



# Financial Statements for the Period Ended 31<sup>st</sup> March 2006

Registered Number: 3375630

Prepared by Accounts Dept

**Longcross Limited**

Ashworth House

9 The Street

Ashtead

Surrey

UK

KT21 2AD

t +44 1372 221 240

f +44 1372 221 250

[www.longcross.co.uk](http://www.longcross.co.uk)

## 1.0 Document Control

### 1.1 Document Status

Rev	Rev Date	Status	Prepared	Checked By	Approved By

### 1.2 Revision Record

Rev	Page Numbers Altered	Date	Revision Summary

© Longcross Group Limited 2007

---

1.0	DOCUMENT CONTROL .....	2
1.1	Document Status.....	2
1.2	Revision Record .....	2
2.0	VEHICLE USER' POLICY .....	6
2.1	Scope .....	6
2.1.1	Amendments to policy .....	6
2.1.2	Disciplinary Procedure.....	6
3.0	OFFICERS AND ADVISORS .....	7
3.1	Directors .....	7
3.2	Secretary .....	7
3.3	Registered Office.....	7
3.4	Registered Number .....	7
3.5	Auditors .....	7
3.6	Bankers .....	7
4.0	CHAIRMAN'S STATEMENT .....	8
5.0	DIRECTOR'S REPORT .....	9
5.1	Statement of directors` responsibilities .....	9
5.2	Principal Activities .....	9
5.3	Review of Business .....	9
5.4	Future Developments .....	9
5.5	Fixed Assets.....	10

5.6	Results and Dividends.....	10
5.7	Directors .....	10
5.8	Directors` Interests.....	10
5.9	Auditors .....	10
6.0	AUDITORS REPORT .....	11
6.1	Respective responsibilities of directors and auditors .....	11
6.2	Basis of opinion .....	11
6.3	Opinion .....	12
7.0	PROFIT AND LOSS ACCOUNT.....	13
8.0	BALANCE SHEET.....	14
9.0	CASHFLOW .....	15
10.0	NOTES TO THE ACCOUNTS.....	16
10.1	Accounting Policies .....	16
10.1.1	Basis of Preparation of Financial Statements.....	16
10.1.2	Depreciation .....	16
10.1.3	Goodwill.....	16
10.1.4	Stocks.....	16
10.1.5	Deferred Taxation.....	17
10.1.6	Leasing.....	17
10.1.7	Pension Costs .....	17
10.1.8	Impairment losses .....	17
10.2	Turnover .....	17
10.3	Net Operating Expenses .....	18

10.4	Operating Profit .....	18
10.5	Directors` Remuneration .....	19
10.6	Particulars of Staff and Pensions .....	19
10.7	Interest Payable and Similar Charges.....	20
10.8	Taxation.....	20
10.9	Dividends.....	21
10.10	Intangible Fixed Assets .....	21
10.11	Tangible Fixed Assets .....	22
10.12	Stocks and Work In Progress.....	23
10.13	Debtors .....	23
10.14	Creditors - Amounts Due Within One Year .....	24
10.15	Creditors - Amounts Due After One Year.....	24
10.16	Share Capital.....	25
10.17	Revaluation Reserve .....	25
10.18	Profit And Loss Account .....	26
10.19	Reconciliation of Movements in Shareholders` Funds.....	26
10.20	Capital Commitments .....	26
10.21	Leasing Commitments.....	27
10.22	Pension Costs .....	27
10.23	Related Parties .....	27
10.24	Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities .....	28
10.25	Gross Cash Flows .....	29
10.26	Analysis of Net Debt.....	30
10.27	Reconciliation of Net Cash Flow to Movement in Net Debt .....	30

## 2.0 Vehicle user' policy

### 2.1 Scope

This policy relates to the provision of a company vehicle, to any eligible driver, and payment of a car allowance to any eligible employee, provided by Longcross Group Limited or any associated or subsidiary company of the Longcross Group. All drivers provided with a company vehicle, or a car allowance, by the company is deemed to have read and agreed to this policy.

#### 2.1.1 Amendments to policy

Longcross Group Limited reserves the right to revise or amend any aspect of this Policy at any time at its complete discretion. Any such amendments or revisions will be communicated to all company car drivers and cash allowance recipients.

#### 2.1.2 Disciplinary Procedure

Failure to comply with the terms of this policy may result in disciplinary action being taken in accordance with Longcross Group Ltd's disciplinary rules and grievance procedures, which can be found within the employee information manual. There will be no compensation should entitlement to the use of a company vehicle be withdrawn.

## 3.0 Officers and Advisors

### 3.1 Directors

J Beament, M English, G Earle

### 3.2 Secretary

M English

### 3.3 Registered Office

107 Hindes Road, Harrow, Middlesex, HA1 1RU

### 3.4 Registered Number

3375630

### 3.5 Auditors

Hill Wooldridge & Co. Limited, 107 Hindes Road, Harrow, Middlesex, HA1 1RU

### 3.6 Bankers

Bank of Scotland PLC, Guildford Business Centre, P O Box No 755, Guildford, Surrey, GU1 2ZN

---

## 4.0 Chairman's Statement

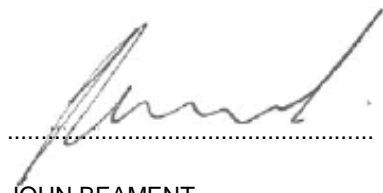
I am delighted to report that the past year was another successful period for the Company with turnover and profits increasing on a like for like comparison with the previous 18 month period.

The construction industry has been buoyant for some time and this looks likely to continue for the foreseeable future, albeit in a very competitive market. Our business continues to flourish in this challenge industry with turnover across the Company's activities increasing to £125 million and our order books are already looking healthy for the next 12 months.

One of the main reasons for our success is the quality of the people working for us at all levels, that our clients recognise our commitment to continuous improvement in the service that we provided.

We have recently completed the development and construction of our Sidcup office which is added to our other wholly owned freehold offices at Ashtead and Sheffield and to our leased in Solihull and Derbyshire.

I would like to thank every colleague within our business for their efforts in continuing our success.



.....

Date: 31<sup>st</sup> March 2006

JOHN BEAMENT

CHAIRMAN and MANAGING DIRECTOR

---

## 5.0 Director's Report

The directors present their report and the financial statements of the company for the period ended 31 March 2006.

### 5.1 Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the profit or loss of the company 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 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### 5.2 Principal Activities

The principal activities of the company throughout the period were those of main contractor and building services installer to all sectors of the community.

### 5.3 Review of Business

The results for the period and the financial position at the period end were considered satisfactory by the directors, who expect continued growth in the foreseeable future.

### 5.4 Future Developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. The company has substantially invested into information technology and key personnel during the year. They consider that the current year will show a further significant growth in sales.

## 5.5 Fixed Assets

In the opinion of the directors, the company's freehold land and buildings at Foot Cray which cost £2,700,000 have a current market value of approximately £4,000,000. At the balance sheet date, the project, which was part way through construction, had a book value of approximately £1,250,000.

## 5.6 Results and Dividends

The results of the period's trading and the financial position of the company are shown in the annexed accounts.

The company's profit for the period, after taxation, amounted to £642,142 (2005 - £564,601).

The directors also recommend that the interim dividend of £48 per ordinary share paid during the year be confirmed.

## 5.7 Directors

The present directors are as shown on page 1. All served on the board throughout the period.

The company's Articles of Association do not require directors to retire by rotation.

## 5.8 Directors' Interests

The interests of the directors in the shares of the company at the beginning and end of the period were as follows:

	31 March 2006	1 April 2005
J Beament	1,668	1,668
M English	1,666	1,666
G Earle	1,666	1,666

## 5.9 Auditors

The auditors, Hill Wooldridge & Co, have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act 1985.

ON BEHALF OF THE BOARD

..... Date: .....

G EARLE – DIRECTOR

## 6.0 Auditors Report

We have audited the financial statements of Longcross Group Limited for the period ended 31 March 2006 which comprises the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### 6.1 Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibility the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 report to you whether in our opinion the information given in the Directors' Report is not consistent with the financial statements. We also report to you 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 company is not disclosed.

We read the Chairman's Statement and the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistency with the financial statements.

### 6.2 Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

## 6.3 Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended, have been properly prepared in accordance with the Companies Act 1985 and the information given in the directors' Report is consistent with the financial statements.

HILL WOOLDRIDGE & CO

Registered Auditors

107 Hindes Road

Harrow

Middlesex HA1 1RU

Date: 31<sup>st</sup> March 2006

## 7.0 Profit And Loss Account

	Note	Year Ended 31 March 2006	18 Months Ended 31 March 2005
		£	£
TURNOVER	2	99,994,322	93,589,882
Cost of sales		(90,384,052)	(79,410,534)
GROSS PROFIT		9,610,270	14,179,348
Net operating expenses	3	(8,239,876)	(12,856,487)
OPERATING PROFIT	4	1,370,394	1,322,861
Interest payable and similar charges	7	(310,502)	(360,220)
PROFIT ON ORDINARY ACTIVITIES		1,059,892	962,641
Tax on profit on ordinary activities	8	(417,750)	(398,040)
PROFIT FOR THE FINANCIAL YEAR		642,142	564,601

The company's turnover and expenses all relate to continuing operations.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2006

	Year Ended 31 March 2006	18 Months Ended 31 March 2005
	£	£
Profit for the financial year	642,142	564,601
Unrealised surplus on revaluation of properties	-	620,523
Total recognised gains and losses relating to the year	642,142	1,185,124

The annexed notes form part of these financial statements.

## 8.0 Balance Sheet

	Note	2006	2005
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	11	5,002,695	3,890,152
<b>CURRENT ASSETS</b>			
Stocks	12	7,142,093	8,632,548
Debtors	13	21,652,825	7,924,419
Cash at bank and in hand		8,272	6,239
		<u>28,803,190</u>	<u>16,563,206</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	(28,120,061)	(16,509,911)
		<u>683,129</u>	<u>53,295</u>
<b>NET CURRENT ASSETS</b>		<u>683,129</u>	<u>53,295</u>
<b>TOTAL ASSETS LESS CURRENT</b>		<u>5,685,824</u>	<u>3,943,447</u>
<b>LIABILITIES</b>			
<b>CREDITORS</b>			
Amount falling due after more than a year	15	(2,690,919)	(1,350,684)
		<u>2,994,905</u>	<u>2,592,763</u>
<b>NET ASSETS</b>		<u>2,994,905</u>	<u>2,592,763</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	5,000	5,000
Revaluation reserve	17	590,975	620,523
Profit and loss account	18	2,398,930	1,967,240
		<u>2,994,905</u>	<u>2,592,763</u>
<b>SHAREHOLDERS' FUNDS</b>	19	<u>2,994,905</u>	<u>2,592,763</u>

These financial statements were approved by the board on .....

ON BEHALF OF THE BOARD

..... J BEAMENT - DIRECTOR

The annexed notes form part of these financial statements.

## 9.0 Cashflow

	Note	Year Ended 31 March 2006 £	18 Months Ended 31 March 2005 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	(159,309)	568,845
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(310,502)	(360,220)
TAXATION		(418,369)	(538,129)
CAPITAL EXPENDITURE	25	(1,327,166)	(656,592)
EQUITY DIVIDENDS PAID		(240,000)	(312,000)
		<u>(2,455,346)</u>	<u>(1,298,096)</u>
FINANCING	25	1,311,196	176,465
DECREASE IN CASH	26	<u>(1,144,150)</u>	<u>(1,121,631)</u>

---

## 10.0 Notes to the Accounts

### 10.1 Accounting Policies

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

#### 10.1.1 Basis of Preparation of Financial Statements

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

The effect of events in relation to the period ended 31 March 2006 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 March 2006 and of the results for the period ended on that date.

#### 10.1.2 Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Freehold buildings	-	2% per annum of cost or revalued amount
Plant and machinery	-	25% per annum reducing balance basis
Fixtures and fittings	-	33% per annum reducing balance basis
Motor vehicles	-	25% per annum reducing balance basis

#### 10.1.3 Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of business acquired.

Goodwill is amortised through the profit and loss account in equal instalments over its estimated useful life.

#### 10.1.4 Stocks

Stocks and work in progress have been valued at the lower of cost and net realisable value; in respect of work in progress and finished goods cost includes a relevant proportion of overheads according to the stage of manufacturing/completion.

### 10.1.5 Deferred Taxation

Deferred taxation is accounted for in accordance of all timing difference that have originated but not reversed at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 10.1.6 Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

### 10.1.7 Pension Costs

The company operates a pension scheme for the benefit of its employees. The scheme is a defined contribution scheme, and the contributions are charged to the profit and loss account in the period to which they relate.

### 10.1.8 Impairment losses

Impairment reviews have been carried out on goodwill comparing the carrying value to the net realisable value and the value in use based on the future cash flows discounted at 4%.

## 10.2 Turnover

The company's turnover represents the value, excluding Value Added Tax, of goods and services supplied to customers during the period. The analysis of turnover by activity and geographical area is as follows:

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
United Kingdom	99,994,322	93,589,882
	_____	_____

### 10.3 Net Operating Expenses

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Administrative expenses	8,653,090	12,980,786
Other operating income	(413,214)	(124,298)
	<u>8,239,876</u>	<u>12,856,488</u>

### 10.4 Operating Profit

Operating profit is stated after charging/(crediting):

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Directors` emoluments	854,851	442,093
Directors` pension contributions in respect of money purchase benefits	122,122	193,327
	<u>976,973</u>	<u>635,420</u>
Hire of plant and machinery - operating leases	1,103,418	1,290,048
Hire of other assets - operating leases	96,740	155,243
Loss on sale of fixed assets	4,475	42,377
Depreciation and amortisation of owned assets	174,520	342,343
Depreciation of assets held under finance leases and hire purchase	35,628	115,263
Auditors` remuneration	15,000	10,000
	<u>1,566,144</u>	<u>2,092,594</u>

## 10.5 Directors` Remuneration

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Highest paid director:		
Emoluments	430,000	132,500
Pension contributions in respect of money purchase benefits	36,000	62,047

There are 3 directors to whom retirement benefits are accruing under money purchase pension schemes in respect of qualifying services (2003 - 3).

## 10.6 Particulars of Staff and Pensions

Staff costs, including director's remuneration, were as follow:

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Wages and salaries	4,832,818	7,361,860
Social security	572,954	895,267
Other pension costs	334,427	502,895
	5,740,199	8,760,022

The average monthly number of employees during the year was as follows:

	2006	2005
	Number	Number
Management and administration	171	158
Site workforce	76	84
	247	242

## 10.7 Interest Payable and Similar Charges

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Bank loans and overdrafts	274,097	325,325
Other interest	25,763	6,652
Finance charges payable - finance leases and hire purchase	10,642	28,243
	<hr/>	<hr/>
	310,502	360,220
	<hr/>	<hr/>

## 10.8 Taxation

### Analysis of charge in period

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Current tax:		
UK corporation tax on profits of the year	387,488	437,056
Adjustments in respect of prior periods	6,313	-
	<hr/>	<hr/>
Total current tax	393,801	437,056
Deferred taxation	23,949	(39,016)
	<hr/>	<hr/>
Tax on profit on ordinary activities	417,750	398,040
	<hr/>	<hr/>

### Factors affecting tax charge for the period

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

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Profit on ordinary activities before tax	1,059,892	962,641
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30%)	317,698	288,792

Effects of:

Expenses not deductible for tax purposes	68,865	131,760
Capital allowances for period in deficit/(excess) of depreciation	655	16,504
Adjustments to tax charge in respect of previous periods	6,313	-
	<u>          </u>	<u>          </u>
Current tax charge for period	393,801	437,056
	<u>          </u>	<u>          </u>

## 10.9 Dividends

Year Ended	18 Months
31 March 2006	31 March 2005
£	£
240,000	312,000
<u>          </u>	<u>          </u>

## 10.10 Intangible Fixed Assets

Cost	Goodwill
	£
At 1 April 2005	43,306
Additions	
Disposals	
	<u>          </u>
At 31 March 2006	43,306
	<u>          </u>
Amortisation	
At 1 April 2005	43,306
Charge for the year	-
Eliminated on disposals	-
	<u>          </u>
At 31 March 2006	43,306
	<u>          </u>
Net book value	
At 31 March 2006	-
	<u>          </u>
At 31 March 2005	-
	<u>          </u>

## 10.11 Tangible Fixed Assets

	Plant £	Land £	Fixtures £	and £	and £	Assets £	Motor £	Under £	Total £
Cost/Valuation									
At 1 April 2005	3,421,435	145,320			883,291	873,494	-		5,323,540
Additions	-	3,500			70,109	-		1,265,157	1,338,766
Disposals	-	-			-	(50,780)		-	(50,780)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2006	3,421,435	148,820			953,400	822,714		1,265,157	6,611,526
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Depreciation									
At 1 April 2005	62,071	101,861			680,581	588,875		-	1,433,388
Charge for the period	41,380	11,595			90,033	67,140		-	210,148
Elimination on disposals	-	-			-	(34,705)		-	(34,705)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2006	103,451	113,456			770,614	621,310		-	1,608,831
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value									
At 31 March 2006	3,317,984	35,364			182,786	201,404		1,265,157	5,002,695
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2005	3,359,364	43,459			202,710	284,619		-	3,890,152
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Net book value of land and buildings at 31 March 2005 comprised:

	<b>2006</b>	<b>2005</b>
	£	£
Freehold land and buildings	3,317,984	3,359,364
	<u>          </u>	<u>          </u>
Cost or valuation of land and buildings comprises:	£	
Cost	2,830,473	
Valuation 2004	590,962	
	<u>          </u>	
	<u>          </u>	
	<u>          </u>	

The comparable amounts determined according to the historical cost convention are as follows:

	£
Cost	2,830,473
Accumulated depreciation	(73,903)
	<u>          </u>

Net book value at 31 March 2006	2,756,570
Net book value at 31 March 2005	2,786,131

The company's Ashtead freehold property was valued on an open market existing use basis at £1,700,000 by Stiles Harold Williams (independent surveyors and valuers) on 18 June 2004.

The company's Sheffield freehold property was valued on an open market existing use basis at £1,050,000 by Wilbys (independent chartered surveyors) on 26 February 2004.

Included in the total net book value of tangible fixed assets held at 31 March 2006 was £79,653 (2005 - £152,430) in respect of assets held under finance leases and hire purchase contracts.

## 10.12 Stocks and Work In Progress

	<b>2006</b>	<b>2005</b>
	£	£
Raw materials and consumables	165,000	150,000
Work in progress	6,977,093	8,482,548
	<u>7,142,093</u>	<u>8,632,548</u>

## 10.13 Debtors

Receivable within one year:	<b>2006</b>	<b>2005</b>
	£	£
Trade debtors	9,338,230	6,553,426
Other debtors	601,842	1,234,515
Prepayments and accrued income	232,755	136,478
Amounts recoverable on contracts	11,479,998	-
	<u>7,924,419</u>	<u>7,924,419</u>

Other debtors include a balance for a deferred tax asset. The movement on this deferred tax asset during the year was:

	£
Asset at 1 April 2005	74,953
Deferred tax credit in profit and loss account for the period	(23,949)
Asset at 31 March 2006	<u>51,004</u>

## Components of deferred tax

The deferred tax asset is a result of depreciation charges in excess of capital allowances. The deferred tax asset has been recognised on the basis that future trading results are of a level that it is considered more likely than not that the asset will be recoverable. The principal evidence supporting this treatment is the information available in the post balance sheet period. The deferred tax balance has not been discounted.

## 10.14 Creditors - Amounts Due Within One Year

	<b>2006</b>	<b>2005</b>
	£	£
Bank loans and overdrafts	5,511,429	4,362,080
Obligations under finance leases and hire purchase contracts	31,874	82,702
Trade creditors	13,801,432	9,881,295
Social security and other taxes	1,516,863	1,704,882
Other creditors	207,569	89,023
Corporation tax payable	237,488	262,056
Accruals and deferred income	6,813,406	127,873
	<u>28,120,061</u>	<u>16,509,911</u>

The bank loans and overdrafts are secured on freehold property.

Obligations under finance leases and hire purchase contracts are secured by related assets.

## 10.15 Creditors - Amounts Due After One Year

	<b>2006</b>	<b>2005</b>
	£	£
Bank loans	2,685,488	1,313,379
Obligations under finance leases and hire purchase contracts	5,431	37,305
	<u>2,690,919</u>	<u>1,350,684</u>

Repayable by instalments, amounts falling due after five years:

	<b>2006</b>	<b>2005</b>
	£	£
Bank loan	2,372,167	1,014,798
	<u>2,372,167</u>	<u>1,014,798</u>

The bank loans and overdrafts are secured on freehold property.

Obligations under finance leases and hire purchase contracts are secured by related assets.

The bank loan bears interest at 1.35% above Bank of Scotland base rate.

#### Analysis of debt maturity – bank loans and overdrafts

	<b>2006</b>	<b>2005</b>
	£	£
Amounts payable:		
Within one year or on demand	5,511,429	4,362,080
Between one and two years	71,629	68,268
Between two and five years	241,692	230,313
In five years or more	2,372,167	1,014,798
	<u>8,196,917</u>	<u>5,675,459</u>

#### Analysis of debt maturity – obligations under finance leases and hire purchase contracts

	<b>2006</b>	<b>2005</b>
	£	£
Amounts payable:		
Within one year or on demand	31,874	82,702
Between one and two years	5,431	31,874
Between two and five years	-	5,431
In five years or more	-	-
	<u>37,305</u>	<u>120,007</u>

### 10.16 Share Capital

	<b>2005</b>	<b>2003</b>
	£	£
Authorised		
5,000 ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

### 10.17 Revaluation Reserve

	<b>2005</b>
	£
At 1 April 2005	620,523
Transfer of realised revaluation reserve	(29,548)
	<u>590,975</u>

## 10.18 Profit And Loss Account

	<b>2006</b>
	<b>£</b>
At 1 April 2005	1,967,240
Retained profit for the financial year	402,142
Transfer of realised revaluation reserve	29,548
	<u>          </u>
At 31 March 2006	2,398,930
	<u>          </u>

## 10.19 Reconciliation of Movements in Shareholders` Funds

	Year Ended	18 Months Ended
	31 March 2006	31 March 2005
	£	£
Profit for the financial period	642,142	564,601
Dividends	(240,000)	(312,000)
	<u>          </u>	<u>          </u>
	402,142	252,601
Other recognised gains and losses relating to the period	-	620,523
	<u>          </u>	<u>          </u>
Net addition to shareholders` funds	402,142	873,124
Opening shareholders` funds	2,592,763	1,719,639
	<u>          </u>	<u>          </u>
Closing shareholders` funds	2,994,905	2,592,763
	<u>          </u>	<u>          </u>

## 10.20 Capital Commitments

Commitments for capital expenditure at the end of the period were as follows: 85

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Authorised and contracted for	-	600,000
	<u>          </u>	<u>          </u>

The capital commitment is for the construction of a new 20,000 square foot office building, Sargasso, on the company's Foots Cray freehold property, the company now has planning permission to begin phase 2 of the development, which will be a second £1.25 million office building, Caspian. Although not contacted for at the year end date, preliminary building work has now commenced.

## 10.21 Leasing Commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as detailed below:

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within two to five years	20,000	216,778	54,400	208,353
	<u>20,000</u>	<u>216,778</u>	<u>54,400</u>	<u>208,353</u>
	<u><u>20,000</u></u>	<u><u>216,778</u></u>	<u><u>54,400</u></u>	<u><u>208,353</u></u>

## 10.22 Pension Costs

The company operates a contributory pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £334,427 (2005 - £502,895). At the year end the pension contributions had been prepaid by £11,096 (2005: £14,930).

## 10.23 Related Parties

Longcross Group Limited is related to the companies listed below by virtue of the fact that all the companies have common directors and shareholders.

	Sales to Party	Purchases from Party	Management Charges to Party	Owed to Party	Owed by Party
	£	£	£	£	£
2006					
Longcross Developments Limited	-	-	-	72,062	-
Longcross Security Limited	-	547,530	-	-	47,361
Longcross Building Limited	1,645,329	-	300,000	-	341,638
2005					
Longcross Developments Limited	-	-	-	72,062	-
Longcross Security Limited	29,711	418,467	-	-	317,347
Longcross Building Limited	226,182	470,266	-	-	90,261
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 10.24 Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Operating profit	1,370,394	1,322,861
Depreciation charge	210,148	457,616
Loss on sale of fixed assets	4,475	42,377
Increase in stocks	1,490,455	(2,988,426)
(Increase) in debtors	(13,770,692)	(679,427)
Increase in creditors	10,536,181	2,413,844
	_____	_____
Net cash (outflow)/inflow from operating activities	(159,309)	568,845
	_____	_____

## 10.25 Gross Cash Flows

	Year Ended	18 Months
	31 March 2006	31 March 2005
	£	£
Returns on investments and servicing of finance		
Interest paid	(331,977)	(93,298)
Interest element of finance lease rental payments	(28,243)	(20,431)
	_____	_____
	(360,220)	(113,729)
	_____	_____
Capital expenditure		
Payments to acquire fixed assets	(707,342)	(1,150,435)
Receipts from sales of fixed assets	50,750	83,850
	_____	_____
	(656,592)	(1,066,585)
	_____	_____
Financing		
Loans advanced to associated companies	(216,981)	(190,627)
Loans received from associated companies	75,000	-
Loans repaid by associated companies	311	168,550
Repayment of long term loan	(81,027)	-
Loan repayment received	-	110,000
Long term bank loan received	688,243	770,000
Capital element of finance lease rental payments	(289,081)	(504,030)
	_____	_____
	176,465	353,893

## 10.26 Analysis of Net Debt

	2005	Cash flow	Other changes	2006
	£	£	£	£
Cash at bank and in hand	6,239	2,033	-	8,272
Overdraft	(4,298,243)	(1,146,183)	-	(5,444,426)
		<u>(1,144,150)</u>		
Debt due within 1 year	(63,837)	63,837	(67,003)	(67,003)
Debt due after 1 year	(1,313,379)	(1,439,112)	67,003	(2,685,488)
Finance leases	(120,007)	82,702	-	(37,305)
		<u>2,436,723</u>		
Total	<u>5,789,227</u>	<u>2,436,723</u>	<u>-</u>	<u>(8,225,950)</u>

## 10.27 Reconciliation of Net Cash Flow to Movement in Net Debt

	Year Ended 31 March 2006	18 Months 31 March 2005
	£	£
Decrease in cash in the period	(1,144,150)	(1,121,631)
Cash inflow from debt and lease financing	(1,292,573)	(318,135)
	<u>(2,436,723)</u>	<u>(1,439,766)</u>
Change in net debt resulting from cashflows		
New finance leases	-	(194,686)
	<u>(2,436,723)</u>	<u>(1,634,452)</u>
Movement in net debt in the period		
Net debt at 1 October 2003	(5,789,227)	(4,154,775)
	<u>(8,225,950)</u>	<u>(5,789,227)</u>
Net debt at 31 March 2005		