

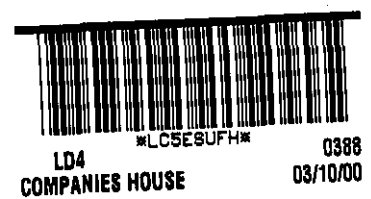
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MOUNT ANVIL CONSTRUCTION LIMITED

Report and Financial Statements

31 December 1999

**Deloitte & Touche
Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE**



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OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

B J Bennett
D L Borer
C K Hurley
S D Kelf (appointed 2 March 1999)
K T Larkin (appointed 1 June 1999)
R R MacGillivray (resigned 30 April 1999)
A E Martin (appointed 22 March 1999)
P Sebry (resigned 25 February 1999)
R Upton

SECRETARY

C K Hurley

REGISTERED OFFICE

Anvil House
Radlett Road
Colney Street
St Albans
Hertfordshire
AL2 2HA

SOLICITORS

Vizards
42 Bedford Row
London
WC1R 4JL

BANKERS

Bank of Ireland plc
Bank House
High Street
Hampton Wick
Kingston Upon Thames
Surrey
KT1 4DS

AUDITORS

Deloitte & Touche
Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE

DIRECTORS REVIEW OF THE YEAR AND FUTURE PROSPECTS

FINANCIAL REVIEW

Turnover and profits

At the end of 1997, Mount Anvil adopted a plan for controlled profitable growth over a five-year horizon. The 1999 year under review in this report represented another successful period in the achievement of this. In the previous year, 1998, the Company recorded very significant growth in both turnover and profits. In 1999 this position was consolidated with profits up to £509k (1998: £500k) whilst turnover was lower than last year at £24.0million (1998: £24.5million). The Company's primary focus continues to be on profit rather than turnover and it is therefore pleasing to see the increase in the operating profit margin percentage to 2.1% (1998: 2.0%). This level is higher than the industry average.

The result for 1999 represents the fourth consecutive year of profit growth.

Equity shareholder funds at the end of 1999 amounted to £1,239,949 (1998: £1,143,123).

OPERATING REVIEW

Customer Focus

The continuing commitment to focusing on customers' needs is reflected in Mount Anvil securing both negotiated work and repeat business. Once again nearly 60% of the Company turnover in 1999 came via negotiation, rather than direct tendering. The high level of repeat business achieved, together with a further broadening of our Housing Association client base, are other satisfying features of the year.

Markets

The Company operated primarily in the social housing, education and health sectors during 1999. Mount Anvil is now well established as one of the leading providers of construction solutions for Housing Associations in London and the Home Counties. A wide variety of work was successfully completed during the year with, once again, a very strong emphasis on refurbishment work. The Company is a recognised specialist in regeneration projects, completing a number of refurbishment schemes in the year.

Once again the Company was successfully involved in the provision of purpose built student accommodation with the completion of a £7million, 384-bed scheme in West London. In December, having finally overcome complex planning issues, work started on phase one of a £10 million refurbishment scheme on the World Heritage Site in Greenwich. This partnership project was secured following an OJEC competition involving national builders. Phase one is a £3 million contract for the provision of 120 student bedrooms.

A segment of the education sector that the Company had previously not been involved in was the construction of schools. This area was targeted at the beginning of the year and the Company commenced work on two schemes at the end of 1999.

In the health sector a £5.7million key worker scheme for a NHS Trust in South East London was handed over in February, three months ahead of programme. The benefits of partnering were evident to all involved in this scheme. During the year work also commenced on the refurbishment of a special needs accommodation unit in Central London. Mount Anvil played a critical part in the negotiation of the complex planning matters relating to this scheme.

In 1999 work commenced on the refurbishment of a block of flats which the Company is developing and which will be let to a Housing Association on a 30 year lease. The Company's innovative approach to the structuring of this deal is likely to lead to further financial engineering opportunities.

DIRECTORS REVIEW OF THE YEAR AND FUTURE PROSPECTS

Our People

The most important asset in the implementation of the Company strategy continues to be people. Exceeding client expectations and delivering innovative solutions and superb construction performance can only be achieved with a highly skilled and well-motivated team. Due to the excellence of its staff, Mount Anvil is increasingly recognised as being positively different from most other construction companies. The Company is committed to enhancing its reputation as being dynamic and innovative across its chosen range of activities.

In July 1999 the Company achieved full registration with Investors in People.

The quality of our people is reflected in the awards that were received during 1999. A site manager won the Silver Award in the National Site Manager of the Year Competition. A Considerate Constructors Gold Award was received during the year, this again was a national award.

HEALTH & SAFETY

Building sites are potentially dangerous places and the Company is committed to minimising these risks. For the second year in a row Mount Anvil has received a National Safety Award from the British Safety Council. This is in recognition of the Company's excellent record in health and safety.

EMPLOYEE POLICY

It is the Company's policy to provide equal employment opportunities without regard to race, religion, sex, national origin, disability or age.

ADDING VALUE

Mount Anvil continues to secure quality contracts by delivering added value to its clients. The Company is recognised as an innovative partnership contractor, which consistently delivers regeneration, land-led and partnering initiatives that help its clients to meet their business objectives.

FUTURE PROSPECTS

At the start of this new millennium, the rate of change in the construction industry is tremendous. There is an increasing demand for the industry to improve efficiency and performance. Mount Anvil welcomes this and the Company is committed to investing heavily in its staff to ensure that it remains at the forefront in the successful delivery of construction partnerships in social housing, education and healthcare.

The year 2000 has started well and the Company has its highest ever level of contracted work on hand. The Company is well placed to delivery another year of consistent profit growth.

DIRECTORS REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review was that of design and build contractors and property developers.

RESULTS AND DIVIDENDS

The Company's profit for the year before taxation was £509,315 (1998: £500,125) as detailed on page 7. Dividends of £216,000 were paid during the year (1998: £nil).

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The directors' review of the year and future prospects is on pages 2 and 3.

DIRECTORS AND THEIR INTERESTS

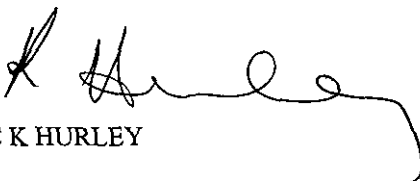
The directors who served throughout the year are shown on page 1. None of the directors held any beneficial interest in the company during the year.

The interests of Messrs Bennett, Hurley and Upton in the shares of the ultimate holding company, Mount Anvil Holdings Limited, are shown in the report and financial statements of that company. No director held any interests in any other Group Company.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office, as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



C K HURLEY

Secretary

12th September 2000

STATEMENT OF 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 as at the end of the financial year 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; 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' REPORT TO THE MEMBERS OF

MOUNT ANVIL CONSTRUCTION LIMITED

We have audited the financial statements on pages 7 to 14 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Delovier & Tamsley

Chartered Accountants and Registered Auditors
Verulam Point
Station Way
Hertfordshire
AL1 5HE

29 September 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	31 December 1999 £	31 December 1998 £
TURNOVER	2	23,996,061	24,461,624
Cost of sales		(21,832,286)	(22,352,974)
Gross profit		2,163,775	2,108,650
Establishment and administrative expenses		(1,658,426)	(1,624,909)
OPERATING PROFIT	3	505,349	483,741
Interest receivable		36,941	28,342
Interest payable and similar charges	4	(32,975)	(11,958)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		509,315	500,125
Tax on profit on ordinary activities	6	(196,489)	(162,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		312,826	338,125
Dividends paid		(216,000)	-
Retained profits for the financial year	13	96,826	338,125
Retained profit brought forward		593,123	254,998
Retained profit carried forward		689,949	593,123

All turnover and expenses have been derived from continuing operations.

There are no recognised gains or losses other than the profits for the current year and the preceding financial years. Accordingly, no Statement of Total Recognised Gains or Losses is given.

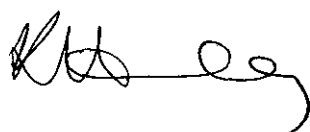
BALANCE SHEET
31 December 1999

	Note	31 December 1999 £	31 December 1998 £
FIXED ASSETS			
Tangible assets	7	582,405	512,112
Investments	8	2	-
		<u>582,407</u>	<u>512,112</u>
CURRENT ASSETS			
Work in progress		354,802	19,701
Debtors	9	5,565,666	4,780,858
Cash at bank and in hand		308,387	1,810,142
		<u>6,228,855</u>	<u>6,610,701</u>
CREDITORS: amounts falling due Within one year	10	<u>(5,436,775)</u>	<u>(5,852,698)</u>
NET CURRENT ASSETS		<u>792,080</u>	<u>758,003</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,374,487</u>	<u>1,270,115</u>
CREDITORS: amounts falling due after more than one year	11	<u>(134,538)</u>	<u>(126,992)</u>
		<u>1,239,949</u>	<u>1,143,123</u>
CAPITAL AND RESERVES			
Called up share capital	12	550,000	550,000
Profit and loss account		689,949	593,123
EQUITY SHAREHOLDERS' FUNDS	13	<u>1,239,949</u>	<u>1,143,123</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

12th September 2000

C K HURLEY
Director



K.T.LARKIN
Director



NOTES TO THE ACCOUNTS
Year ended 31 December 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

This represents amounts invoiced during the year for work certified as complete, 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	25% per annum
Plant and machinery	33.3% per annum
Motor vehicles	25% to 33.3% per annum
Fixtures and fittings	33.3% per annum

Work in progress

Contract work in progress is stated at cost plus, where the outcome can be assessed with reasonable certainty, estimated profits attributable to the state of completion, less provision for any known or anticipated losses and progress payments receivable on account.

Advance and progress payments are included under creditors to the extent that they exceed the related book value of work-in-progress.

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.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

2. TURNOVER

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

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

3. OPERATING PROFIT

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	107,369	46,749
Leased assets	123,173	101,411
Rentals under operating leases		
Hire of plant and machinery	219,996	168,533
Early payment discounts	(115,940)	(85,657)
Profit on disposal of fixed assets	(6,581)	(20,729)
Management charges received from group companies	(486,631)	(120,000)
Auditors' remuneration		
Audit fee	16,000	12,000
Other services	5,000	3,000

The management charges represent those personnel and associated costs directly attributable to other group companies.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
Bank interest	12,678	-
Hire purchase and finance lease interest	20,297	11,958
	<u>32,975</u>	<u>11,958</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 1999 £	Year ended 31 December 1998 £
Directors' emoluments		
Fees and salaries	373,334	458,010
Other emoluments	40,709	37,591
Pension	5,484	17,413
	<u>419,527</u>	<u>513,014</u>

**Emoluments of the highest paid
director are as follows:**

	£	£
Fees and salaries	95,000	77,107
Other emoluments	7,787	6,460
Pension	5,484	6,928
	<u>108,271</u>	<u>90,495</u>

One director took remuneration in the form of direct payments into their own personal pension schemes.

Average number of persons employed

	No.	No.
Site	41	49
Administration	48	36
	<u>89</u>	<u>85</u>

Staff costs during the year (including directors)

	£	£
Wages and salaries	2,212,583	1,904,324
Social security costs	233,127	188,469
	<u>2,445,710</u>	<u>2,092,793</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 1999 £	Period Ended 31 December 1998 £
United Kingdom corporation tax charge at 30% (1998 - 31%)	198,217	162,000
Adjustments to prior years' tax provisions		
Corporation tax	(1,728)	-
	<u>196,489</u>	<u>162,000</u>

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 1999	145,776	15,374	486,456	174,291	821,897
Additions	16,063	-	212,106	76,211	304,380
Disposals	-	-	(51,750)	-	(51,750)
At 31 December 1999	<u>161,839</u>	<u>15,374</u>	<u>646,812</u>	<u>250,502</u>	<u>1,074,527</u>
Accumulated depreciation					
At 1 January 1999	22,700	15,374	161,997	109,714	309,785
Charge for the year	53,220	-	130,423	46,899	230,542
Disposals	-	-	(48,206)	-	(48,206)
At 31 December 1999	<u>75,920</u>	<u>15,374</u>	<u>244,214</u>	<u>156,613</u>	<u>492,121</u>
Net book value					
At 31 December 1999	<u>85,919</u>	<u>-</u>	<u>402,598</u>	<u>93,889</u>	<u>582,406</u>
At 31 December 1998	<u>123,076</u>	<u>-</u>	<u>324,459</u>	<u>64,577</u>	<u>512,112</u>

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 1999, the net book value of these assets amounted to £286,342 (1998: £312,264). During the year depreciation of £123,173 (1998: £101,411) was charged in respect of these vehicles.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

8. INVESTMENTS HELD AS FIXED ASSETS

	31 December 1999	31 December 1998
	£	£
Shares in group undertakings	2	-

The investment represents the purchase of 100% of the share capital of Peaston (Liverpool) Limited. This is a dormant company

9. DEBTORS

	£	£
Trade debtors	1,757,505	2,448,011
Amounts recoverable on contracts	2,187,093	956,080
Amounts owed by group undertakings	1,419,634	1,183,867
Other debtors	104,168	125,514
Prepayments and accrued income	97,266	67,386
	<u>5,565,666</u>	<u>4,780,858</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£	£
Obligations under finance lease and hire purchase agreements	163,657	159,162
Trade creditors	4,954,218	5,139,207
Current corporation tax	98,439	161,300
Other taxes and social security	79,913	117,906
Accruals and deferred income	140,548	275,123
	<u>5,436,775</u>	<u>5,852,698</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	£	£
Amounts owed under finance lease and hire purchase agreements payable between 2 and 5 years	134,538	126,992

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

12. CALLED UP SHARE CAPITAL

	31 December 1999 £	31 December 1998 £
Authorised 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Called up and allotted and fully paid 550,000 ordinary shares of £1 each	550,000	550,000

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£	£
Opening shareholders' funds	1,143,123	804,998
Retained profit for the financial year	96,826	338,125
	1,239,949	1,143,123

14. ULTIMATE PARENT COMPANY

The immediate parent company is Mount Anvil Ltd. The ultimate parent company and controlling entity is Mount Anvil Holdings Limited. Copies of the group financial statements are available from Anvil House, Radlett Road, Colney Street, St Albans, Hertfordshire AL2 2HA.

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