

2706348

MOUNT ANVIL plc

Report and Financial Statements

Year Ended

31 December 2005



BDO Stoy Hayward
Chartered Accountants

MOUNT ANVIL plc

Annual report and financial statements for the year ended 31 December 2005

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Directors

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Directors

C K Hurley (Chief Executive)
B P Chambers
D Hall
P Burslem

Secretary and registered office

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

Company number

2706348

Solicitors

Peter Brown & Co, 1st 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 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The company's profit for the year before taxation was £792,828 (2004: £451,256) as detailed on page 6.

The directors do not recommend the payment of a dividend (2004: £290,000).

Principal activities, trading review and future developments

The principal activity of the Company during the year under review was that of specialist design and build contractor and property developer.

During the year the Company worked on a smaller number of higher value construction projects. This fits with our strategy of being driven by results rather than by turnover. Delivery of these projects, measured in terms of quality, programme and health and safety, has improved once again over the previous year. We believe that our positive and proactive approach towards health and safety is reflected in our improved profits.

Mount Anvil continues to focus on attracting, retaining and rewarding high calibre staff. The benefits from our Employee Development Programme initiated in 2004 are now flowing through in improved individual performance, better all round teamwork and more effective communication across all areas of our business.

All of the above factors have contributed to the significant increase in profit before tax of £792,828. This net margin of 3.4% (2004: 1.8%) is at the higher end of the industry scale.

As stated in last year's report, 2006 will see significant growth in both profit and turnover terms. Already this year we have secured a number of large development sites with planning permission which will be built out over the next two to three years.

By 2008 we expect to be developing approximately 650 residential units of which 250 will be for private sale.

The maintenance of the excellent relationships we have with the affording housing sector will continue to be a priority and we expect by 2008 to be building in the region of 400 homes per annum.

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 six of the larger RSLs in the London area, we expect this to lead to an increased level of contracting opportunities.

The delivery of housing solutions, both private and affordable, in collaboration with our RSL partners remains essential to the controlled profitable growth of the Mount Anvil business.

It is our aim to be a dynamic customer facing organisation, fully utilising the skills of each individual within a strong team culture.

MOUNT ANVIL plc

Report of the directors for the year ended 31 December 2005 (Continued)

Directors

The directors of the company during the year were:

C K Hurley	P Burslem
R R MacGillivray (resigned 31 March 2006)	D Hall
B P Chambers	

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.

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 2005 trade creditors represented 94 days of purchases (2004: 81 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. The Company does not use complicated financial instruments nor does it use derivative financial instruments for trading purposes.

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

MOUNT ANVIL plc

Report of the directors for the year ended 31 December 2005 (*Continued*)

Directors' responsibilities (*continued*)

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

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board



M J Smith

Secretary

Date: 29 June 2006

MOUNT ANVIL plc

Report of the independent auditors

Independent Auditor's Report To The Shareholders of Mount Anvil plc

We have audited the financial statements of Mount Anvil plc for the year ended 31 December 2005 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*)

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 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*

Hatfield

Date: 29 June 2006

MOUNT ANVIL plc

Profit and loss account for the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	23,072,946	24,686,735
Cost of sales		(19,844,366)	(21,899,264)
Gross profit		3,228,580	2,787,471
Establishment and administrative expenses		(2,458,471)	(2,360,850)
Operating profit	3	770,109	426,621
Interest receivable and similar income	4	34,014	42,511
Interest payable and similar charges	5	(11,295)	(17,876)
Profit on ordinary activities before taxation		792,828	451,256
Taxation on profit on ordinary activities	7	(129,600)	(103,359)
Profit on ordinary activities after taxation	15	663,228	347,897

All amounts relate to continuing activities.

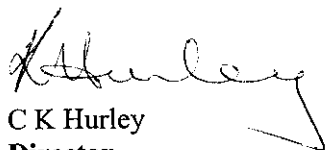
All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 14 form part of these financial statements.

MOUNT ANVIL plc**Balance sheet at 31 December 2005**

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	87,377	69,821
Investments	10	5	5
		<hr/>	<hr/>
		87,382	69,826
Current assets			
Stocks		281,850	121,250
Work in progress		1,157,039	398,075
Debtors	11	10,298,005	7,961,210
Investments	12	16,582	16,582
Cash at bank and in hand		1,586,161	431,837
		<hr/>	<hr/>
		13,339,637	8,928,954
Creditors: amounts falling due within one year	13	(9,722,995)	(5,957,984)
		<hr/>	<hr/>
Net current assets		3,616,642	2,970,970
		<hr/>	<hr/>
Total assets less current liabilities		3,704,024	3,040,796
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	550,000	550,000
Profit and loss account	15	3,154,024	2,490,796
		<hr/>	<hr/>
Equity shareholders' funds	16	3,704,024	3,040,796
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 29 June 2006.


C K Hurley
Director

The notes on pages 8 to 14 form part of these financial statements.

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2005

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.

Turnover

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

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.

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.

1 Accounting policies (Continued)

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

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.

Current asset investments

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.

2 Turnover

The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the activity of design and build contractors and property developers.

3 Operating profit	2005 £	2004 £
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	48,565	70,664
Leased assets	6,203	3,763
Early payment discounts	(330,393)	(369,200)
Loss on disposal of fixed assets	303	1,201
Management charges received from group companies	(78,000)	(279,373)
Auditors' remuneration - audit fee	22,535	21,000
- other services	45,206	35,094
	<hr/>	<hr/>
4 Interest receivable and similar income	2005 £	2004 £
Bank interest	8,732	19,260
Other interest	25,282	23,251
	<hr/>	<hr/>
	34,014	42,511
	<hr/>	<hr/>

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Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

5	Interest payable and similar charges	2005	2004
		£	£
	Bank interest	4,092	10,421
	Hire purchase and finance lease interest	409	492
	Other interest	6,794	6,963
		<u>11,295</u>	<u>17,876</u>
		<u><u>11,295</u></u>	<u><u>17,876</u></u>
6	Information regarding directors and employees	2005	2004
		£	£
	Directors' emoluments		
	Fees and salaries	562,080	497,355
	Other emoluments	9,185	59,848
		<u>571,265</u>	<u>557,203</u>
		<u><u>571,265</u></u>	<u><u>557,203</u></u>
	Emoluments of the highest paid director are as follows:	2005	2004
		£	£
	Fees and salaries	163,751	138,154
		<u>163,751</u>	<u>138,154</u>
		<u><u>163,751</u></u>	<u><u>138,154</u></u>
	Average number of persons employed	2005	2004
		No.	No.
	Site	39	36
	Administration	27	34
		<u>66</u>	<u>70</u>
		<u><u>66</u></u>	<u><u>70</u></u>
	Staff costs during the year (including directors) consist of:	2005	2004
		£	£
	Wages and salaries	2,906,009	2,942,745
	Social security costs	333,664	344,519
		<u>3,239,673</u>	<u>3,287,264</u>
		<u><u>3,239,673</u></u>	<u><u>3,287,264</u></u>

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Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

7	Taxation on profit from ordinary activities	2005 £	2004 £
	United Kingdom corporation tax	125,561	130,000
	Adjustments to prior years' tax provisions	(4,039)	(26,641)
		<u>129,600</u>	<u>103,359</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>792,828</u>	<u>451,256</u>
Profit on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30% (2004:30%)	237,848	135,376
Expenses not deductible for tax purposes	9,335	9,307
Capital allowances in excess of depreciation	(1,075)	(7,672)
Over/(under) provision	4,414	(7,011)
Adjustment in respect of prior year	4,039	(26,641)
Group relief	(124,961)	-
	<u>129,600</u>	<u>103,359</u>

8	Dividends paid	2005 £	2004 £
	Dividend paid of £Nil per ordinary share (2004:52.7p per ordinary share)	-	290,000

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

9 Tangible fixed assets	Leasehold improvements £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2005	13,844	46,273	232,912	293,029
Additions	-	39,000	33,627	72,627
Disposals	-	(17,677)	(12,465)	(30,142)
At 31 December 2005	13,844	67,596	254,074	335,514
<i>Depreciation</i>				
At 1 January 2005	9,424	39,686	174,098	223,208
Charge for the year	3,244	6,202	45,322	54,768
Disposals	-	(17,677)	(12,162)	(29,839)
At 31 December 2005	12,668	28,211	207,258	248,137
<i>Net book value</i>				
At 31 December 2005	1,176	39,385	46,816	87,377
At 31 December 2004	4,420	6,587	58,814	69,821

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 2005 the net book value of these assets amounted to £39,385 (2004: £6,587). During the year depreciation of £6,202 (2004: £3,763) was charged in respect of these vehicles.

10 Investments held as fixed assets	2005 £	2004 £
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.

	2005 £	2004 £
Mount Anvil (Liverpool) Limited	2	2
Mount Anvil (SGS) Limited	3	3
	5	5

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

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Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

11 Debtors	2005 £	2004 £
Trade debtors	3,219,366	2,452,915
Amounts recoverable on contracts	1,270,261	1,528,160
Amounts owed by group undertakings	5,367,836	3,445,562
Prepayments and accrued income	163,830	149,119
Other debtors	276,712	385,454
	<u>10,298,005</u>	<u>7,961,210</u>

12 Current assets investments

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

	2005 £	2004 £
Employee Benefit Trust	5,143	5,143
Share Remuneration Scheme	11,439	11,439
	<u>16,582</u>	<u>16,582</u>

13 Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	4,993,418	4,881,402
Accruals and deferred income	3,926,175	169,122
Hire purchase	27,497	3,523
Corporation tax	70,651	-
Taxation and social security	118,181	113,608
Other creditors	587,069	790,325
Amounts owed to group undertaking	4	4
	<u>9,722,995</u>	<u>5,957,984</u>

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

14 Share capital	2005 £	2004 £
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
200,000 Deferred shares of 1p each	2,000	2,000
	<u>1,002,000</u>	<u>1,002,000</u>
Called up, allotted and fully paid		
550,000 Ordinary shares of £1 each	<u>550,000</u>	<u>550,000</u>
15 Profit and loss account	2005 £	2004 £
As at 1 January	2,490,796	2,432,899
Profit for the year	663,228	347,897
Dividend paid	-	(290,000)
As at 31 December	<u>3,154,024</u>	<u>2,490,796</u>
16 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Opening shareholders' funds	3,040,796	2,982,899
Profit for the financial year	663,228	347,897
Dividends	-	(290,000)
	<u>3,704,024</u>	<u>3,040,796</u>

17 Contingent liabilities

The company has guaranteed the bank borrowings of Mount Anvil (Milton Keynes) Limited, a fellow subsidiary, in the sum of £0.981million at 31 December 2005.

18 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.

19 Related party transactions

The company has taken advantage of the exemptions available under paragraph 3(c) of FRS8 relating to the disclosure of certain related party transactions.