



**MOUNT ANVIL CONSTRUCTION
LIMITED**

Report and Financial Statements

31 December 1996

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



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B J Bennett
C K Hurley
D L Borer
R Upton

SECRETARY

C K Hurley

REGISTERED OFFICE

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

SOLICITORS

Woodhouse Smith
Davies House
Lower Road
Chalfont St Peter
Bucks
SL9 9AZ

Radcliffe Crossman Block
5 Great College Street
Westminster
London
SW1 3SJ

BANKERS

Bank of Ireland plc
33 London Road
Kingston Upon Thames
Surrey
KT2 6ND

AUDITORS

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



DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the fourteen month period ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activity of the company in the period under review was that of Design and Build Contractors and Property Developers.

RESULTS AND DIVIDENDS

The company's profit for the period after taxation was £120,956 (1995: Loss £326,001) as detailed on page 5. No dividends are proposed (1995: £nil).

REVIEW OF THE YEAR AND FUTURE PROSPECTS

During the period the company changed its accounting reference date to 31 December and issued 350,000 £1 ordinary shares.

The year ended 31 December 1996 proved to be an excellent year for Mount Anvil Construction Limited with the company generating an operating profit of £150,058. Whilst this marked a welcome return to profitability, our greatest success in 1996 has been our human resources side. We have retained our key staff as well as recruiting a number of excellent new people. The quality of our staff in terms of their ability, commitment and professionalism is second to none in our industry. This is evidenced by the high level of repeat business we achieve and the fact that we are now recognised as leaders and innovators in our markets.

As the property and construction sectors emerge from recession, we are extremely well placed to benefit from the recovery. The company will continue with its philosophy of working with our clients to add value to their businesses. The current year, 1997, should mark further significant improvements in terms of profitability and turnover. A very substantial amount of work is already contracted and under construction.

Our committed and experienced staff will ensure that Mount Anvil's reputation for excellence will be further enhanced in 1997.

DIRECTORS AND THEIR INTERESTS

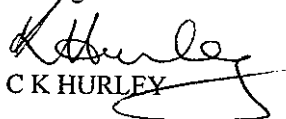
The Directors of the company who served throughout the period are shown on page 1. None of the directors held any beneficial interest in the company during the period.

The Directors' interests in the shares of other group companies are shown in the reports and financial statements of those companies.

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

17 July 1997



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. 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

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AUDITORS' REPORT TO THE MEMBERS OF

MOUNT ANVIL CONSTRUCTION LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 1996 and of its profit for the fourteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

17 July 1997

PROFIT AND LOSS ACCOUNT
Fourteen month period ended 31 December 1996

	Note	14 months ended 31 December 1996 £	Year ended 31 October 1995 £
TURNOVER			
Cost of sales	2	7,502,864 (6,580,738)	10,342,112 (10,254,928)
Gross profit		<u>922,126</u>	<u>87,184</u>
Establishment and administrative expenses		(772,068)	(555,987)
OPERATING PROFIT/(LOSS)	3	<u>150,058</u>	<u>(468,803)</u>
Interest receivable		7,309	9,528
Interest payable and similar charges	4	(14,985)	(7,981)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>142,382</u>	<u>(467,256)</u>
Tax on profit/(loss) on ordinary activities	6	(21,426)	141,255
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD		<u>120,956</u>	<u>(326,001)</u>
Retained profit brought forward		4,369	330,370
Retained profits carried forward		<u><u>125,325</u></u>	<u><u>4,369</u></u>

All turnover and expenses have been derived from continuing operations.


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


BALANCE SHEET
31 December 1996

	Note	14 months ended 31 December 1996 £	Year ended 31 October 1995 £
FIXED ASSETS			
Tangible assets	7	165,097	125,684
CURRENT ASSETS			
Work in progress		151,636	239,577
Debtors	8	2,030,206	1,011,365
Cash at bank and in hand		139,203	1,161,109
CREDITORS: amounts falling due within one year	9	2,321,045	2,412,051
		(1,759,889)	(2,310,906)
NET CURRENT ASSETS		561,156	101,145
TOTAL ASSETS LESS CURRENT LIABILITIES		726,253	226,829
CREDITORS: amounts falling due after more than one year	10	(50,928)	(22,460)
		675,325	204,369
CAPITAL AND RESERVES			
Called up share capital	11	550,000	200,000
Profit and loss account		125,325	4,369
EQUITY SHAREHOLDERS' FUNDS		675,325	204,369

These financial statements were approved by the Board of Directors on 17 July 1997

Signed on behalf of the Board of Directors


 C K HURLEY
 Director

NOTES TO THE ACCOUNTS

14 month period ended 31 December 1996

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, fittings, tools and equipment	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 or loss, 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
14 month period ended 31 December 1996

3. OPERATING PROFIT/(LOSS)

	14 months ended 31 December 1996 £	Year ended 31 October 1995 £
Operating profit/(loss) is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	27,023	19,571
Leased assets	59,568	43,142
Rentals under operating leases		
Hire of plant and machinery	19,861	54,031
Early payment discounts	(41,696)	(22,041)
Auditors' remuneration		
Audit fee	5,000	4,450
Other services	1,200	1,200
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	£	£
Hire purchase interest	<u>14,985</u>	<u>7,981</u>


NOTES TO THE ACCOUNTS
14 month period ended 31 December 1996
5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	14 months ended 31 December 1996 £	Year ended 31 October 1995 £
Directors' emoluments		
Fees and salaries	186,749	-
Other emoluments	13,420	-
Pension	10,801	-
	<u>210,971</u>	<u>-</u>
 Remuneration of the highest paid director	 <u>62,113</u>	 <u>-</u>
 Scale of other directors' remuneration	 No.	 No.
£0 - £5,000	-	3
£30,001 - £35,000	1	-
£40,001 - £45,000	1	-
£55,001 - £60,000	1	-
£60,001 - £65,000	1	-
	<u>1</u>	<u>-</u>
 Average number of persons employed		
Site	23	13
Administration	10	4
	<u>33</u>	<u>17</u>
 Staff costs during the year (including directors)	 £	 £
Wages and salaries	<u>433,225</u>	<u>176,875</u>

NOTES TO THE ACCOUNTS

14 month period ended 31 December 1996

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	14 months ended 31 December 1996	Year ended 31 October 1995
	£	£
United Kingdom corporation tax charge/(credit) at 33% (1995 - 33%)	21,426	(142,734)
Adjustments to prior years' tax provisions Corporation tax	-	1,479
	<u>21,426</u>	<u>(141,255)</u>

7. TANGIBLE FIXED ASSETS

	Leasehold Improvements	Plant and Machinery	Motor vehicles	Fixtures, fittings, tools and equipment	Total
	£	£	£	£	£
Cost					
At 1 November 1995	-	-	212,030	70,366	282,396
Additions	16,555	15,374	83,370	22,018	137,317
Disposals	-	-	(46,295)	-	(46,295)
At 31 December 1996	<u>16,555</u>	<u>15,374</u>	<u>249,105</u>	<u>92,384</u>	<u>373,418</u>
Accumulated depreciation					
At 1 November 1995	-	-	106,670	50,042	156,712
Charge for the year	2,759	10,110	56,596	17,126	86,591
Disposals	-	-	(34,982)	-	(34,982)
At 31 December 1996	<u>2,759</u>	<u>10,110</u>	<u>128,284</u>	<u>67,168</u>	<u>208,321</u>
Net book value					
At 31 December 1996	<u>13,796</u>	<u>5,264</u>	<u>120,821</u>	<u>25,216</u>	<u>165,097</u>
At 31 October 1995	<u>-</u>	<u>-</u>	<u>105,360</u>	<u>20,324</u>	<u>125,684</u>

Included in motor vehicles are assets purchased under hire purchase arrangements. At 31 December 1996, the net book value of these assets amounted to £69,236 (1995: £97,443). During the period depreciation of £59,568 (1995 : £43,142) was charged in respect of these vehicles.

NOTES TO THE ACCOUNTS
14 month period ended 31 December 1996

8. DEBTORS

	31 December 1996	31 October 1995
	£	£
Trade debtors	1,472,516	929,607
Amounts owed by group undertakings	531,520	-
Other debtors	-	100
Prepayments and accrued income	26,170	2,015
Corporation tax	-	79,643
	<u>2,030,206</u>	<u>1,011,365</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£	£
Obligations under hire purchase agreements	29,161	-
Trade creditors	1,673,506	2,175,035
Current corporation tax	21,426	-
Other taxes and social security	9,266	122,296
Accruals and deferred income	26,530	13,575
	<u>1,759,889</u>	<u>2,310,906</u>

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

	£	£
Amounts owed under hire purchase agreements payable between 2 and 5 years	50,928	-
Amounts owed to parent company	-	22,460
	<u>-</u>	<u>22,460</u>

NOTES TO THE ACCOUNTS
14 month period ended 31 December 1996

11. CALLED UP SHARE CAPITAL

	31 December 1996	31 October 1995
	£	£
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	200,000
Movements in share capital		
Ordinary £1 shares in issue at the beginning of the period		200,000
Issued during the period	350,000	350,000
Ordinary £1 shares in issue at the end of the period		550,000

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£	£
Opening shareholders' funds	204,369	530,370
Share capital issued	350,000	-
Retained profit/loss for the financial period	120,956	(326,001)
	675,325	204,369

13. ULTIMATE PARENT COMPANY

The directors consider Peaston & Co Limited, incorporated in Scotland, as the ultimate parent company. The company has taken advantage of the exemption available in FRS8 not to disclose transactions with its immediate parent company Mount Anvil Limited.