

**Spade Oak Group Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 1049982**

**31 March 2004**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

### Principal activities

During the year the principal activity of the company continued to be the provision of management and other services to its subsidiary undertakings. These subsidiary undertakings carry out surfacing contracts.

### Business review and future developments

The results for the group are shown on page 5.

The Group has shown significant progress in the year due to a strong presence in existing markets combined with development into new areas. Looking forward, the directors expect the existing strengths to be maintained and improved in traditional markets together with the ongoing expansion into new areas.

### Dividend

The directors recommend that a final ordinary dividend of £0.05 (2003: £0.05) per share be paid making, with the interim of £0.20 (2003: £0.20) per share, a total of £0.25 (2003: £0.25) per share for the year.

### Directors and directors' interests

The directors who held office during the year were as follows:

Angela V Wellington  
PJ Michael Wellington  
Peter NC Wellington  
Paul DA Wellington  
Clive A Jamieson  
David M Dawe

The directors who held office at the end of the financial year had the following interests in the ordinary shares of group companies according to the register of directors' interests:

	Interest at end of year Ordinary shares of 10p each	Interest at start of year Ordinary shares of 10p each
Angela V Wellington	150,000	150,000
PJ Michael Wellington	295,000	295,000
Peter NC Wellington	295,000	295,000
Paul DA Wellington	220,000	220,000
Clive A Jamieson	55,000	55,000
David M Dawe	55,000	55,000

## **Directors' report** *(continued)*

### **Political and charitable contributions**

The group made no political contributions during the year. Donations to UK charities amounted to £1,650 (2003: £1,200).

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**Clive A Jamieson**  
*Secretary*

Town Lane  
Wooburn Green  
High Wycombe  
Bucks  
HP10 0PD

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



**KPMG LLP**

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

**Report of the independent auditors to the members of Spade Oak Group Limited**

We have audited the financial statements on pages 5 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

**Basis of audit 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 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

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

**KPMG LLP**

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

17 June 2004

**Consolidated profit and loss account**  
*for the year ended 31 March 2004*

	<i>Note</i>	<b>2004</b> £	2003 £
<b>Group turnover</b>		<b>24,842,815</b>	21,879,579
Cost of sales		<b>(18,878,849)</b>	(16,402,558)
<b>Gross profit</b>		<b>5,963,966</b>	5,477,021
Administrative expenses		<b>(4,803,925)</b>	(4,501,670)
<b>Group operating profit</b>		<b>1,160,041</b>	975,351
Income from fixed asset investments		<b>249</b>	249
Other interest receivable and similar income	5	<b>97,913</b>	81,491
Interest payable and similar charges	6	<b>(26,753)</b>	(413)
<b>Profit on ordinary activities before taxation</b>	2-4	<b>1,231,450</b>	1,056,678
Tax on profit on ordinary activities	7	<b>(365,562)</b>	(442,410)
<b>Profit on ordinary activities after taxation</b>		<b>865,888</b>	614,268
Dividends on equity shares	8	<b>(277,500)</b>	(277,500)
<b>Retained profit for the year</b>	16	<b>588,388</b>	336,768

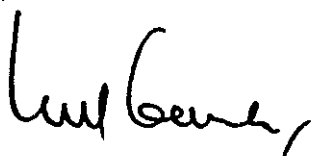
The profit and loss account contains the only gains and losses of the group for the year.

All figures relate to continuing activities.

**Consolidated balance sheet**  
*at 31 March 2004*

	Note	£	2004	£	£	2003	£
<b>Fixed assets</b>							
Tangible assets	9	2,898,863			2,945,415		
Investments	10	19,961			19,961		
				2,918,824			2,965,376
<b>Current assets</b>							
Stocks	11	127,468			174,536		
Debtors	12	3,556,366			3,704,418		
Cash at bank and in hand		2,986,988			1,975,731		
				6,670,822			5,854,685
<b>Creditors: amounts falling due within one year</b>	13	(5,466,074)			(5,210,717)		
<b>Net current assets</b>				1,204,748			643,968
<b>Total assets less current liabilities</b>				4,123,572			3,609,344
<b>Provisions for liabilities and charges</b>	14			(2,669)			(76,829)
<b>Net assets</b>				4,120,903			3,532,515
<b>Capital and reserves</b>							
Called up share capital	15			111,000			111,000
Share premium account	17			42,100			42,100
Profit and loss account	17			3,967,803			3,379,415
<b>Equity shareholders' funds</b>	16			4,120,903			3,532,515

These financial statements were approved by the board of directors on 17/6/04 and were signed on its behalf by:



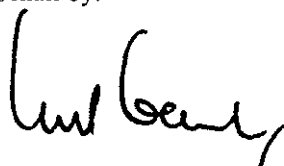
**PJ Michael Wellington**  
Director




**Balance sheet**  
*at 31 March 2004*

	Note	2004		2003	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		198,982		147,547
Investments	10		21,461		21,461
			<u>220,443</u>		<u>169,008</u>
<b>Current assets</b>					
Debtors	12	1,381,058		936,865	
Cash at bank and in hand		15,115		12,185	
		<u>1,396,173</u>		<u>949,050</u>	
<b>Creditors: amounts falling due within one year</b>	13	(1,301,956)		(808,562)	
<b>Net current assets</b>			<u>94,217</u>		<u>140,488</u>
<b>Net assets</b>			<u>314,660</u>		<u>309,496</u>
<b>Capital and reserves</b>					
Called up share capital	15		111,000		111,000
Share premium account	17		42,100		42,100
Profit and loss account	17		161,560		156,396
<b>Equity shareholders' funds</b>	16		<u>314,660</u>		<u>309,496</u>

These financial statements were approved by the board of directors on behalf by:



**PJ Michael Wellington**  
*Director*

17  
16/4/04  


and were signed on its

**Consolidated cash flow statement**  
*for the year ended 31 March 2004*

	<i>Note</i>	2004	2003
		£	£
Net cash inflow from operating activities	20	2,401,502	749,007
<b>Returns on investments and servicing of finance</b>			
Interest received		97,913	81,491
Interest paid		(26,753)	(413)
Investment income		249	249
		<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance		71,409	81,327
Taxation		(726,358)	(290,624)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(687,384)	(789,669)
Sale of tangible fixed assets		229,588	281,180
		<hr/>	<hr/>
Net cash outflow for capital expenditure		(457,796)	(508,489)
Equity dividends paid		(277,500)	(277,500)
		<hr/>	<hr/>
Decrease in cash in the year		1,011,257	(246,279)
Net funds at the start of the year		1,975,731	2,222,010
		<hr/>	<hr/>
Net funds at the end of the year	21	2,986,988	1,975,731
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain assets.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2004. Investments in joint ventures are accounted for using the gross equity method whereby the consolidated profit and loss account includes the group's share of the joint ventures' profits and the consolidated balance sheet includes the group's share of the net assets of joint ventures.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### ***Tangible fixed assets and depreciation***

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years from 1 April 2004
Plant and machinery	-	2 to 8 years
Office equipment and improvements	-	1 to 10 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land

Investment properties are revalued on an annual basis. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19. The financial effect of the departure from the statutory accounting rules cannot reasonably be quantified.

#### ***Fixed asset investments***

Fixed asset investments are stated at cost less provision for impairment.

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Post retirement benefits*

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

Stocks including work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion.

#### *Long term contracts*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Turnover*

Turnover represents amounts receivable for work performed in the UK exclusive of trade discounts, value added tax and other related taxes.

### 2 Profit on ordinary activities before taxation

	2004 £	2003 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Group - audit	19,900	18,000
- other	15,475	26,440
Depreciation and other amounts written off tangible fixed assets:		
Owned	728,712	745,346
Reversal of impairment	(125,000)	-
Hire of plant and machinery - rentals payable under operating leases	442,787	470,119
Hire of other assets - operating leases	143,909	122,178
Profit on sale of tangible fixed assets	(99,368)	(164,589)
	<hr/>	<hr/>

## Notes (continued)

### 3 Remuneration of directors

	2004 £	2003 £
Directors' emoluments	1,097,116	1,061,210
Company contributions to money purchase pension schemes	470,000	260,000
	<u>1,567,116</u>	<u>1,321,210</u>

The aggregate of emoluments of the highest paid director was £296,150 (2003: £293,784), and company pension contributions of £209,260 (2003: £83,271) were made to a money purchase scheme on his behalf.

The comparative figures for 2003 have been restated to include the remuneration of certain directors previously included in subsidiary company accounts.

	Number of directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>5</u>	<u>5</u>

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2004	2003
Administration	56	51
Roadmen	104	106
	<u>160</u>	<u>157</u>

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	5,854,667	5,258,767
Social security costs	728,289	627,527
Other pension costs	658,688	430,990
	<u>7,241,644</u>	<u>6,317,284</u>

### 5 Other interest receivable and similar income

	2004 £	2003 £
Bank interest	95,930	81,489
Other	1,983	2
	<u>97,913</u>	<u>81,491</u>

## Notes (continued)

### 6 Interest payable and similar charges

	2004 £	2003 £
Other	26,753	413

### 7 Taxation

#### *Analysis of charge in period*

	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the period	365,348	419,188
Provision in respect of prior periods	74,374	115,746
Total current tax	439,722	534,934
<i>Deferred tax – movement in timing differences</i>		
Current year	(47,714)	(6,095)
Prior year	(26,446)	(86,429)
Tax on profit on ordinary activities	365,562	442,410

#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2003: higher) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below:

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,231,450	1,056,678
Current tax at 30% (2003: 30%)	369,435	317,003
<i>Effects of:</i>		
Expenses not deductible for tax purposes	82,012	86,237
Income not subject to tax	(21,956)	-
Depreciation(less)/greater than capital allowances	(19,333)	29,130
Lower tax rates on small company earnings	(44,810)	(13,182)
Provision in respect of prior periods	74,374	115,746
Total current tax charge (see above)	439,722	534,934

## Notes (continued)

### 8 Dividends

	2004 £	2003 £
Equity shares:		
Interim dividend paid	55,500	55,500
Final dividend proposed	222,000	222,000
	<u>277,500</u>	<u>277,500</u>

### 9 Tangible fixed assets

	Freehold investment properties £	Freehold land And buildings £	Plant and machinery £	Office equipment and improvements £	Motor vehicles £	Total £
<b>Group</b>						
<b>Cost</b>						
At beginning of year	766,817	-	3,475,227	233,517	327,526	4,803,087
Transfers	(566,817)	566,817	-	-	-	-
Additions	-	-	395,565	6,577	285,242	687,384
Reversal of impairment	125,000	-	-	-	-	125,000
Disposals	-	-	(362,020)	-	(195,316)	(557,336)
	<u>325,000</u>	<u>566,817</u>	<u>3,508,772</u>	<u>240,094</u>	<u>417,452</u>	<u>5,058,135</u>
<b>Depreciation</b>						
At beginning of year	-	-	1,554,111	94,348	209,213	1,857,672
Charge for year	-	-	597,548	45,063	86,101	728,712
On disposals	-	-	(299,456)	-	(127,656)	(427,112)
	<u>-</u>	<u>-</u>	<u>1,852,203</u>	<u>139,411</u>	<u>167,658</u>	<u>2,159,272</u>
<b>Net book value</b>						
At 31 March 2004	<u>325,000</u>	<u>566,817</u>	<u>1,656,569</u>	<u>100,683</u>	<u>249,794</u>	<u>2,898,863</u>
At 31 March 2003	<u>766,817</u>	<u>-</u>	<u>1,921,116</u>	<u>139,169</u>	<u>118,313</u>	<u>2,945,415</u>

The freehold investment properties are valued annually by Clive Jamieson and Mike Wellington, directors of the group, based on market conditions.

## Notes (continued)

### 9 Tangible fixed assets (continued)

Company	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>			
At beginning of year	98,283	205,665	303,948
Additions	6,577	142,840	149,417
Disposals	-	(96,253)	(96,253)
At end of year	104,860	252,252	357,112
<b>Depreciation</b>			
At beginning of year	27,505	128,896	156,401
Charge for year	25,964	53,601	79,565
On disposals	-	(77,836)	(77,836)
At end of year	53,469	104,661	158,130
<b>Net book value</b>			
At 31 March 2004	51,391	147,591	198,982
At 31 March 2003	70,778	76,769	147,547

### 10 Fixed asset investments

Group	Joint venture £	Listed investments £	Total £
<b>Cost</b>			
At beginning and end of year	5,000	14,961	19,961
<b>Company</b>			
<b>Cost</b>			
At beginning and end of year	6,500	14,961	21,461

At 31 March 2004 the market value of these investments, was £54,494 (2003: £44,804).



## Notes (continued)

### 10 Fixed asset investments (continued)

The company's subsidiary undertakings are as follows:

	Country of incorporation	Principal activity	Class of share and percentage of shares held
<b>Subsidiary undertakings</b>			
Spade Oak Construction Company Limited	United Kingdom	Surfacing contracts	Ordinary 100%
Spade Oak Duracourt Limited	United Kingdom	Surfacing contracts	Ordinary 100%

#### Joint venture

Sports Surfaces Technologies Limited	United Kingdom	Supplier of materials	Ordinary 50%
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On 1 December 2000 a subsidiary acquired 50% of the share capital of Sports Surfaces Technologies Limited which has the principal business of supplying materials to the construction industry. The value of the investment represents 50% of the issued share capital.

Based on the unaudited management accounts of Sports Surfaces Technologies Limited, the summary profit and loss account and balance sheet are shown below:

#### Profit and loss account:

	2004 £	2003 £
Turnover	69,835	5,106
Profit before taxation	826	245
Taxation	-	-
Profit after tax	826	245

#### Balance sheet:

Current assets	18,781	24,838
Liabilities due within one year	(7,172)	(14,055)
Net assets	11,609	10,783

### 11 Stocks – group

	2004 £	2003 £
Raw materials and consumables	63,218	100,267
Work in progress	64,250	74,269
	127,468	174,536

## Notes (continued)

### 12 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors				
Valuations	3,159,661	3,346,293	-	-
Retentions	213,602	205,452	-	-
Amounts recoverable on contracts	58,700	28,795	-	-
Amounts owed by group undertakings	-	-	1,320,241	846,813
Deferred tax assets	-	-	19,346	32,169
Other taxes and social security	-	9,917	-	9,917
Other debtors	27,991	23,442	994	1,876
Prepayments and accrued income	96,412	90,519	40,477	46,090
	<u>3,556,366</u>	<u>3,704,418</u>	<u>1,381,058</u>	<u>936,865</u>

Total company debtors include deferred tax assets of £19,346 (2003: £32,169) due after more than one year (see note 14)

### 13 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Payments received on account	1,578,526	1,624,894	-	-
Trade creditors	2,523,346	1,966,463	15,950	18,037
Amounts owed to group undertakings	-	-	666,681	329,955
Corporation tax payable	134,146	420,782	10,635	24,836
Other taxation and social security	549,599	594,891	315,208	144,298
Other creditors	3,900	3,975	-	-
Accruals and deferred income	454,557	377,712	71,482	69,436
Dividend proposed	222,000	222,000	222,000	222,000
	<u>5,466,074</u>	<u>5,210,717</u>	<u>1,301,956</u>	<u>808,562</u>

## Notes (continued)

### 14 Provisions for liabilities and charges

	Deferred tax	
	Group £	Company £
At beginning of year	76,829	(32,169)
(Credit)/charge to the profit and loss account for the year	(74,160)	12,823
At end of year	<u>2,669</u>	<u>(19,346)</u>

The elements of deferred taxation are as follows:

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Difference between accumulated depreciation and amortisation and capital allowances	<u>2,669</u>	<u>76,829</u>	<u>(19,346)</u>	<u>(32,169)</u>

### 15 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
Equity: 1,500,000 ordinary shares of 10p each	<u>150,000</u>	<u>150,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: 1,110,000 ordinary shares of 10p each	<u>111,000</u>	<u>111,000</u>

### 16 Reconciliation of movements in shareholders' funds

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Profit for the financial year	865,888	614,268	282,664	292,585
Dividends	(277,500)	(277,500)	(277,500)	(277,500)
Net addition to shareholders' funds	<u>588,388</u>	<u>336,768</u>	<u>5,164</u>	<u>15,085</u>
Opening shareholders' funds	3,532,515	3,195,747	309,496	294,411
Closing shareholders' funds	<u>4,120,903</u>	<u>3,532,515</u>	<u>314,660</u>	<u>309,496</u>

## Notes (continued)

### 17 Reserves

	Group		Company	
	Share premium account £	Profit and loss account £	Share premium account £	Profit and loss account £
At beginning of year	42,100	3,379,415	42,100	156,396
Retained profit for the year	-	588,388	-	5,164
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	42,100	3,967,803	42,100	161,560
	<hr/>	<hr/>	<hr/>	<hr/>

The group profit and loss account is shown after writing off goodwill of £1,500 (2003: £1,500) in previous years.

### 18 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Contracted	<hr/>	<hr/>	<hr/>	<hr/>

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

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
<b>Group</b>				
Operating leases which expire:				
Within one year	-	22,243	-	16,600
In the second to fifth years inclusive	-	108,456	-	112,623
Over five years	111,000	-	111,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	111,000	130,699	111,000	129,223
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
Operating leases which expire:				
Within one year	-	-	-	1,324
In the second to fifth years inclusive	-	5,966	-	5,966
	<hr/>	<hr/>	<hr/>	<hr/>
	-	5,966	-	7,290
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 19 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £255,511 (2003: £226,493).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 20 Reconciliation of operating profit to operating cash flows

	2004 £	2003 £
Operating profit	1,160,041	975,351
Depreciation	728,712	745,346
Reversal of impairment	(125,000)	-
Profit on sale of fixed assets	(99,364)	(164,589)
Decrease in stocks	47,068	10,594
Decrease in debtors	148,052	649,807
Increase/(decrease) in creditors	541,993	(1,467,502)
<b>Net cash inflow from operating activities</b>	<b>2,401,502</b>	<b>749,007</b>

### 21 Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	1,975,731	1,011,257	2,986,988

### 22 Guarantees and financial commitments

An unlimited guarantee from Spade Oak Group Limited and Spade Oak Construction Company Limited exists in favour of Spade Oak Duracourt Limited, dated 16 January 1992.

### 23 Contingent liabilities

An unlimited debenture exists in favour of Lloyds Bank plc charging all the assets of the undertaking of Spade Oak Construction Limited and incorporating a right of set off, dated 1 July 1983.

### 24 Related party disclosures

The group has an annual commitment under a non-cancellable operating lease for land and buildings as disclosed in note 17. This lease is for a 25 year term commencing 24 June 1987 with the Spade Oak Construction Company Limited Directors Pension Scheme. During the year the group paid £111,000 (2003: £102,000) under this lease.

The above transactions were all undertaken on an arms length basis.