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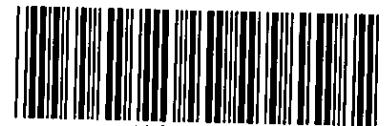
**MOUNT ANVIL plc**

Report and Financial Statements

Year Ended

31 December 2006

TUESDAY



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**BDO Stoy Hayward**  
Chartered Accountants

# **MOUNT ANVIL plc**

## **Annual report and financial statements for the year ended 31 December 2006**

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# **MOUNT ANVIL plc**

**Annual report and financial statements for the year ended 31 December 2006 (*Continued*)**

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## **Officers and Professional Advisers**

### **Directors**

C K Hurley (Chief Executive)  
B P Chambers  
P Burslem  
J A Spring

### **Secretary and registered office**

M J Smith  
3 Victoria Square  
Victoria Street  
St Albans  
Herts AL1 3TF

### **Company number**

2706348

### **Solicitors**

Peter Brown & Co  
1<sup>st</sup> Floor, Comer House  
19 Station Road  
New Barnet  
Herts EN5 1QJ

Fladgate Fielder  
25 North Row  
London W1K 6DJ

### **Bankers**

Bank of Ireland plc  
36 Queen Street  
London EC4R 1HJ

### **Auditors**

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

## **MOUNT ANVIL plc**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Results and dividends**

The company's profit for the year before taxation was £1 305m (2005 £0 792m) as detailed on page 7

The directors do not recommend the payment of a dividend (2005 £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

The year 2006 has been a record breaking year for the company. Pre-tax profits at £1 3m are the highest ever produced by Mount Anvil. Turnover increased to £35 4m from £23 0m, representing a 54% increase. Of more importance to us is the increase in the pre-tax profit margin to 3 7% from 3 4%. Our cash in hand figure at the year end was £4 1m up from £1 5m in 2005.

During the year the company worked on a wide range of construction projects with a significant increase in the average size of these projects from previous years. As a business our focus is on margin and not turnover and we relish the challenge of maintaining a consistent margin whilst increasing the scale of our operations, controlled, profitable growth is a key aspiration for us.

Our order book at the year end stood at £112 0m with nearly £50 0m of this projected to come through in 2007. All of this work is negotiated rather than competitively tendered. This enables us to be involved with our customers from the start of the planning and design process and we believe delivers best value for all parties. We are aware of the potential risk of significant increases in build costs arising from new legislation and of course "the Olympic Factor", working with the right supply chain will be critical to sustaining the level of success achieved in 2006.

In light of the European Procurement Process regulations, the major Registered Social Landlords (RSLs) will be working in partnership with a select group of contractors. We are already Framework Partners with seven of the larger RSLs in the London area, we expect this to lead to an increased level of contracting opportunities.

Mount Anvil is all about its people. The key factor behind our success is having the right people set up to succeed within a flat organisational structure. This is aided by our focus on delivering specific outputs. External recognition of the progress we are making is our inclusion in The Sunday Times 100 Best Small Companies to Work For. Engagement with all our staff is similar to our approach to Health & Safety - it is not optional - it is simply, in our opinion, the right way to do good business.

Health & Safety remains a critical factor in all that we do at Mount Anvil. We are now ranked in the top 10% of all major construction companies based on our accident incidence rate for 2006.

September 2006 marked the 15<sup>th</sup> anniversary of the establishment of Mount Anvil by Barry Bennett and Killian Hurley. To mark this, and in line with our growth and profits, we significantly increased the size of our charitable donations to £48,302. In addition, we held our annual party in Paris with our staff and their partners as guests. It was a worthy celebration.

## **MOUNT ANVIL plc**

### **Report of the directors for the year ended 31 December 2006 (*Continued*)**

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#### **Principal activities, trading review and future developments (*continued*)**

The key challenge for us in 2007 is to remain entrepreneurial, dynamic and disciplined, culminating in engaged, proactive and motivated people delivering another set of fantastic results and excellent customer service

We would like to acknowledge and thank all the individuals within Mount Anvil for working so effectively as a team throughout 2006

#### **Directors**

The directors of the company during the year were

C K Hurley

B P Chambers

D Hall (resigned 5 July 2006)

P Burslem

J Spring (appointed 7 September 2006)

R R MacGillivray (resigned 31 March 2006)

None of the directors held any beneficial interest in the company during the year

The interests of the directors in the shares of the ultimate holding company, Mount Anvil Group Limited, are shown in the report and financial statements of that company. No director held any interests in any other group company

#### **Charitable and political donations**

The aggregate amount of charitable donations made during the year was £48,302. The major beneficiary was Community Action, a charity concerned with sustaining and regenerating communities in London. 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 2006 trade creditors represented 66 days of purchases (2005: 94 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 and medium term bank borrowings. In some cases the Company uses base rate caps to protect itself against significant interest rate rises. The Company does not use complicated financial instruments nor does it use derivative financial instruments for trading purposes.

## **MOUNT ANVIL plc**

### **Report of the directors for the year ended 31 December 2006 (*Continued*)**

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#### **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**



M J Smith  
Secretary

Date 29 March 2007

# **MOUNT ANVIL plc**

## **Report of the independent auditors**

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### **To the Shareholders of Mount Anvil plc**

We have audited the financial statements of Mount Anvil plc for the year ended 31 December 2006 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. We also report to you if, in our opinion, the directors' report is not consistent with those 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 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

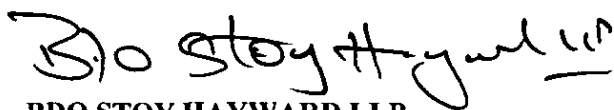
### Report of the independent auditors (*Continued*)

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#### *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 2006 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**

*Chartered Accountants  
and Registered Auditors*  
Hatfield

Date 29 March 2007

## **MOUNT ANVIL plc**

### **Profit and loss account for the year ended 31 December 2006**

	<b>Note</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Turnover</b>	<b>2</b>	<b>35,914</b>	<b>23,073</b>
Cost of sales		<b>(30,327)</b>	<b>(19,844)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>5,587</b>	<b>3,229</b>
Establishment and administrative expenses		<b>(4,225)</b>	<b>(2,459)</b>
		<hr/>	<hr/>
<b>Operating profit</b>	<b>3</b>	<b>1,362</b>	<b>770</b>
Interest receivable and similar income	<b>4</b>	<b>48</b>	<b>34</b>
Interest payable and similar charges	<b>5</b>	<b>(104)</b>	<b>(11)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>1,306</b>	<b>793</b>
Taxation on profit on ordinary activities	<b>7</b>	<b>(419)</b>	<b>(130)</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation, being retained profit for the year</b>	<b>16</b>	<b>887</b>	<b>663</b>
		<hr/>	<hr/>

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

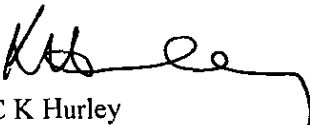
The notes on pages 9 to 16 form part of these financial statements

# MOUNT ANVIL plc

## Balance sheet at 31 December 2006

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Tangible assets	8	242	87
Investments	9	-	-
		<u>242</u>	<u>87</u>
<b>Current assets</b>			
Stocks		743	282
Work in progress		644	1,157
Debtors	10	12,682	10,298
Investments	11	8	17
Cash at bank and in hand		4,181	1,586
		<u>18,258</u>	<u>13,340</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(13,901)</u>	<u>(9,723)</u>
<b>Net current assets</b>		<b>4,357</b>	<b>3,617</b>
<b>Creditors: amounts falling due After more than one year</b>	13	<u>(8)</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u><b>4,591</b></u>	<u><b>3,704</b></u>
<b>Capital and reserves</b>			
Called up share capital	15	550	550
Profit and loss account	16	4,041	3,154
<b>Equity shareholders' funds</b>	17	<u><b>4,591</b></u>	<u><b>3,704</b></u>

These financial statements were approved by the Board of Directors and authorised for issue on 29 March 2007

  
C K Hurley  
Director

The notes on pages 9 to 16 form part of these financial statements

# MOUNT ANVIL plc

## Notes forming part of the financial statements for the year ended 31 December 2006

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### 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 288 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.

#### *Tangible fixed assets*

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 and Work in Progress*

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.

#### *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.

### Leases

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.

In accordance with Financial Reporting Standard No. 1 a cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary and that its ultimate parent undertaking, a company registered in the United Kingdom, publishes a consolidated cashflow statement incorporating the cash flows of the company

Assets held by the company's Employee Benefit Trust and Share Remuneration Scheme 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

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

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# MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

<b>5</b>	<b>Interest payable and similar charges</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
	Bank interest	24	4
	Hire purchase and finance lease interest	1	-
	Other interest	79	7
		<u>104</u>	<u>11</u>
<b>6</b>	<b>Information regarding directors and employees</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
	<b>Directors' emoluments</b>		
	Fees and salaries	830	562
	Other emoluments	18	9
		<u>848</u>	<u>571</u>
	<b>Emoluments of the highest paid director are as follows:</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
	Fees and salaries	302	164
		<u>302</u>	<u>164</u>
	<b>Average number of persons employed</b>	<b>2006 No.</b>	<b>2005 No.</b>
	Site	51	39
	Administration	23	27
		<u>74</u>	<u>66</u>
	<b>Staff costs during the year (including directors) consist of:</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
	Wages and salaries	4,240	2,906
	Social security costs	498	334
		<u>4,738</u>	<u>3,240</u>

# **MOUNT ANVIL plc**

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

<b>7 Taxation on profit from ordinary activities</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
United Kingdom corporation tax	400	126
Adjustments to prior years' tax provisions	19	4
	<u>419</u>	<u>130</u>

The tax assessed for the year is different to the standard rate of corporation tax in the United Kingdom  
The differences are explained below

	<b>2006 £'000</b>	<b>2005 £'000</b>
Profit on ordinary activities before tax	<u>1,306</u>	<u>793</u>
Profit on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30% (2005 30%)	392	238
Expenses not deductible for tax purposes	10	9
Capital allowances in excess of depreciation	(12)	(1)
Other timing differences	8	-
Over provision	14	13
Adjustment in respect of prior year	19	(4)
Group relief	(12)	(125)
	<u>419</u>	<u>130</u>

# MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

<b>8 Tangible fixed assets</b>	<b>Leasehold improvements £'000</b>	<b>Motor vehicles £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Total £'000</b>
<i>Cost</i>				
At 1 January 2006	14	68	254	336
Additions	164	13	77	254
Disposals	(14)	(53)	-	(67)
At 31 December 2006	<b>164</b>	<b>28</b>	<b>331</b>	<b>523</b>
<i>Depreciation</i>				
At 1 January 2006	13	29	207	249
Charge for the year	14	9	44	67
Disposals	(14)	(21)	-	(35)
At 31 December 2006	<b>13</b>	<b>17</b>	<b>251</b>	<b>281</b>
<i>Net book value</i>				
At 31 December 2006	<b>151</b>	<b>11</b>	<b>80</b>	<b>242</b>
At 31 December 2005	1	39	47	87

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 2006 the net book value of these assets amounted to £10,577 (2005 £39,385). During the year depreciation of £6,990 (2005 £6,202) was charged in respect of these vehicles.

<b>9 Investments held as fixed assets</b>	<b>2006 £</b>	<b>2005 £</b>
Shares in group undertakings	5	5

The investments represent the purchase of ordinary share capital in the following companies, all of which are registered in England and Wales

	<b>2006 £</b>	<b>2005 £</b>
Mount Anvil (Liverpool) Limited	2	2
Mount Anvil (SGS) Limited	3	3
	<b>5</b>	<b>5</b>

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 2006 (*Continued*)

10 Debtors	2006 £'000	2005 £'000
Trade debtors	3,914	3,219
Amounts recoverable on contracts	2,051	1,270
Amounts owed by group undertakings	6,186	5,368
Prepayments and accrued income	275	164
Other debtors	256	277
	<u>12,682</u>	<u>10,298</u>

### 11 Current assets investments

The company's investments in its Employee Benefit Trust and Share Remuneration Scheme at the year end were

	2006 £'000	2005 £'000
Employee Benefit Trust	5	5
Share Remuneration Scheme	3	11
	<u>8</u>	<u>16</u>

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

	2006 £'000	2005 £'000
Trade creditors	6,405	4,994
Bank loan (secured)	1,835	-
Accruals and deferred income	3,581	3,926
Hire purchase	3	27
Corporation tax	25	71
Taxation and social security	231	118
Other creditors	754	587
Amounts owed to group undertaking	1,067	-
	<u>13,901</u>	<u>9,723</u>

The bank loan is secured by a step in agreement over the build contract to which the funding relates. C K Hurley has given a personal guarantee in respect of loans of £250,000 included within other creditors.

# MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

<b>13 Creditors: amounts falling due after more than one year</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Hire purchase	8	-
	<hr/>	<hr/>
<b>14 Obligations under hire purchase contracts:</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
The maturity of these amounts is as follows		
Due for payment in		
Within one year	3	27
Between two and five years	8	
	<hr/>	<hr/>
	11	27
	<hr/>	<hr/>
<b>15 Share capital</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Authorised		
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/>
Called up, allotted and fully paid		
550,000 Ordinary shares of £1 each	550	550
	<hr/>	<hr/>
<b>16 Profit and loss account</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
As at 1 January	3,154	2,491
Profit for the year	887	663
	<hr/>	<hr/>
As at 31 December	4,041	3,154
	<hr/>	<hr/>

# MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)*

<b>17 Reconciliation of movements in shareholders' funds</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Opening shareholders' funds	3,704	3,041
Profit for the financial year	887	663
	<u>4,591</u>	<u>3,704</u>

## 18 Commitments under operating leases

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

	<b>2006 Land and buildings £'000</b>	<b>2006 Other £'000</b>	<b>2005 Land and buildings £'000</b>	<b>2005 Other £'000</b>
Between one and five years	-	21	-	-
After five years	107	-	107	-
	<u>107</u>	<u>21</u>	<u>107</u>	<u>-</u>

## 19 Contingent liabilities

The company has guaranteed the bank borrowings of fellow subsidiaries Mount Anvil (Windmill Lane) Limited in the sum of £9 6m, Mount Anvil (EEM) Limited in the sum of £5 6m and Mount Anvil (St Anne's) Limited in the sum of £4 9m

## 20 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

## 21 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