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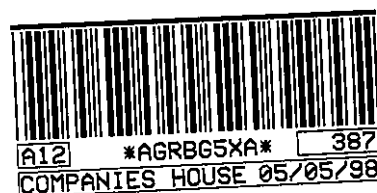
Company Registration No. 2706348

**MOUNT ANVIL CONSTRUCTION  
LIMITED**

**Report and Financial Statements**

**31 December 1997**

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





<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' review of the year and future prospects</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Auditors' report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Cash flow statement</b>	<b>9</b>
<b>Notes to the cash flow</b>	<b>10</b>
<b>Notes to the accounts</b>	<b>12</b>



## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

B J Bennett  
D L Borer  
C K Hurley  
RR MacGillivray (appointed 29 September 1997)  
P Sebry (appointed 11 August 1997)  
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  
Hamton 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**

The year to 31 December 1997 has proved to be another good year for the company. There have been significant increases in turnover and profits over the period to 31 December 1996. This previous period covered fourteen months.

Turnover for the year of £12.6m was 69% ahead of 1996. Profit before tax of £202,000 represents an increase of over 40% on the previous period. The net profit margin of less than 2% in both 1997 and 1996, reflects the company's continuing investment in the best staff and systems to ensure that customer focus is the priority during this period of strong and profitable growth. The average number of persons employed has increased in the year from 33 to 49.

#### **Liquidity**

Our cash position has strengthened significantly to £614,000 at 31 December 1997 (1996: £139,000). To fund capital additions, borrowings under finance leases have increased to £207,000 (1996: £80,000).

#### **Shareholders' Funds**

Equity shareholders' funds at the year end amounted to £805,000 (1996: £675,000).

### **OPERATING REVIEW**

#### **Customer Focus**

Our commitment to 'customer focus,' and understanding our clients' business, has brought rewards in terms of the growth of our client base. Consequently the significant increase in turnover in this year's results will once again be a feature of the 1998 results. Over half of the turnover achieved in 1997 came from negotiated work, and this level should be maintained in 1998. The growth in turnover and profit, and this high level of negotiated work, reflects the company's strategy for the generation of quality earnings.

However it is our increasing volume of repeat business that reflects the real success of this year's activity. Our dedication to providing a service which 'adds value' to our clients' business has resulted in significant levels of repeat business, and has provided the foundation for a further increase in turnover and profits in the year ahead.

#### **Specialist refurbishment work**

During 1997 we have carried out a large amount of specialist refurbishment work ranging from individual street properties in Lewisham to prestigious and complex contracts on listed buildings. Arising from our refurbishment work in Lewisham, we have received widespread praise for our commitment to local training initiatives from central government and other related agencies.

Foremost among the more complex jobs is a £2.6m contract for the conversion of a former church in Maidstone into a foyer, leisure centre and 21 flats. This landmark building will be completed in 1998. Refurbishment and regeneration work will be a major contributor to our turnover in 1998.

#### **For the Education Sector**

In September 1997 we handed over, ahead of schedule, a student accommodation contract valued at £4.25m, providing 216 en suite bedrooms in Rochester for a college of art and design. This complex new build development involved a variety of different organisations including the college themselves, a large housing association, English Partnerships, the Local Authority and private sector funders. In addition to the bedrooms, a public car park was provided, major renovation works were carried out to the adjoining river wall, and a dilapidated listed building was refurbished.



## **DIRECTORS' REVIEW OF THE YEAR AND FUTURE PROSPECTS**

### **Social Housing**

During 1997 we started on a design and build contract for 24 flats at Sherards Road in South East London. This scheme is of particular interest as it is one of a number of partnerships arrangements that we have with our housing association clients. Having identified a client need we sourced the land on their behalf. The building works, which are now substantially complete, have been shortlisted for an NHBC quality award.

The company has recently commenced construction on a design and build contract valued at £3.0m in Sheerness. Working in partnership with a new housing client and their professional team, we have 'value engineered' a cost effective solution which will provide our customer with a purpose built medical centre and 50 units of mixed tenure housing. The new development is located on what was previously a heavily contaminated brownfield site. There were four different funding agencies involved in this scheme.

A land led scheme will commence shortly in Strood for another new housing association client. The contract, valued at £2.6m, involves the provision of 12 new houses and 24 flats for the elderly. For this development Mount Anvil, successfully secured the site on behalf of the housing association in a difficult land deal, and worked closely with the client in developing a cost effective design and build package to meet their requirements.

### **Health Sector**

We are currently on site in Sidcup constructing purpose built doctors and nurses accommodation on behalf of a large NHS Trust. This £5.7m contract, which commenced in August 1997, is a complex PFI contract involving a wide range of parties. We were awarded this scheme in partnership with a major housing association. This scheme is due for handover in May 1999.

## **OUR PEOPLE**

The company's most important asset in implementing its strategy continues to be its people. Exceptional customer service can only be provided if the company has outstanding people. Owing to the quality of our people the company is recognised as a dynamic, innovative performer in the chosen sectors of activity, namely social housing, education and healthcare.

Ensuring that the company has appropriate key people in place before taking on additional work resulted in higher overhead costs for the year. This strategy has resulted in a number of new key management appointments including the recruitment of two additional directors. Peter Sebry joined as Construction Director, having been in a similar role with a major national contractor. Rod MacGillivray, an engineer by profession, joined the company as Chairman. These appointments will further enhance our significant experience in construction and development particularly in the provision of affordable housing.

## **FUTURE PROSPECTS FOR 1998**

Having completed a structured strategic planning exercise, a business plan has been implemented which will help ensure that profitable growth is achieved and that net profit margins will be at more satisfactory levels.

Mount Anvil will continue to be a leading force in the successful delivery of construction partnerships in social housing, education and healthcare during the course of 1998 and beyond. The rate of profit growth for 1998 is targeted to exceed the rate of turnover growth as we achieve a more efficient utilisation of our overhead structure.

The current year has started well and our order book is at its highest ever level. The directors are confident that the financial results for 1998 will reflect fully the ability, commitment and professionalism of the excellent team that makes up Mount Anvil.



## **DIRECTORS' REPORT**

The Directors present their report and the audited financial statements for the year ended 31 December 1997.

### **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 £201,722 (1996: £142,382) as detailed on page 7. No dividends are proposed (1996: £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**

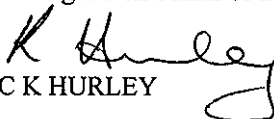
The directors who served throughout the year are shown on page 1. None of the directors held any beneficial interest in the company during the period.

The interests of Messrs Bennett, Hurley, MacGillivray 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.

### **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

28 April 1998



## **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;
- 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.



## Chartered Accountants

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

Telephone: National 01727 839000  
International + 44 1727 839000  
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## AUDITORS' REPORT TO THE MEMBERS OF

### MOUNT ANVIL CONSTRUCTION LIMITED

We have audited the financial statements on pages 7 to 17 which have been prepared under the accounting policies set out on page 12.

#### 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

30 April 1998




**PROFIT AND LOSS ACCOUNT**
**Year ended 31 December 1997**

	Note	Year ended 31 December 1997 £	Fourteen month period ended 31 December 1996 £
<b>TURNOVER</b>	2	12,650,495	7,502,864
Cost of sales		(11,391,085)	(6,580,738)
<b>Gross profit</b>		1,259,410	922,126
Establishment and administrative expenses		(1,051,530)	(772,068)
<b>OPERATING PROFIT</b>	3	207,880	150,058
Interest receivable		12,747	7,309
Interest payable and similar charges	4	(18,905)	(14,985)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		201,722	142,382
Tax on profit on ordinary activities	6	(72,049)	(21,426)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		129,673	120,956
Retained profit brought forward		125,325	4,369
<b>Retained profits carried forward</b>		254,998	125,325

All turnover and expenses have been derived from continuing operations.

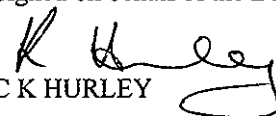
There are no recognised gains or losses other than the profits for the current year and the preceding financial period. Accordingly, no statement of Total Recognised Gains or Losses is given.


**BALANCE SHEET**  
**31 December 1997**

	Note	31 December 1997 £	31 December 1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	287,866	165,097
<b>CURRENT ASSETS</b>			
Work in progress		156,932	151,636
Debtors	8	2,838,108	2,030,206
Cash at bank and in hand		614,191	139,203
		3,609,231	2,321,045
<b>CREDITORS: amounts falling due within one year</b>	9	(2,972,801)	(1,759,889)
<b>NET CURRENT ASSETS</b>		636,430	561,156
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		924,296	726,253
<b>CREDITORS: amounts falling due after more than one year</b>	10	(119,298)	(50,928)
		804,998	675,325
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	550,000	550,000
Profit and loss account		254,998	125,325
<b>EQUITY SHAREHOLDERS' FUNDS</b>		804,998	675,325

These financial statements were approved by the Board of Directors on 28 April 1998

Signed on behalf of the Board of Directors

  
C K HURLEY

Director


**CASH FLOW STATEMENT**  
**Year ended 31 December 1997**

	1997 £	1996 £
Net cash inflow/(outflow) from operating activities	590,145	(1,396,370)
Returns on investments and servicing of finance	(6,158)	(7,676)
Taxation (paid)/recovered	(27,327)	79,643
Capital expenditure and financial investment	(81,672)	(47,503)
	474,988	(1,371,906)
Financing	-	350,000
Increase/(decrease) in cash in the year	474,988	(1,021,906)

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating profit	207,880	150,058
Depreciation charge	104,353	86,591
(Profit)/loss on sale of tangible fixed assets	(18,913)	1,588
(Increase)/decrease in stocks	(5,296)	87,941
Increase in debtors	(807,902)	(1,098,484)
Increase/(decrease) in creditors	1,110,023	(624,064)
Net cash inflow/(outflow) from operating activities	590,145	(1,396,370)


**NOTES TO THE CASH FLOW**  
**Year ended 31 December 1997**
**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	1997 £	1996 £
Increase/(decrease) in cash in the year/period	474,988	(1,021,906)
Cash flow from inception of finance leases	(126,537)	(80,089)
Change in net debt	348,451	(1,101,995)
Opening net funds	59,114	1,161,109
Net funds at 31 December	<u>407,565</u>	<u>59,114</u>

**ANALYSIS OF NET FUNDS**

	1996 £	Cash Flow	Non-Cash Flow	1997 £
Cash in hand and at bank	139,203	474,988	-	614,191
Finance leases	(80,089)	-	(126,537)	(206,626)
Total	<u>59,114</u>	<u>474,988</u>	<u>(126,537)</u>	<u>407,565</u>


**NOTES TO THE CASH FLOW**  
**Year ended 31 December 1997**
**ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	1997 £'000	1996 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	12,747	7,309
Interest paid	(3,000)	-
Interest element of hire purchase contracts and finance leases	(15,905)	(14,985)
	<u>(6,158)</u>	<u>(7,676)</u>
<b>Taxation</b>		
Corporation tax (paid)/recovered	(27,327)	79,643
	<u>(27,327)</u>	<u>79,643</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(113,372)	(57,228)
Receipts from sales of fixed assets	31,700	9,725
	<u>(81,672)</u>	<u>(47,503)</u>
<b>Financing</b>		
Issue of new share capital	-	350,000
	<u>-</u>	<u>350,000</u>



## **NOTES TO THE ACCOUNTS**

### **Year ended 31 December 1997**

#### **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 1997**

**3. OPERATING PROFIT**

	Year ended 31 December 1997 £	Fourteen month period ended 31 December 1996 £
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	38,441	27,023
Leased assets	65,912	59,568
Rentals under operating leases		
Hire of plant and machinery	38,173	19,861
Early payment discounts	(69,440)	(41,696)
(Profit)/loss on disposal of fixed assets	(18,913)	1,588
Auditors' remuneration		
Audit fee	11,500	5,000
Other services	3,000	1,200
	<u>          </u>	<u>          </u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	£	£
Bank interest	3,000	-
Hire purchase and finance lease interest	15,905	14,985
	<u>          </u>	<u>          </u>
	18,905	14,985
	<u>          </u>	<u>          </u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year ended 31 December 1997 £	Fourteen month period 31 December 1996 £
<b>Directors' emoluments</b>		
Fees and salaries	292,804	186,749
Other emoluments	19,503	13,420
Pension	13,175	10,801
	<u>325,482</u>	<u>210,971</u>

Emoluments in respect of the highest paid director amounted to £82,383 including £6,928 paid as a pension contribution.

Three directors took remuneration in the form of direct payments into their own personal pension schemes.

Average number of persons employed	No.	No.
Site	30	23
Administration	19	10
	<u>49</u>	<u>33</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	<u>1,125,978</u>	<u>433,225</u>




**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Year ended 31 December 1997 £	Period ended 31 December 1996 £
United Kingdom corporation tax charge at 31% (1996 - 33%)	66,148	21,426
Adjustments to prior years' tax provisions	5,901	-
Corporation tax	<u>72,049</u>	<u>21,426</u>

**7. TANGIBLE FIXED ASSETS**

	Leasehold Improvements £	Plant and Machinery £	Motor vehicles £	Fixtures and fittings. £	Total £
<b>Cost</b>					
At 1 January 1997	16,555	15,374	249,105	92,384	373,418
Additions	11,646	-	203,771	24,492	239,909
Disposals	-	-	(73,925)	-	(73,925)
At 31 December 1997	<u>28,201</u>	<u>15,374</u>	<u>378,951</u>	<u>116,876</u>	<u>539,402</u>
<b>Accumulated depreciation</b>					
At 1 January 1997	2,759	10,110	128,284	67,168	208,321
Charge for the year	8,021	3,070	74,289	18,973	104,353
Disposals	-	-	(61,138)	-	(61,138)
At 31 December 1997	<u>10,780</u>	<u>13,180</u>	<u>141,435</u>	<u>86,141</u>	<u>251,536</u>
<b>Net book value</b>					
At 31 December 1997	<u>17,421</u>	<u>2,194</u>	<u>237,516</u>	<u>30,735</u>	<u>287,866</u>
At 31 December 1996	<u>13,796</u>	<u>5,264</u>	<u>120,821</u>	<u>25,216</u>	<u>165,097</u>

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 1997, the net book value of these assets amounted to £217,321 (1996: £69,236). During the year depreciation of £65,912 (1996: £59,568) was charged in respect of these vehicles.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**8. DEBTORS**

	31 December 1997 £	31 December 1996 £
Trade debtors	2,273,526	1,472,516
Amounts owed by group undertakings	493,371	531,520
Other debtors	23,473	-
Prepayments and accrued income	47,738	26,170
	<u>2,838,108</u>	<u>2,030,206</u>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	£	£
Obligations under finance lease and hire purchase agreements	87,328	29,161
Trade creditors	2,728,432	1,673,506
Current corporation tax	66,148	21,426
Other taxes and social security	5,985	9,266
Accruals and deferred income	84,908	26,530
	<u>2,972,801</u>	<u>1,759,889</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	£	£
Amounts owed under finance lease and hire purchase agreements payable between 2 and 5 years	119,298	50,928
	<u>119,298</u>	<u>50,928</u>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1997**
**11. CALLED UP SHARE CAPITAL**

	31 December 1997 £	31 December 1996 £
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

**12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	£	£
Opening shareholders' funds	675,325	204,369
Share capital issued	-	350,000
Retained profit for the financial year	129,673	120,956
	804,998	675,325

**13. ULTIMATE PARENT COMPANY**

The ultimate parent company is Mount Anvil Holdings Limited. Copies of the financial statements for that company are available from Anvil House, Radlett Road, Colney Street, St Albans Hertfordshire AL2 2HA.