

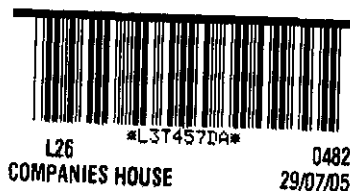
2006348

MOUNT ANVIL plc

Report and Financial Statements

Year Ended

31 December 2004



BDO Stoy Hayward
Chartered Accountants

MOUNT ANVIL plc

Annual report and financial statements for the year ended 31 December 2004

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Directors

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Directors

C K Hurley (Chairman)
B P Chambers
D Hall
P Burslem
R R MacGillivray

Secretary and registered office

M Grubnic, Park Mill, Burydell Lane, Park Street, St Albans, Herts AL2 2HB

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 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The company's profit for the year before taxation was £451,256 (2003: £891,436) as detailed on page 5.

The reduction of turnover from £29.774m to £24.687m relates primarily to a drop in development turnover. Offsetting this drop, the core construction business enjoyed a significant improvement in its contribution. The net drop in profit before tax of £440,182, although disappointing, was expected given the uneven nature of development profits.

The directors recommend the payment of a dividend of £290,000 (2003: £290,000).

Principal activities, trading review and future developments

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

During the year the Company once again worked on a wide range of construction projects with a noticeable increase in the average size of building contracts entered into. In terms of delivery measured by budget, time and quality, the last 12 months has seen a marked improvement on all fronts and this is reflected in our contracting margin in 2004.

Mount Anvil has continued to invest heavily in its staff to ensure that it has the right resources to handle increased construction and development activity in the years ahead. A tailor-made Management Development Programme commenced in 2004 and was made available to all the staff. It is already showing positive returns. The Company continued its commitment to improving health and safety standards and a significant investment of time and money was made in this area.

The Company's order book is in a very healthy state, with a good mix of both contracting and development opportunities. Given the increasingly long lead time in our industry, especially with development, the growth in the business resulting from these will come through in 2006 and onwards.

Mount Anvil has already entered into a number of Four Year Framework Agreements with strategic housing association partners in line with recent EU procurement laws. The delivery of housing solutions, both affordable and private, primarily in partnership with our key RSL partners will remain central to the controlled future growth of the business in the years ahead.

Charitable and political donations

The aggregate amount of charitable donations made during the year was £3,239 (2003 : £2,427). The major beneficiary was Crisis UK, a charity concerned with the welfare and shelter of homeless people.

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 2004 trade creditors represented 78 days of purchases (2003: 93 days).

MOUNT ANVIL plc

Report of the directors for the year ended 31 December 2004 (*Continued*)

Directors

The directors of the company during the year were:

C K Hurley	P Burslem
R R MacGillivray (appointed 28 July 2004)	M Sidey (resigned 28 May 2004)
B P Chambers	G Fitzpatrick (resigned 13 October 2004)
D Hall	

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.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and 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.

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.

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 Grubnić
Secretary

Date: 27/07/2005

MOUNT ANVIL plc

Report of the independent auditors

To the shareholders of Mount Anvil plc

We have audited the financial statements of Mount Anvil plc for the year ended 31 December 2004 on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 also report to you if, in our opinion, the Directors' Report is not consistent with the 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 transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MOUNT ANVIL plc

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Hatfield

Date: *27 July 2005*

MOUNT ANVIL plc

Profit and loss account for the year ended 31 December 2004

	Note	2004 £	2003 £
Turnover	2	24,686,735	29,774,296
Cost of sales		(21,899,264)	(24,654,403)
Gross profit		2,787,471	5,119,893
Establishment and administrative expenses		(2,360,850)	(4,401,075)
Operating profit	3	426,621	718,818
Interest receivable and similar income	4	42,511	386,611
Interest payable and similar charges	5	(17,876)	(213,993)
Profit on ordinary activities before taxation		451,256	891,436
Taxation on profit on ordinary activities	7	(103,359)	(275,000)
Profit on ordinary activities after taxation		347,897	616,436
Dividends	8	(290,000)	(290,000)
Retained profit for the year	16	57,897	326,436
Retained profit brought forward		2,432,899	2,106,461
Retained profit carried forward		2,490,796	2,432,897

All amounts relate to continuing activities.

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

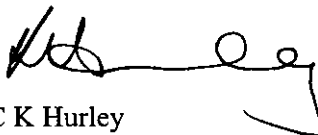
The notes on pages 7 to 14 form part of these financial statements.

MOUNT ANVIL plc

Balance sheet at 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	9	69,821	115,760
Investments	10	5	5
		<hr/>	<hr/>
		69,826	115,765
Current assets			
Stocks		121,250	332,064
Work in progress		398,075	385,768
Debtors	11	7,961,210	7,731,357
Investments	12	16,582	90,690
Cash at bank and in hand		431,837	3,236,703
		<hr/>	<hr/>
		8,928,954	11,776,582
Creditors: amounts falling due within one year	13	(5,957,984)	(8,555,967)
		<hr/>	<hr/>
Net current assets		2,970,970	3,220,615
		<hr/>	<hr/>
Total assets less current liabilities		3,040,796	3,336,380
Creditors: amounts falling due after more than one year	14	-	(353,483)
		<hr/>	<hr/>
		3,040,796	2,982,897
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	550,000	550,000
Profit and loss account		2,490,796	2,432,897
		<hr/>	<hr/>
Equity shareholders' funds	16	3,040,796	2,982,897
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 27/7/2005


C K Hurley
Director

The notes on pages 7 to 14 form part of these financial statements.

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004

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.

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

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	2004 £	2003 £
	Operating profit is after charging/(crediting):		
	Depreciation and amortisation		
	Owned assets	70,664	80,290
	Leased assets	3,763	8,032
	Early payment discounts	(369,200)	(494,016)
	Loss on disposal of fixed assets	1,201	2,513
	Management charges received from group companies	(279,373)	(34,892)
	Auditors' remuneration - audit fee	21,000	21,000
	- other services	35,094	7,873
		<hr/>	<hr/>
4	Interest receivable and similar income	2004 £	2003 £
	Bank interest	19,260	48,020
	Other interest	23,251	338,591
		<hr/>	<hr/>
		42,511	386,611

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

5	Interest payable and similar charges	2004	2003
		£	£
	Bank interest	10,421	23,704
	Hire purchase and finance lease interest	492	3,305
	Other interest	6,963	186,984
		<u>17,876</u>	<u>213,993</u>
6	Information regarding directors and employees	2004	2003
		£	£
	Directors' emoluments		
	Fees and salaries	497,355	2,078,051
	Other emoluments	59,848	46,511
		<u>557,203</u>	<u>2,124,562</u>
	Emoluments of the highest paid director are as follows:	2004	2003
		£	£
	Fees and salaries	126,154	924,365
	Other emoluments	12,000	8,000
		<u>138,154</u>	<u>932,365</u>
	Average number of persons employed	2004	2003
		No.	No.
	Site	36	40
	Administration	34	34
		<u>70</u>	<u>74</u>
	Staff costs during the year (including directors) consist of:	2004	2003
		£	£
	Wages and salaries	2,942,745	4,660,029
	Social security costs	344,519	375,162
		<u>3,287,264</u>	<u>5,035,191</u>

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

7 Taxation on profit from ordinary activities

	2004 £	2003 £
United Kingdom corporation tax	130,000	275,000
Adjustments to prior years' tax provisions	(26,641)	-
	<u>103,359</u>	<u>275,000</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:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>451,256</u>	<u>891,436</u>
Profit on ordinary activities at the standard rate of corporation tax in the United Kingdom of 30% (2003:30%)	135,376	267,431
Expenses not deductible for tax purposes	9,307	13,398
Capital allowances in excess of depreciation	(7,672)	(9,135)
(Under)/over provision	(7,011)	3,306
Adjustment in respect of prior year	(26,641)	-
	<u>103,359</u>	<u>275,000</u>

8 Dividends paid

	2004 £	2003 £
Dividend paid of 52.7p per ordinary share (2003 : 52.7 per ordinary share)	<u>290,000</u>	<u>290,000</u>

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

9 Tangible fixed assets	Leasehold improvements £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2004	22,657	46,273	288,289	357,219
Additions	-	-	29,740	29,740
Disposals	(8,813)	-	(85,117)	(93,930)
At 31 December 2004	<u>13,844</u>	<u>46,273</u>	<u>232,912</u>	<u>293,029</u>
<i>Depreciation</i>				
At 1 January 2004	14,992	35,923	190,544	241,459
Charge for the year	3,245	3,763	67,419	74,427
Disposals	(8,813)	-	(83,865)	(92,678)
At 31 December 2004	<u>9,424</u>	<u>39,686</u>	<u>174,098</u>	<u>223,208</u>
<i>Net book value</i>				
At 31 December 2004	<u>4,420</u>	<u>6,587</u>	<u>58,814</u>	<u>69,821</u>
At 31 December 2003	<u>7,665</u>	<u>10,350</u>	<u>97,745</u>	<u>115,760</u>

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 2004 the net book value of these assets amounted to £6,587 (2003: £10,665). During the year depreciation of £3,763 (2003: £8,032) was charged in respect of these vehicles.

10 Investments held as fixed assets	2004 £	2003 £
Shares in group undertakings	<u>5</u>	<u>5</u>

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

	2004 £	2003 £
Mount Anvil (Liverpool) Limited	<u>2</u>	<u>2</u>
Mount Anvil (SGS) Limited	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>

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 2004 (Continued)

11 Debtors	2004 £	2003 £
Trade debtors	2,452,915	1,716,840
Amounts recoverable on contracts	1,528,160	1,543,580
Amounts owed by group undertakings	3,445,562	3,655,083
Prepayments and accrued income	149,119	146,745
Other debtors	385,454	669,109
	<u>7,961,210</u>	<u>7,731,357</u>

12 Current assets investments

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

	2004 £	2003 £
Employee Benefit Trust	5,143	45,855
Share Remuneration Scheme	11,439	44,835
	<u>16,582</u>	<u>90,690</u>

13 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	4,881,402	7,186,179
Accruals and deferred income	169,122	310,470
Hire purchase	3,523	4,167
Bank loan (secured)	-	26,667
Corporation tax	-	155,256
Taxation and social security	113,608	121,549
Other creditors	790,325	751,675
Amounts owed to group undertaking	4	4
	<u>5,957,984</u>	<u>8,555,967</u>

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

14 Creditors: amounts falling due after more than one year

2004
£

2003
£

Amounts owed under finance leases
Bank loan (secured – see note 13)

- 3,523
- 349,960

- 353,483

Maturity of debt:

**Loans and
overdrafts
2004
£**

**Loans and
overdrafts
2003
£**

**Finance
leases
2004
£**

**Finance
leases
2003
£**

In one year or less, or on demand

- 26,667 3,523 4,167

In more than one year but not more
than two years

- 26,667 - 3,523

In more than two years but not more
than five years

- 80,001 - -

In more than five years

- 243,292 - -

- 349,960 - 3,523

15 Share capital

2004
£

2003
£

Authorised
1,000,000 Ordinary shares of £1 each
200,000 Deferred shares of 1p each

1,000,000 1,000,000
2,000 2,000

1,002,000 1,002,000

Called up, allotted and fully paid
550,000 Ordinary shares of £1 each

550,000 550,000

MOUNT ANVIL plc

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

16 Reconciliation of movements in shareholders' funds	2004 £	2003 £
Opening shareholders' funds	2,982,899	2,656,461
Profit for the financial year	347,897	616,436
Dividends	(290,000)	(290,000)
	<u>3,040,796</u>	<u>2,982,897</u>

17 Contingent liabilities

The company has guaranteed the bank borrowings of Mount Anvil (Milton Keynes) Limited, a fellow subsidiary, in the sum of £1.721million.

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 Park Mill, Burydell Lane, Park Street, St Albans, Hertfordshire AL2 2HB.

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.