

Spade Oak Group Limited

Directors' report and financial statements
for the year ended 31 March 1998

Company number 1049982



BINDER HAMLYN

Directors' report

For the year ended 31 March 1998

The directors present their report and financial statements for the year ended 31 March 1998.

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

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

The directors are 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 the prevention and detection of fraud and other irregularities.

Principal activity

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.

Review of the business and future developments

The group has built on prior results and looks to continued success utilising its now well founded strengths.

Results and dividends

The group profit for the year after taxation amounted to £434,096 (1997: £472,287). During the year the directors paid an interim dividend of 10p (1997: 10p) per share. The directors recommend the payment of a final dividend of 10p (1997: nil) per share and the retained profit of £214,096 (1997: £362,287) will be transferred to reserves.

Directors' report (continued)

Directors and their interests in share capital

The directors at the end of and during the year, and their share interests in the company at the beginning and end of the year, were:

	Ordinary shares of 10p each
Mrs Angela V Wellington	150,000
PJ Michael Wellington	295,000
Peter NC Wellington	295,000
Paul DA Wellington	220,000
Clive A Jamieson	50,000
David M Dawe	50,000

Donations

The group made a total of £1,370 (1997: £1,090) in charitable donations in the year and no political contributions.

Year 2000 compliance


An assessment is taking place to review and, where necessary, amend the group's systems and procedures to ensure that they are Year 2000 compliant.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

By order of the Board

Town Lane
Wooburn Green
High Wycombe
Bucks
HP10 0PD


CA Jamieson
Secretary

15 July 1998

Andersen Worldwide

Abbots House
Abbey Street
Reading RG1 3BD

To the Shareholders of Spade Oak Group Limited

We have audited the financial statements on pages 4 to 20 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the 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 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 of the group at 31 March 1998 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn
Chartered Accountants and Registered Auditors

15 July 1998

Consolidated profit and loss account

For the year ended 31 March 1998

	Note	1998 £	1997 £
Turnover		13,611,203	12,529,625
Cost of sales		(10,831,919)	(9,750,666)
Gross profit		<u>2,779,284</u>	<u>2,778,959</u>
Administrative expenses		(2,253,939)	(2,097,388)
Operating profit	2	525,345	681,571
Loss on sale of surplus property		(10,000)	-
Interest receivable and similar income	3	87,507	33,903
Income from fixed asset investments		141	265
Interest payable and similar charges	4	(2,610)	(8,711)
Profit on ordinary activities before taxation		<u>600,383</u>	<u>707,028</u>
Tax on profit on ordinary activities	6	(166,287)	(234,741)
Profit after tax for the financial year	17	434,096	472,287
Dividends paid and proposed	7, 17	(220,000)	(110,000)
Retained profit for the year	16	<u>214,096</u>	<u>362,287</u>

The results for both years are derived from continuing operations.

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

There were no recognised gains or losses other than the profit for the above two financial years.

Consolidated note of historical cost profits and losses

For the year ended 31 March 1998

	1998 £	1997 £
Reported profit on ordinary activities before taxation	600,383	707,028
Realisation of property revaluation gains of previous years	60,977	-
Historical cost profit on ordinary activities before taxation	<u>661,360</u>	<u>707,028</u>
Historical cost profit for the year retained after taxation and dividends	<u>275,073</u>	<u>362,287</u>

Consolidated balance sheet

As at 31 March 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	8	1,262,104	1,013,146
Investments	9	5,318	5,318
		<u>1,267,422</u>	<u>1,018,464</u>
Current assets			
Stocks	11	69,085	86,589
Debtors	12	1,901,226	2,264,372
Cash at bank and in hand	20	1,609,228	900,980
		<u>3,579,539</u>	<u>3,251,941</u>
Creditors: amounts falling due within one year	13	<u>(2,897,579)</u>	<u>(2,558,999)</u>
Net current assets		<u>681,960</u>	<u>692,942</u>
Total assets less current liabilities		<u>1,949,382</u>	<u>1,711,406</u>
Provisions for liabilities and charges	14	<u>(23,880)</u>	<u>-</u>
Net assets		<u>1,925,502</u>	<u>1,711,406</u>
Capital and reserves			
Called-up share capital	15	110,000	110,000
Share premium account	16	34,500	34,500
Revaluation reserve	16	-	60,977
Profit and loss account	16	1,781,002	1,505,929
Equity shareholders' funds	17	<u>1,925,502</u>	<u>1,711,406</u>

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

Company balance sheet

As at 31 March 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	8	46,064	71,051
Investments	9	5,318	5,318
Investment in subsidiary undertakings	10	6,500	6,500
		<u>57,882</u>	<u>82,869</u>
Current assets			
Debtors	12	408,792	256,566
Cash at bank and in hand		6,813	684
		<u>415,605</u>	<u>257,250</u>
Creditors: amounts falling due within one year	13	(228,676)	(101,769)
Net current assets		<u>186,929</u>	<u>155,481</u>
Total assets less current liabilities		<u>244,811</u>	<u>238,350</u>
Net assets		<u>244,811</u>	<u>238,350</u>
Capital and reserves			
Called-up share capital	15	110,000	110,000
Share premium account	16	34,500	34,500
Profit and loss account	16	100,311	93,850
Equity shareholders' funds		<u>244,811</u>	<u>238,350</u>

The accounts on pages 4 to 20 were approved by the board of directors on 15 July 1998 and signed on its behalf by

PJ Michael Wellington

Director

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

Consolidated cash flow statement

For the year ended 31 March 1998

	Note	1998 £	1997 £
Net cash inflow from operating activities	18	1,618,692	1,156,307
Returns on investments and servicing of finance	19	85,038	25,457
Taxation	19	(235,143)	(244,242)
Capital expenditure and financial investment	19	(634,034)	(380,078)
Equity dividends paid		(110,000)	(110,000)
Cash inflow before management of liquid resources and financing		724,553	447,444
Management of liquid resources	19	500,000	(200,000)
Financing	19	(16,305)	(72,894)
Increase in cash in the year	20	<u>1,208,248</u>	<u>174,550</u>

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

Notes to the financial statements

For the year ended 31 March 1998

1 Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

b) Turnover

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

c) Basis of consolidation

The consolidated financial statements include the results of the company and of its subsidiaries for the year. A separate profit and loss account for the company has not been prepared as permitted by Section 230 of the Companies Act 1985. Goodwill arising on consolidation has been written off against consolidated reserves.

d) Recognition of income

Each contract undertaken may consist of several phases. The income attaching to each phase is therefore recognised when the work for that phase is complete.

e) Tangible assets and depreciation

Tangible fixed assets have been depreciated on the straight line basis, based on the directors' estimate of useful economic lives, as follows:

Freehold buildings	-	No depreciation is charged as the property is maintained to a high standard and the directors believe it stands at a value that fairly represents its net realisable value so that any depreciation charge would be immaterial.
Plant and machinery	-	2-8 years
Office equipment and improvements	-	1-10 years
Motor vehicles	-	4 years

No depreciation is provided in respect of freehold land.

f) Investment property

The investment property is revalued annually. Any surplus or deficit is transferred to the revaluation reserve, unless a deficit (or its reversal) is expected to be permanent, in which case it is charged (or credited) to the profit and loss account. 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 SSAP19.

g) Fixed asset investments

Fixed asset investments are valued at cost less provision for any permanent diminution in value.

Notes to the financial statements (continued)

1 Accounting policies (continued)

h) Stocks

Stocks including work in progress have been valued 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.

i) Amounts recoverable on contracts

Amounts recoverable on contracts are included in debtors and are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts. They are comprised of work on contracts completed, but not invoiced or applied for, at the year end.

j) Leased assets and hire purchase obligations

Assets held under hire purchase agreements are capitalised in accordance with Statement of Standard Accounting Practice 21 and are depreciated over their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the agreements to produce a constant rate of charge on the balance of capital repayments outstanding.

Assets held under operating leases are not capitalised and no depreciation is provided. Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

k) Deferred taxation

Provision is made for deferred taxation under the liability method on all timing differences to the extent that it is probable that an asset or liability will crystallise.

l) Pension costs

Both the directors' and the staff pension schemes are defined contribution schemes. The profit and loss charge represents the amount contributed in the year.

m) Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

Notes to the financial statements (continued)

2 Operating profit is stated after charging/(crediting):

	1998 £	1997 £
Depreciation		
- of owned assets	393,858	176,086
- of assets held under hire purchase agreements	-	61,626
Operating lease rentals		
- land and buildings	73,638	60,550
- plant and machinery	858	49,550
- other	80,697	74,253
Hire of plant and machinery	432,194	441,385
Auditors' remuneration - audit	19,000	15,855
- other services	15,730	24,250
Profit on sale of fixed assets	(18,782)	(43,817)
Exceptional item		
- loss on sale of surplus property	10,000	-

The exceptional item arose on the sale of the freehold property as disclosed in note 8.

3 Interest receivable and similar income

	1998 £	1997 £
Bank interest	87,507	33,903

4 Interest payable and similar charges

	1998 £	1997 £
On hire purchase agreements:		
Terminating within five years	2,418	8,711
Other	192	-
	2,610	8,711

Notes to the financial statements (continued)

5 Employees

Number of employees

The average monthly number of persons (including directors) employed by the group during the year was:

	1998 Number	1997 Number
Administration	40	42
Roadmen	79	79
	<u>119</u>	<u>121</u>

Employment costs

	1998 £	1997 £
Wages and salaries	2,940,680	2,780,968
Social security costs	348,409	288,348
Other pension costs	66,345	149,823
	<u>3,355,434</u>	<u>3,219,139</u>

Directors' remuneration

	1998 £	1997 £
The remuneration of the directors was as follows:		
Emoluments	760,330	592,181
Company contributions to money purchase pension schemes	131,500	130,000
	<u>891,830</u>	<u>722,181</u>

Pensions

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

	1998 Number	1997 Number
Money purchase schemes	<u>5</u>	<u>5</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1998 £	1997 £
Emoluments	210,048	168,235
Company contributions to money purchase pension schemes	36,665	36,670
	<u>246,713</u>	<u>204,905</u>

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities

	1998 £	1997 £
<i>Current year taxation:</i>		
UK Corporation tax at 31% (1997: 33%)	140,967	236,222
Deferred tax (note 14)	23,880	-
<i>Adjustments in respect of prior years</i>		
Corporation tax	1,440	(1,481)
Tax on profit on ordinary activities	166,287	234,741

7 Dividends

	1998 £	1997 £
Interim dividend paid of 10p (1997: 10p) per 10p ordinary share	110,000	110,000
Final dividend proposed of 10p (1997: nil) per 10p ordinary share	110,000	-
	220,000	110,000

8 Tangible fixed assets

<i>Group</i>	Freehold land and buildings £	Freehold investment property £	Plant and machinery £	Office equipment and improvements £	Motor vehicles £	Total £
Cost or valuation						
1 April 1997	80,000	200,000	1,086,280	123,047	265,546	1,754,873
Additions	-	-	683,625	10,429	29,800	723,854
Disposals	(80,000)	-	(78,289)	(13,535)	(27,806)	(199,630)
31 March 1998	-	200,000	1,691,616	119,941	267,540	2,279,097
Depreciation						
1 April 1997	-	-	578,489	65,595	97,643	741,727
Charge for the year	-	-	300,029	35,805	58,024	393,858
Disposals	-	-	(78,289)	(13,535)	(26,768)	(118,592)
31 March 1998	-	-	800,229	87,865	128,899	1,016,933
Net book value						
1 April 1997	80,000	200,000	507,791	57,452	167,903	1,013,146
31 March 1998	-	200,000	891,387	32,076	138,641	1,262,104

Notes to the financial statements (continued)

8 Tangible fixed assets (continued)

The net book value of fixed assets held by the group at 31 March 1998 includes an amount of £nil (1997: £60,814) in respect of assets held under hire purchase agreements.

The freehold investment property is valued annually by the directors, based on market conditions.

If freehold land and buildings, including the investment property, had not been revalued, they would have been included at the following amounts:

	1998 £	1997 £
Cost	200,000	219,023
Depreciation	-	-
	<u>200,000</u>	<u>219,023</u>

<i>Company</i>	Office equipment £	Motor vehicles £	Total £
Cost			
1 April 1997	59,451	50,056	109,507
Additions	3,621	-	3,621
Disposals	(853)	(3,061)	(3,914)
31 March 1998	<u>62,219</u>	<u>46,995</u>	<u>109,214</u>
Depreciation			
1 April 1997	25,213	13,243	38,456
Charge for the year	16,858	11,750	28,608
Disposals	(853)	(3,061)	(3,914)
31 March 1998	<u>41,218</u>	<u>21,932</u>	<u>63,150</u>
Net book value			
1 April 1997	<u>34,238</u>	<u>36,813</u>	<u>71,051</u>
31 March 1998	<u>21,001</u>	<u>25,063</u>	<u>46,064</u>

The net book value of fixed assets held by the company at 31 March 1998 includes an amount of £nil (1997: £4,000) in respect of assets held under hire purchase agreements.

Notes to the financial statements (continued)

9 Investments

Shares in
listed
companies

Cost at 1 April 1997 and 31 March 1998

5,318

The market value of listed investments at 31 March 1998 was £20,517 (1997: £13,902)

10 Investment in subsidiary undertakings

1998 1997
£ £

Investment in shares in subsidiary undertakings

6,500 6,500

The company's subsidiary undertakings are:

Name	Class of share	Percentage held	Nature of business
Spade Oak Construction Company Limited	Ordinary	100%	Surfacing contracts
Spade Oak Duracourt Limited	Ordinary	100%	Surfacing contracts

Both subsidiary undertakings are registered in England and Wales, operate in England and are included in these consolidated accounts.

11 Stocks

Group

1998 1997
£ £

Consumables stores

24,205 38,120

Work in progress

44,880 48,469

69,085 86,589

Notes to the financial statements (continued)

12 Debtors

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors				
- valuations	1,050,876	1,663,327	-	-
- retentions	141,290	192,155	-	-
Amounts recoverable on contracts	586,840	349,231	-	-
Amounts owed by subsidiary undertakings	-	-	345,120	227,807
Other taxes and social security	-	-	4,672	3,762
Advanced corporation tax	27,500	-	27,500	-
Other debtors	14,669	14,306	1,950	602
Prepayments	80,051	45,353	29,550	24,395
	<u>1,901,226</u>	<u>2,264,372</u>	<u>408,792</u>	<u>256,566</u>

The advanced corporation tax is recoverable in more than one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Payments on account	236,726	235,621	-	-
Obligations under hire purchase agreements	-	16,305	-	666
Trade creditors	1,810,619	1,664,893	19,632	22,011
Corporation tax payable	113,495	206,231	998	18,273
Advanced corporation tax payable	27,500	-	27,500	-
Other taxes and social security	305,542	256,197	28,373	23,216
Accruals	293,697	179,752	42,173	37,603
Dividends payable	110,000	-	110,000	-
	<u>2,897,579</u>	<u>2,558,999</u>	<u>228,676</u>	<u>101,769</u>

14 Provisions for liabilities and charges

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Deferred tax	<u>23,880</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

14 Provisions for liabilities and charges (continued)

	Group £	Company £
Balance at 1 April 1997	-	-
Charge to profit and loss account (note 6)	23,880	-
Balance at 31 March 1998	<u>23,880</u>	<u>-</u>

Deferred tax

The deferred taxation liability (asset) recognised in the accounts is as follows:

	Provided		Potential	
	1998 £	1997 £	1998 £	1997 £
<i>Group</i>				
Accelerated capital allowances	<u>23,880</u>	<u>-</u>	<u>23,880</u>	<u>-</u>
<i>Company</i>				
Decelerated capital allowances	<u>-</u>	<u>-</u>	<u>(6,854)</u>	<u>-</u>

15 Share capital

	1998 £	1997 £
<i>Authorised</i>		
1,500,000 ordinary shares of 10p each	<u>150,000</u>	<u>150,000</u>
<i>Allotted and called-up and fully paid</i>		
1,100,000 ordinary shares of 10p each	<u>110,000</u>	<u>110,000</u>

Notes to the financial statements (continued)

16 Reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
<i>Group</i>			
1 April 1997	34,500	60,977	1,505,929
Retained profit for the year	-	-	214,096
Realisation of revaluation reserve on sale of property	-	(60,977)	60,977
31 March 1998	<u>34,500</u>	<u>-</u>	<u>1,781,002</u>

The group profit and loss account is shown after writing off goodwill of £1,500 (1997: £1,500) in previous years.

	Share premium account £	Profit and loss account £
<i>Company</i>		
1 April 1997	34,500	93,850
Retained profit for the year	-	6,461
31 March 1998	<u>34,500</u>	<u>100,311</u>

17 Reconciliation of movements in group shareholders' funds

	1998 £	1997 £
Profit for the financial year	434,096	472,287
Dividends	(220,000)	(110,000)
Net addition to shareholders' funds	<u>214,096</u>	<u>362,287</u>
Opening shareholders' funds	<u>1,711,406</u>	<u>1,349,119</u>
Closing shareholders' funds	<u>1,925,502</u>	<u>1,711,406</u>

Notes to the financial statements (continued)

18 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	525,345	681,571
Depreciation	393,858	237,712
Profit on disposal of fixed assets	(18,782)	(43,817)
Decrease in stocks	17,504	3,886
Decrease in debtors	390,646	269,518
Increase in creditors	310,121	7,437
Net cash inflow from operating activities	<u>1,618,692</u>	<u>1,156,307</u>

19 Analysis of cash flows

	1998 £	1997 £
<i>Returns on investments and servicing of finance</i>		
Interest received	87,507	33,903
Interest paid	(192)	-
Interest element of hire purchase payments	(2,418)	(8,711)
Investment income	141	265
Net cash inflow	<u>85,038</u>	<u>25,457</u>

Taxation

UK corporation tax paid	(235,143)	(244,242)
Net cash outflow	<u>(235,143)</u>	<u>(244,242)</u>

Capital expenditure and financial investment

Purchase of tangible fixed assets	(723,854)	(429,278)
Sale of tangible fixed assets	89,820	49,200
Net cash outflow	<u>(634,034)</u>	<u>(380,078)</u>

Management of liquid resources

Net cash withdrawn from/(deposited in) overseas short term deposit account	500,000	(200,000)
Net cash inflow/(outflow)	<u>500,000</u>	<u>(200,000)</u>

Notes to the financial statements (continued)

19 Analysis of cash flows (continued)

	1998 £	1997 £
<i>Financing</i>		
Capital element of hire purchase payments	(16,305)	(72,894)
Net cash outflow	(16,305)	(72,894)

20 Analysis and reconciliation of net funds

	1 April 1997 £	Cash flow £	31 March 1998 £
Cash in hand, at bank	400,980	1,208,248	1,609,228
Short term deposits	500,000	(500,000)	-
Cash at bank and in hand as reported in the balance sheet	900,980	708,248	1,609,228
Hire purchase agreements	(16,305)	16,305	-
Net funds	884,675	724,553	1,609,228

	1998 £	1997 £
Increase in cash in the year	1,208,248	174,550
Cash outflow from debt and hire purchase financing	16,305	72,894
Cash (outflow)/inflow from (decrease)/increase in liquid resources	(500,000)	200,000
Change in net funds resulting from cash flows	724,553	447,444
Net funds at 1 April	884,675	437,231
Net funds at 31 March	1,609,228	884,675

Notes to the financial statements (continued)

21 Financial commitments

Group	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	6,094	2,751	4,400
- between two and five years	-	51,990	-	40,784
- after five years	78,000	-	49,550	-
	<u>78,000</u>	<u>58,084</u>	<u>52,301</u>	<u>45,184</u>

Company	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	-	2,751	-
- between two and five years	-	3,610	-	3,610
	<u>-</u>	<u>3,610</u>	<u>2,751</u>	<u>3,610</u>

22 Related party transactions

The group had an annual commitment under a non-cancellable operating lease for land and buildings as disclosed in note 21. This lease is for a twenty-five year term commencing 24 June 1987 with the Spade Oak Construction Company Limited Directors Pension Scheme. During the year the group paid an amount of £61,138 (1997: £49,550) under this lease.

Property leased by the company was rented to a director, Mrs A V. Wellington, during the year for a charge of £13,800 (1997: £12,000).

The company has taken advantage of the exemption permitted by paragraph 3(c) of Financial Reporting Standard No 8, Related Party Disclosures, and not disclosed transactions with group companies.

A freehold property owned by the group was sold during the year. It was purchased by Mr P Wellington for £70,000, a valuation determined by an independent chartered surveyor. Mr P Wellington is the brother of three directors and the son of one other.

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