks		2,456	3,369
(Increase) / decrease in debtors		(7,961)	319
Increase / (decrease) in creditors		4,828	(5,976)
<b>Net cash inflow / (outflow) from continuing operating activities</b>		<b>26,076</b>	<b>(1,604)</b>

### 12 Analysis of net (debt) / funds

	At 1 April 2002 £'000	Cash flow £'000	At 31 March 2003 £'000
Cash at bank and in hand	9,533	2,610	12,143
Overdrafts	(85)	85	-
	9,448	2,695	12,143
Loans - due within one year	(500)	500	-
Loans - due after one year	(600)	(40,000)	(40,600)
Finance leases	(4,306)	106	(4,200)
	(5,406)	(39,394)	(44,800)
<b>Total</b>	<b>4,042</b>	<b>(36,699)</b>	<b>(32,657)</b>