

MOUNT ANVIL plc

Report and Financial Statements

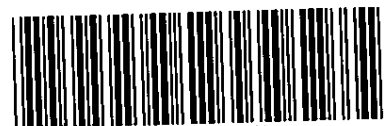
Year Ended

31 December 2008



BDO Stoy Hayward
Chartered Accountants

TUESDAY



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MOUNT ANVIL plc

Annual report and financial statements for the year ended 31 December 2008

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MOUNT ANVIL plc

Officers and professional advisors for the year ended 31 December 2008

Directors

C K Hurley
B P Chambers
P R Burslem
J A Spring
D J C Clark

Secretary and registered office

A D Brindle
3 Victoria Square
Victoria Street
St Albans
Hertfordshire
AL1 3TF

Company number

2706348

Solicitors

Peter Brown & Co
1st Floor, Comer House
19 Station Road
New Barnet
Hertfordshire
EN5 1QJ

Fladgate Fielder
25 North Row
London
W1K 6DJ

Bankers

Bank of Ireland plc
Bow Bells House
1 Bread Street
London
EC4M 9BE

Auditors

BDO Stoy Hayward LLP
Prospect Place
85 Great North Road
Hatfield
Hertfordshire
AL9 5BS

MOUNT ANVIL plc

Report of the directors for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The company's profit for the year before taxation was £2.283m (2007: £1.502m) as detailed on page 7.

The directors do not recommend the payment of a dividend (2007: £Nil).

Principal activities, trading review and future developments

The principal activity of the company was that of specialist design and build contractor and related development activities.

Directors

The directors of the company during the year and up to the date of this report were:

C K Hurley
B P Chambers
P Burslem
J A Spring
D J C Clark (appointed 27 June 2008)

Review of the year and future prospects

Overview

During the year the housing market experienced a well publicised and very significant downward correction. The level of mortgage funding for individuals hit very low levels at the end of the year and the availability of funding for land purchase was constrained. In light of this economic situation, we are therefore pleased to report a solid performance for the year with profit before taxation at £2.3m (2007: £1.5m) on turnover of £62.6m (2007: £53.3m).

During the year the business has handed over 272 homes on contracts with London based Responsible Social Landlords ("RSLs") and a further 232 homes were handed over on four private schemes contracted with fellow group companies. In all cases, they were ahead of time and budget margin. The schemes were delivered with complete customer satisfaction, driven by our ethos of listening to our clients and reacting to their needs, with high quality and innovative design solutions. Looking forward, the RSL order book has a value of £51.2m and the fully funded private build contracts add a further £37.3m.

People

Central to the strategy of the business is the investment in its people. This is through effective communication, structured health and safety training and intensive leadership and management development. Mount Anvil believes in maximising the potential of all of its employees, maintaining clear objectives and stimulating creativity that in turns leads to a constantly evolving product offer for our customers. In essence, we believe that engaged, positive, proactive people deliver excellent results and superior customer service.

External recognition of this work was received during the year with a number of awards. We were delighted to be recognised for the third successive year in the *Sunday Times 100 Best Small Companies to Work For* listing and achieving first place for the second year running in the *Contract Journal Best Places to Work Awards* in the 51-100 staff category. Importantly, our unflinching disciplines on health and safety remain key at all of our sites and these industry leading standards have been recognised with an *International Safety Award from the British*

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Review of the year and future prospects (continued)

Safety Council in 2008. We also remain in the top 7% of all major construction companies based on our accident incidence rate.

Outlook

Although the general economy and housing market are experiencing turbulent times we are confident that with our excellent team we are well placed to take advantage of the opportunities that will arise. Underlying this view, the company has sufficient good quality contracted schemes in both the private and RSL sector to secure its cash flows and profitability into the foreseeable future.

Charitable and political donations

The aggregate amount of charitable donations made during the year was £75,800 (2007: £107,254). There were no political donations.

Policy and practice on the payment of creditors

It is the policy of the company to negotiate appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Trade creditors represent both invoices received from material suppliers and accruals for subcontractor payment applications not yet received. At 31 December 2008 trade creditors represented 20 days of purchases (2007: 39 days).

Financial risk management

The Board regularly reviews the financial requirements of the company and the risks associated therewith. Company operations are primarily financed from retained earnings and short term bank borrowings. The company does not use complicated financial instruments nor does it use derivative financial instruments for trading purposes.

The Board regularly reviews and updates the forecasted performance of the company in conjunction with a detailed cash flow model. This ensures that working capital is continually optimised and requirements are identified at an early stage.

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Report of the directors for the year ended 31 December 2008 (Continued)

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 year. 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

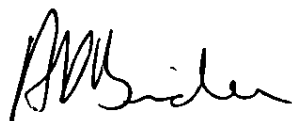
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the next annual general meeting.

By order of the Board



A D Brindle
Secretary

Date: 18 May 2009

MOUNT ANVIL plc

Independent auditor's report

To the shareholder of Mount Anvil plc

We have audited the financial statements of Mount Anvil plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit 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.

MOUNT ANVIL plc

Independent auditor's report (*Continued*)

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 December 2008 and of its profit for the year then ended;
- the financial statements 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.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Hatfield

Date: *19 May 2009*

MOUNT ANVIL plc**Profit and loss account for the year ended 31 December 2008**

	<i>Note</i>	2008 £'000	2007 £'000
Turnover	2	62,583	53,348
Cost of sales		<u>(56,203)</u>	<u>(48,497)</u>
Gross profit		6,380	4,851
Administrative expenses (including an exceptional item of £1.268m)	4	<u>(4,366)</u>	<u>(3,417)</u>
Operating profit	3,4	2,014	1,434
Other interest receivable and similar income	7	271	162
Interest payable and similar charges	8	<u>(2)</u>	<u>(94)</u>
Profit on ordinary activities before taxation		2,283	1,502
Taxation on profit on ordinary activities	9	<u>(649)</u>	<u>(362)</u>
Profit on ordinary activities after taxation, being retained profit for the year	20	1,634	1,140

All amounts relate to continuing activities.

All recognised gains and losses in the current and preceding year are included in the profit and loss account.

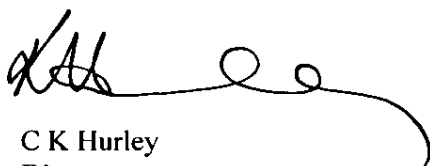
The notes on pages 9 to 19 form part of these financial statements.

MOUNT ANVIL plc

Balance sheet at 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	10	187	245
Current assets			
Stocks	12	64	643
Debtors	13	9,975	11,740
Investments	14	11,671	4,844
Cash at bank and in hand		5,800	5,522
		27,510	22,749
Creditors: amounts falling due within one year	15	(18,044)	(15,905)
Net current assets		9,466	6,844
Total assets less current liabilities		9,653	7,089
Creditors: amounts falling due after more than one year	16	(1)	(4)
Provisions for liabilities and charges	18	(2,287)	(1,354)
		7,365	5,731
Capital and reserves			
Called up share capital	19	550	550
Profit and loss account	20	6,815	5,181
Shareholder's funds	21	7,365	5,731

These financial statements were approved by the board of directors and authorised for issue on 18 May 2009


C K Hurley
Director

The notes on pages 9 to 19 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Consolidation

The company has taken advantage of the exemption granted under section 228 of Companies Act 1985 not to provide group accounts. These financial statements present information about it as an individual entity.

Turnover

Turnover represents the value of measured works or the value of completed unit sales net of value added tax.

Depreciation

Tangible fixed assets are depreciated on a straight line basis at the following rates to reduce the cost to the anticipated residual value at the end of the expected useful lives of these assets:

Leasehold improvements	- over the remaining life of the relevant lease
Motor vehicles	- 25% per annum
Fixtures and fittings	- 33.3% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional cost to completion and disposal.

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for the contract.

Where losses are foreseen a provision for the loss is provided for immediately in the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1 Accounting policies (*continued*)

Contribution to share incentive plan ("SIP")

In accordance with UITF 38, contributions to the group SIP are not recognised in the profit and loss account until such time as the shares vest unconditionally with the employees. Until that time, the employee share ownership plan trust's investment in the shares of the parent company is shown as a current asset investment.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account in the year in which they become payable.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard No. 1 'Cash Flow Statements' not to prepare a cash flow statement as it is included in the consolidated financial statements prepared by its ultimate parent company.

Current asset investments

Assets held by the company's SIP are included in the company's balance sheet as current asset investments, subject to any provision for diminution in value, until they are unconditionally distributed to beneficiaries.

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.

2 Turnover

The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the activities of specialist design and build contractor and related development activities.

MOUNT ANVIL plc**Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)****3 Operating profit**

	2008 £'000	2007 £'000
Operating profit is after charging:		
Depreciation of tangible fixed assets	79	71
Auditors' remuneration		
Audit fee	53	34
Tax compliance	16	14
Other services	24	-
Operating lease charges		
Land and buildings	124	140
Other	6	21
	<hr/>	<hr/>

4 Exceptional item

In 2007 the group established a Share Incentive Plan for the benefit of its employees. During the year ended 31 December 2008 the company incurred costs of £1.268m relating to the scheme, which have been treated as an exceptional item on the basis of their size and nature.

5 Employees

	2008 £'000	2007 £'000
Staff costs (including directors) consist of:		
Wages and salaries	5,228	5,805
Social security costs	689	613
Other pension costs	9	4
	<hr/>	<hr/>
	5,926	6,422
	<hr/>	<hr/>

	2008 No.	2007 No.
The average number of employees (including directors) during the year was as follows:		
Site	73	59
Administration	22	29
	<hr/>	<hr/>
	95	88
	<hr/>	<hr/>

MOUNT ANVIL plc**Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)****6 Directors' remuneration**

	2008 £'000	2007 £'000
Directors' emoluments	757	1,082
Company contributions to money purchase pension schemes	6	4
	763	1,086

	2008 £'000	2007 £'000
Emoluments of the highest paid director are as follows:		
Emoluments	287	380
Company contributions to money purchase pension schemes	4	4
	291	384

7 Other interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest	222	139
Other interest	49	23
	271	162

8 Interest payable and similar charges

	2008 £'000	2007 £'000
Bank interest	1	8
Other interest	1	86
	2	94

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Notes forming part of the financial statements for the year ended 31 December 2008 (*Continued*)

9 Taxation on profit on ordinary activities

	2008 £'000	2007 £'000
<i>UK corporation tax</i>		
Current tax on profits of the year	(333)	(923)
Adjustments in respect of previous periods	<u>(41)</u>	<u>21</u>
Total current tax credit	(374)	(902)
<i>Deferred tax</i>		
Origination and reversal of timing differences	<u>1,023</u>	<u>1,264</u>
Taxation on profit on ordinary activities	<u>649</u>	<u>362</u>

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>2,284</u>	<u>1,502</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	651	451
Expenses not deductible for tax purposes	13	12
Expenses not deductible for tax purposes – fixed assets	5	4
Capital allowances in excess of depreciation	(2)	(7)
Investment in holding company shares	(1,948)	(1,451)
Other short term timing differences	(28)	23
Adjustment in respect of prior year	(41)	21
Group relief surrendered/ (claimed) before payment	333	927
Receipt for group relief	(333)	(923)
Unrelieved tax losses and other deductions in the period	976	41
Current tax credit for the year	<u>(374)</u>	<u>(902)</u>

MOUNT ANVIL plcNotes forming part of the financial statements for the year ended 31 December 2008 (*Continued*)**10 Tangible fixed assets**

<i>Cost</i>	Leasehold improvements £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
At 1 January 2008	164	41	392	597
Additions	-	-	21	21
At 31 December 2008	164	41	413	618
<i>Depreciation</i>				
At 1 January 2008	30	21	301	352
Charge for the year	17	6	56	79
At 31 December 2008	47	27	357	431
<i>Net book value</i>				
At 31 December 2008	117	14	56	187
At 31 December 2007	134	20	91	245

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 2008 the net book value of these assets amounted to £4,231 (2007: £7,404). During the year depreciation of £3,173 (2007: £3,173) was charged in respect of these vehicles.

11 Fixed asset investments

The company owns 100% of the ordinary share capital in the following companies for the total cost of £5, both of which are registered in England and Wales.

Company name	% of shares held	Type of business
Mount Anvil (Liverpool) Limited	100	Dormant
Mount Anvil (SGS) Limited	100	Dormant

Mount Anvil (Liverpool) Limited and Mount Anvil (SGS) Limited are dormant companies.

MOUNT ANVIL plc**Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)****12 Stock**

	2008 £'000	2007 £'000
Work in progress	64	643

13 Debtors

	2008 £'000	2007 £'000
Trade debtors	2,473	3,912
Amounts due from group undertakings	5,417	4,575
Amounts recoverable on contracts	1,163	2,002
Other debtors	693	951
Prepayments and accrued income	229	210
Deferred tax asset (see note 17)	-	90
	<u>9,975</u>	<u>11,740</u>

14 Current asset investments

	2008 £'000	2007 £'000
Employee Benefit Trust	-	5
Share Remuneration Scheme	-	3
Investment in holding company's shares	11,671	4,836
	<u>11,671</u>	<u>4,844</u>

Mount Anvil Group Limited established a Share Incentive Plan (SIP) to purchase shares in the holding company for the benefit of employees of the group. The precise method of distribution of shares to employees has not yet been decided by the trustees. The details of the plan are as follows:

	Shares held in trust Number	Nominal value £'000	Cost £'000	Total £'000
Investment in holding company shares				
At 1 January 2008	137,501	138	4,836	4,836
Shares purchased	194,286	194	6,835	6,835
	<u>331,787</u>	<u>332</u>	<u>11,671</u>	<u>11,671</u>
At 31 December 2008	331,787	332	11,671	11,671

In respect of the deferred taxation relating to the SIP please refer to note 18.

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

15 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Other loans	2,371	232
Trade creditors	3,003	5,059
Taxation and social security	172	303
Obligations under finance leases and hire purchase contracts	3	3
Other creditors	186	200
Payments on account	2,068	2,465
Accruals and deferred income	10,241	7,643
	<hr/> 18,044 <hr/>	<hr/> 15,905 <hr/>

16 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts	1	4
	<hr/>	<hr/>

Maturity of hire purchase debt

	2008 Hire purchase £'000	2007 Hire purchase £'000
In one year or less or on demand	3	3
In more than one year but not more than two years	1	3
In more than two years but not more than five years	-	1
	<hr/> 4 <hr/>	<hr/> 7 <hr/>

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2008 (Continued)

17 Deferred tax asset

	Deferred tax £'000
As at 1 January 2008	90
Transferred to provisions for liabilities and charges	(90)
	<hr/>
As at 31 December 2008	-
	<hr/>

18 Provisions for liabilities and charges

	Deferred tax £'000
At 1 January 2008	1,354
Deferred tax charge on contribution to SIP	1,914
Transferred from current assets	(90)
Unrelieved trading losses and other timing differences (credit to the profit and loss account)	(891)
	<hr/>
At 31 December 2008	2,287
	<hr/>

	2008 £'000	2007 £'000
<i>Deferred tax</i>		
SIP relief timing difference	3,268	1,354
	<hr/>	<hr/>

19 Share capital

	2008 £'000	2007 £'000
<i>Authorised</i>		
1,000,000 Ordinary shares of £1 each	1,000	1,000
200,000 Deferred shares of 1p each	2	2
	<hr/>	<hr/>
	1,002	1,002
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
550,000 Ordinary shares of £1 each	550	550
	<hr/>	<hr/>

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2008 *(Continued)*

20 Reserves

	Profit and loss account £'000
At 1 January 2008	5,181
Profit for the year	1,634
	<hr/>
At 31 December 2008	6,815
	<hr/>

21 Reconciliation of movements in shareholder's funds

	2008 £'000	2007 £'000
Opening shareholder's funds	5,731	4,591
Profit for the year	1,634	1,140
	<hr/>	<hr/>
Closing shareholder's funds	7,365	5,731
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22 Commitments under operating leases

The company had annual commitments under non cancellable operating leases which expire as follows:

	2008 Land and buildings £'000	2008 Other £'000	2007 Land and buildings £'000	2007 Other £'000
<i>Operating leases which expire:</i>				
In less than one year	-	5	33	-
In two to five years	-	11	-	21
After five years	107	-	107	-
	<hr/>	<hr/>	<hr/>	<hr/>
	107	16	140	21
	<hr/>	<hr/>	<hr/>	<hr/>

23 Contingent liabilities

The company has guaranteed the following bank borrowings as at 31 December 2008 of group companies: Mount Anvil (Barnsbury) Limited in the sum of £12.3m, Mount Anvil (Atlip Road) Limited in the sum of £1.3m and Mount Anvil (Atlanta) Limited in the sum of £4.5m. In addition certain of the company's contracts with fellow group companies are charged as security for their bank borrowings.

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2008 *(Continued)*

24 Related party transactions

The company has taken advantage of the exception conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Mount Anvil Group Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

25 Ultimate parent company

The immediate parent company is Mount Anvil (Old Co) Limited. The ultimate parent company of both the smallest and largest groups of which the company is a member and the controlling entity is Mount Anvil Group Limited. Copies of the group financial statements are available from 3 Victoria Square, Victoria Street, St Albans, AL1 3TF.