MOUNTFIELD GROUP PLC

Company Registration No. 06374598 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Mountfield Group Plc

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Mountfield Group Plc

COMPANY INFORMATION

Directors	**P H Jay**	Executive Chairman
	G J Read	Chief Executive
	A J Collins	Executive Director
	T Spanner	Non – Executive Director
Secretary	**P H Jay**	
Company number	06374598 (England and Wales)	
Registered office	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU	
Auditors	**Brett Adams** 25 Manchester Square London W1U 3PY	
Solicitors	**DAC Beachcroft LLP** 100 Fetter Lane London EC4A 1BN	
Registrars	**SLC Registrars** Thames House Portsmouth Road Esher Surrey KT10 9AD	
Nominated Adviser & Broker	**WH Ireland Ltd** 24 Martin Lane London EC4R ODR	

Mountfield Group Plc

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

The Company is pleased to present the Group's financial statements for the year ended 31 December 2012.

- Group revenues increased by 22.5% to £13.6m.
- Trading loss from continuing operations of £836,330 in 2011 converted to a trading profit (pre-tax) of £218,505 in 2012.
- Increase in Gross margin from 7% in 2011 to 13% in 2012.
- Revival in Group's levels of activity noted in 2011 continued into 2012.

We are very pleased to be able to report that in 2012 the Group moved back into profit after an extremely difficult three years during which its turnover dropped substantially and it declared trading losses.

A turnaround of £1,050,000 was achieved during 2012 and a loss on trading operations of £836,330 in 2011 became a trading profit of £218,505 in 2012 on turnover that increased by 22.5%. This was accompanied by an increase in gross margin from 7% in 2011 to 13% in 2012.

Notwithstanding the increase in turnover and profitability, the Group's cash flow did not ease to the extent that the Directors had anticipated during 2012. However, they are confident that as a result of the increase in the rate at which new contracts are being won this will have improved significantly by the third quarter of 2013.

Results

	2012	2011
	£m	£m
Revenue	**13.6**	11.1
Gross Profit	**1.8**	0.8
Profit/(loss) before tax	**0.2**	(4.3)

Mountfield Building Group Limited ("MBG")

MBG's principal business is the design and construction of data centres and IT installations. The recession in the construction sector, whose impact was first noted in the first quarter of 2009, affected companies such as MBG whose skills, client bases and reputations were concentrated in a particular area. MBG is now gaining from the increased levels of activity in the data centre sector and also from the strategic decision that was made in 2011 to concentrate on other markets such as leisure, hotels and office fit-outs where its skills would be in demand.

The increased levels of activity in the data centre market that were referred to in the statement that accompanied last year's accounts continued throughout 2012 with MBG being instructed on the construction and fit-out of data centres in Birmingham, Hampshire, Swindon and London. Two of these contracts were with data centre developers who are new clients to MBG.

The Directors believe that the sector will remain active for at least the next 5 years as it is driven by the need to refurbish and enlarge the previous generation of data centres and the increased demand for data centres from on-line retail companies and global internet operators.

The Directors' decision to target business for MBG from other sectors showed satisfactory returns in 2012 with contracts being won for office fit-out work and residential refurbishment. The prospects for increasing the proportion of the MBG's revenue that derives from the non-data centre sector are regarded as being excellent.

MBG made a trading loss of £7,500 (2011: £0.8m) on turnover of £9.9m (2011: £7.6m) after eliminating inter-company trading.

Contracts with a gross value of approximately £8.2m were won in 2012 and these included:

- Refurbishment work on an office building at St Pauls.
- Fit-out of a data centre in Swindon.
- Fit-out of a data centre in Farnborough, Hampshire.
- Refurbishment work at the House of Commons.
- Fit-out of a data centre in Docklands
- A residential refurbishment in Brighton

Connaught Access Flooring Limited ("Connaught")

Connaught is a provider of flooring systems to both main contractors and corporate end users, primarily focused on the data centre market and the refurbishment and fitting out of commercial offices. Connaught has established itself as one of the few recognised specialists in the supply and installation of raised access flooring for data centre and IT installations.

The decline after 2008 in the data centre market impacted heavily on Connaught's revenue and as a result it paid greater attention to gaining work in the office construction and refurbishment market where it faced increased competition from the large number of companies competing for that business. The increased levels of activity in the data centre market have enabled Connaught to focus again on the sector in which it has gained its reputation for expertise but it will continue to seek business from specialist companies in the office refurbishment market that require its levels of expertise.

Connaught made a pre-tax (profit) of £197,000 (2011: £314,000) on turnover of £3.7m (2011: £3.6m).

Contracts with a gross value of £3.0m were won in 2012 and these included flooring work on:

- A data centre in Farnborough, Hampshire.
- A data centre in Birmingham.
- A data centre in Leicester.
- An office refurbishment in London.

Board Changes

Tom Spanner who was appointed as a non-executive director of the Group in August 2011 is not offering himself for re-election because of pressures on his time from his other business activities. The Group intends to appoint another person of suitable skills and experience to the Board as a non-executive director and is currently looking for a suitable candidate.

Strategy

The Group's principal strategy is to continue operating as a leading player, on a nationwide basis in the data centre market, while also offering the full range of its skills to other markets.

The latter draws it increasingly to those parts of the office refurbishment, hotel and leisure markets where the ability to deliver high quality construction projects on time is of particular importance to the client. Its entry to these markets has been made through marketing the Group's services to its existing client base and will also be made through its joint venture with Hub Group Limited, a construction consultant in which MBG has a 20% shareholding.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

Financial

The Group continues to hold 7,500,000 ordinary shares in treasury but as these have not been re-issued they will be cancelled in the near future.

At the balance sheet date The Group had net current borrowings of £1.9m (2011: £1.6m) and net non-current borrowings of £3.7m (2011: £4.1m).

Outlook

The improvement in trading performance during 2012 has continued into 2013 with contracts having already been signed with a value in excess of 70% of 2012's turnover.

The recent announcements of contract wins for MBG in respect of refurbishment work at Bush House, Aldwych for £1m, enabling works for a new data centre in Cambridge and fit-out works for a franchisee of Anytime Fitness and the winning by Connaught of the contract worth in excess of £3m for the flooring of the first stage of a substantial data centre in Finland underpin the Directors' confidence in the prospects for the Group.

Connaught's performance has shown signs of significant improvement as evidenced by it winning a contract worth circa £3m to supply and install raised access flooring in the first phase of a major new data centre that is being built in Finland and by the increased number of enquiries and tenders with which it is currently involved.

Although competitive pressures and pressures on margins remain features of the trading environment the return in confidence and activity have had the result of strengthening the position of those contractors who have been able to retain their reputations for the quality of their completed product and timely delivery.

On behalf of the Board we would like to thank the staff whose dedication and hard work have helped the Group come through a difficult trading period and who are now able to see the results of their efforts and commitment.

Peter Jay
Executive Chairman

Graham Read
Chief Executive Officer

27 June 2013

Mountfield Group Plc

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their annual report and audited financial statements for the year ended 31 December 2012.

Principal activities
The principal activities of the Group are the construction and fit-out of Data Centres for the IT industry together with office fit-out and refurbishment.

Review of business
A detailed review of the development of the business is contained in the Chairman's and Chief Executive's Statement.

Results
The Group made a pre-tax operating profit from continuing operations of £189,217 (2011: loss £4,208,813) and a net pre-tax profit of £218,505 from continuing and discontinued operations (2011: loss - £5,901,616) for the year ended 31 December 2012 on turnover of £13,556,918 (2011: £11,063,041).

At 31 December 2012 the Group had net assets of £4,920,311 (2011: £4,810,421).

Dividends
The Directors do not propose payment of any dividends for the year ended 31 December 2012.

Principal risks
The principal risks and uncertainties facing the Group relate to:

Attraction and retention of key employees
The Group's future success is substantially dependent on the continued services and performance of its directors, senior management and other key personnel and its ability to continue to attract and retain highly skilled and qualified personnel.

The senior executive directors of the business all have significant shareholdings in the parent company and are all permanent employees. The other senior management and key personnel, most of whom have been with the Company for a long time, are participating in the Company's share option scheme which was introduced in 2012.

Economic downturn and other macroeconomic factors
The Group's success is substantially dependent on the general level of economic activity and economic conditions in the United Kingdom.

Many of the Group's contracts, including renewals or extensions of previous contracts, are awarded through competitive bidding processes. Any downturn in the economy, or any other macroeconomic factor, either in the UK or globally, may reduce the number of contracts coming up for bidding.

The competitive bidding processes present a number of additional risks, including the incurring of substantial cost and managerial time to prepare bids and proposals for contracts that the Group may not ultimately win. The Group may face additional competition in the bidding process either from existing competitors or new market entrants.

The Company is seeking to mitigate its exposure to the sectors in which it currently operates by diversifying its client base and in particular expanding into closely aligned areas of activity. It is also seeking to diversify by modest investment in new businesses in the same sector.

Reliance on key customers and clients
The business of the Group is dependent upon the continuing contracts that it has, and relationships that it has developed, with certain customers.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

Whilst signed contracts are in place with key customers, the successful completion and timing of contracted projects are not guaranteed and are susceptible to external factors outside of the control of the Group. Similarly, contracted projects may in some circumstances be susceptible to delays or variation by customers or be affected by unforeseen changes in circumstances relating to the market, technology, legislation, economic or other business factors. This may affect the cashflow and subsequent performance of the Group.

Whilst continuing to work with a well established client base, the Group is seeking to diversify through identifying other potential clients for its core Data Centre work. It is also attempting to exploit its core competencies by building links with developers which require contractors with similar skills to work on non Data Centre related projects.

Reliance on Subcontractors
The Group utilises subcontractors on a project-by-project basis to meet contractual obligations. Such projects will rely on the subcontractors performing their duties and obligations, not only in terms of timely delivery but also in terms of their performance obligations. Any such non-performance may result in time and cost over-runs on the Group’s projects and reduce the value of its returns.

Subcontractors are vetted by senior management and normally engaged to work on closely defined and managed aspects of contracts. Most subcontractors have a long standing trading history with the Group.

Health and safety
The Group undertakes Construction activities, often working within difficult conditions and with heavy machinery which if improperly used could result in personal injury or in extreme cases, fatalities.

The Group takes the health and safety of its employees and clients very seriously and employs Health and Safety advisors on all significant contracts. It also has a firm of Health and Safety Advisors with whom it consults on a regular basis.

Key performance indicators
The Directors use a number of performance indicators which are used to manage the business but, as with most businesses the focus in the Statement of Comprehensive Income at the top level is on sales, margins, staff numbers and overheads compared to budget and the prior year. In the Statement of Financial Position the focus is on managing working capital.

Financial instruments
Details of the Group’s financial risk management objectives and policies are included in note 20 to the financial statements.

Directors
The Directors who served during the year were:

P H Jay
G J Read
A J Collins
T Spanner

Charitable Donations
During the year the Group made charitable donations totalling £1,642 (2011: £1,900)

Substantial Shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the company's share capital are as follows:

	Number of shares issued	% Ordinary share capital
Peter Jay	23,500,000	10.8%
Graham Read	83,520,000	38.5%
Andy Collins	32,300,000	14.9%
Michael Seabrook	6,666,667	3.1%
Treasury Shares	7,500,000	3.5%

Creditor payment policy

The Group's current policy concerning the payment of trade creditors is to:

a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
c) pay in accordance with the Group's contractual and other legal obligations.

At the year end trade creditors represented 55 days' expenses.

Going Concern

The Directors have prepared and reviewed financial forecasts and the cash flow requirements to meet the Group and the Company's financial objectives. The Directors are satisfied that, taking into account the current cash resources and facilities available to the business and its future cash requirements, it is appropriate to prepare accounts on a going concern basis.

Disclosure of information to auditors

Each of the Directors who are in office at the date when this report is approved has confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of such information.

Auditors

A resolution proposing the reappointment of Brett Adams as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board

Graham Read
Director
27 June 2013

Mountfield Group Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have chosen to prepare the financial statements for the Group and the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

International Accounting Standards requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOUNTFIELD GROUP PLC

We have audited the financial statements of Mountfield Group plc for the year ended 31 December 2012 which comprise the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Cohen FCA (Senior statutory auditor)
for and on behalf of Brett Adams
Chartered Accountants
Statutory Auditor

25 Manchester Square
London W1U 3PY
27 June 2013

Mountfield Group Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Continuing operations			
Revenue	3	**13,556,918**	11,063,041
Cost of sales	4	**(11,797,502)**	(10,289,113)
Gross profit		**1,759,416**	773,928
Administrative expenses	5	**(1,570,199)**	(1,482,741)
Operating profit/ (loss) – before impairment		**189,217**	(708,813)
Impairment of Goodwill	9	**-**	(3,500,000)
Operating profit/(loss) – continuing operations		**189,217**	(4,208,813)
Net finance income/(costs)	5	**29,288**	(127,517)
Profit/(loss) before income tax – continuing operations		**218,505**	(4,336,330)
Income tax (expense)/credit	6	**(135,554)**	102,028
Profit/(loss) for the year from continuing operations		**82,951**	(4,234,302)
Discontinued operations			
Loss for the year from discontinued operations	7	**-**	(1,565,286)
Profit/(loss) for the year and total comprehensive income		**82,951**	(5,799,588)
Profit/(loss) per share	8		
Basic and diluted profit/(loss) per share:			
Continuing operations		**0.04p**	(2.11)p
Discontinued operations		**-**	(0.78)p

There are no recognised gains and losses other than those passing through the Statement of Comprehensive Income.

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of Mountfield Group Plc. Its loss for the year ended 31 December 2012 was £23,301 (2011:£6,875,757).

The notes on pages 16 to 37 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 £	2011 £
ASSETS			
Non-current assets			
Intangible assets	9	10,788,521	10,788,521
Property plant and equipment	10	116,432	127,590
Deferred income tax assets	17	599,986	728,849
		11,504,939	11,644,960
Current assets			
Inventories	11	82,005	75,567
Trade and other receivables	12	2,228,480	2,292,624
Cash and cash equivalents	13	223,337	328,344
		2,533,822	2,696,535
TOTAL ASSETS		14,038,761	14,341,495
EQUITY AND LIABILITIES			
Issued share capital	14	216,744	216,744
Share premium		1,120,432	1,120,432
Share based payments reserve		320,961	294,022
Merger reserve		12,951,180	12,951,180
Reverse acquisition reserve		(2,856,756)	(2,856,756)
Retained earnings		(6,832,250)	(6,915,201)
TOTAL EQUITY		4,920,311	4,810,421
Current liabilities			
Trade and other payables	15	3,442,863	3,836,328
Short-term borrowings	16	1,934,147	1,619,442
Finance lease liabilities	16	8,496	8,482
Income tax		6,691	-
		5,392,197	5,464,252
Non-current liabilities			
Loan notes	16	3,718,921	4,051,513
Finance lease liabilities	16	7,332	15,309
Provision for deferred taxation	17	-	-
		9,118,450	9,531,074
TOTAL EQUITY AND LIABILITIES		14,038,761	14,341,495

The financial statements were approved by the board on 27 June 2013

Graham Read
Director

The notes on pages 16 to 37 form part of these financial statements.

COMPANY REGISTRATION NO. 06374598

Mountfield Group Plc

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Operating profit/(loss) – continuing operations		**189,217**	(708,813)
Operating profit (loss) – discontinued operations		**-**	141
Adjusted for:			
Depreciation		**17,916**	26,968
Loss on disposal of property, plant and equipment		**3,606**	1,400
Share-based payment charge		**26,939**	-
(Increase)/decrease in inventories		**(6,438)**	814
Decrease/(increase) in trade and other receivables		**64,144**	(68,216)
(Decrease)/increase in trade and other payables		**(393,465)**	520,651
Cash used in operations		**(98,081)**	(227,055)
Finance costs		**25,407**	(57,484)
Finance income		**3,881**	13
Taxation received		**-**	-
Net cash outflow from operating activities		**(68,793)**	(284,526)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,864)**	(5,358)
Proceeds from sale of fixed assets		**2,500**	1,800
Net cash used in investing activities		**(10,364)**	(3,558)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	621,490
Costs of shares issued		**-**	(67,699)
Finance lease rentals		**(7,963)**	(10,108)
Repayment of non-convertible loan notes		**(346,892)**	(472,992)
(Repayment)/proceeds from short-term loans		**(25,000)**	280,700
Net cash flows (used in)/generated from financing activities		**(379,855)**	351,391
Net cash (decrease)/increase in cash and cash equivalents		**(459,012)**	63,307
Cash and cash equivalents brought forward		**(299,206)**	(362,513)
Cash and cash equivalents carried forward	13	**(758,218)**	(299,206)

The notes on pages 16 to 37 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Share premium	Share based payment reserve	Merger reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2011	175,311	608,074	294,022	12,951,180	(2,856,756)	(1,115,613)	10,056,218
Total comprehensive loss for the year	-	-	-	-	-	(5,799,588)	(5,799,588)
Shares issued in period	41,433	580,057	-	-	-	-	621,490
Costs of shares issued	-	(67,699)	-	-	-	-	(67,699)
At 31 December 2011	216,744	1,120,432	294,022	12,951,180	(2,856,756)	(6,915,201)	4,810,421
Total comprehensive income for the year	-	-	-	-	-	82,951	82,951
Movement in year	-	-	26,939	-	-	-	26,939
At 31 December 2012	**216,744**	**1,120,432**	**320,961**	**12,951,180**	**(2,856,756)**	**(6,832,250)**	**4,920,311**

Merger Reserve

The merger reserve exists as a result of the acquisitions of Mountfield Building Group Limited, MBG Construction Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited where the consideration included the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the fair value of those shares at the date of acquisition.

Reverse Acquisition Reserve

The reverse acquisition reserve exists as a result of the method of accounting for the acquisition of Mountfield Building Group Limited and MBG Construction Ltd (note 1.4).

The notes on pages 16 to 37 form part of these financial statements.

1 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

1.1 General information

Mountfield Group plc is a company incorporated in England and Wales. The registered number of the Company is 06374598. The address of its registered office is 3C Sopwith Crescent, Wickford Business Park, Wickford, Essex SS11 8YU.

1.2 IFRS compliance and adoption

Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), IFRIC Interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The adoption of these standards has not resulted in any changes to the Group's accounting policies and has not affected amounts reported in prior years.

The financial statements have been prepared under the historical cost.

Sources of estimation uncertainty

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and any revision to estimates or assumptions are recognised in the period in which they are revised and in future periods affected.

Significant judgements

The material areas in which estimates and judgements are applied are as follows:

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Company to estimate future cashflows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £10.8 million. Details regarding the goodwill carrying value and assumptions used in carrying out the impairment reviews are provided in note 9.

Receivables

The Group reviews the net recoverable value of its accounts receivables on a periodic basis to provide assurance that recorded accounts receivables are stated net of any required provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related economic trends. Changes in these factors that differ from managements estimates can result in an adjustment to the carrying value and amounts charged to income in specific periods. More details on gross balances and provisions made are included in note 12.

Accounting for construction contracts

In accordance with IAS 11 "Construction Contracts", management is required to estimate total expected contract costs and the percentage of contract completion in determining the appropriate revenue and profit to recognise in the period. The Group uses the work of expert professional Chartered Surveyors to determine accurately the level of work that has been completed by the year-end. The Group also has appropriate control procedures to ensure that all estimates are determined on a consistent basis and are subject to appropriate review and authorisation.

1 Accounting policies (continued)

1.2 IFRS compliance and adoption (continued)

Significant judgements

Share-based payments
The estimates of share-based payments costs require that management selects an appropriate valuation model and makes decisions on various inputs into the model, including the volatility of its own share price, the probable life of the options before exercise and behavioural consideration of employees.

Deferred taxation
The Group provides for deferred taxation using the liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for each taxable entity within the Group. If the actual profits earned by the Group's taxable entities differ from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

Presentation and functional currency
The financial statements are presented in pounds sterling, which is the Group's functional currency.

1.3 New standards and interpretations

As at the date of approval of these financial statements, the following standards were in issue but not yet effective. These standards have not been adopted early by the Company as they are not expected to have a material impact on the financial statements other than requiring additional disclosure or alternative presentation:

		Effective Date
IFRS 1	Government Loans (amendment)	1st January 2013
IFRS 7	Offsetting of Financial Assets and Financial Liabilities (amendment)	1st January 2013
IFRS 9	Financial instruments – Classification and Measurement	1st January 2015
IFRS 10	Consolidated financial statements	1st January 2013
IFRS 11	Joint arrangements	1st January 2013
IFRS 12	Disclosure of interests in other entities	1st January 2013
IFRS 13	Fair value measurement	1st January 2013
IFRS 1, IAS 1, 16, 32, 34	Annual improvements to IFRS's 2009 - 2011	1st January 2013
IAS 19	Employee benefits (amendment)	1st January 2013
IAS 27	Separate financial statements (revised)	1st January 2013
IAS 28	Investments in associates and joint ventures (revised)	1st January 2013
IAS 32	Offsetting of financial assets and financial liabilities (amendment)	1st January 2014

The International Financial Reporting Interpretations Committee has also issued interpretations which the Company does not consider will have a significant impact on the financial statements.

1.4 Basis of consolidation

Subsidiaries
The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Subsidiaries include all entities over which the Group has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

1 Accounting policies (continued)

1.4 Basis of consolidation (continued)

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 2 to the Company's separate financial statements.

Business combinations and goodwill
On 16 October 2008, Mountfield Group plc ("the Company") acquired the entire issued share capital of Mountfield Building Group Limited, which has one wholly owned subsidiary, MBG Construction Limited (the "MBG Group") acquired in August 2008. The consideration of £7,622,000 was satisfied by the issue of 51,220,000 Ordinary Shares of 0.1p each at a price of 10p per share and by the issue of £2,500,000 unsecured non-convertible loan notes.

As a result of these transactions, the former shareholders of MBG Group became the majority shareholders in the Company. Accordingly, the substance of the transaction was that MBG Group acquired the Company in a reverse acquisition.

Under IFRS 3 'Business Combinations', the acquisition of MBG Group has been accounted for as a reverse acquisition.

The acquisitions of Connaught Access Flooring Limited, MBG Construction Limited and Mountfield Land Limited are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree plus any costs directly attributable to the business combination.

Goodwill
Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested annually for impairment or when trigger events occur, and is carried at cost less accumulated impairment losses.

1.5 Revenue recognition
Revenue is stated exclusive of VAT and consists of sales of services to third parties.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Retentions are recognised throughout the life of a contract and are deducted from the sales invoice.

Revenue relating to contracts includes the amount initially agreed in the contract plus any variations in contract work to the extent that it is probable they will result in revenue and can be reliably measured. As soon as the outcome of the contract can be measured reliably, revenue and expense is recognised in the statement of comprehensive income on a stage of completion basis. The stage of completion is determined by reference to a survey of work performed. Any losses are recognised immediately in the statement of comprehensive income as soon as they are foreseen.

1.6 Contract work in progress
Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of contract costs incurred for work performed to date to the estimated total contract costs or the proportion of the value of work done to the total value of work under the contract, except where these would not be representative of the stage of completion. Full provision is made for all known or expected losses on individual contracts immediately once such losses are foreseen.

1 Accounting policies (continued)

1.7 Amounts recoverable on long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen. Amounts which are recoverable on long-term contracts are shown within debtors under the heading ‘Amounts Recoverable on Contracts’ which have not yet been invoiced and are stated net of discounts allowed.

1.8 Share-based payments

The Group makes equity-settled share-based payments to its employees and directors. The fair value of options and warrants granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options and warrants granted is measured based on the Black-Scholes framework, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the Company revises its estimate of the number of options and warrants that are expected to become exercisable.

1.9 Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the year to which they relate.

1.10 Impairment

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.11 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Property, plant and equipment is depreciated over the estimated useful life of the asset, as follows:

Freehold land	Not depreciated
Freehold buildings	2% per annum straight line
Leasehold improvements	Over the period of the lease
Fixtures, fittings and equipment	10% per annum reducing balance
Plant and equipment	20% - 25% per annum straight line
Motor vehicles	20% - 25% per annum straight line

1 Accounting policies (continued)

1.12 Leasing
A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease.

Assets obtained under finance leases are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such arrangements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals paid under operating leases are charged to the statement of comprehensive income as incurred on a straight line basis over the lease term.

1.13 Inventories
Inventories are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items. Cost includes direct materials, direct labour and those overheads that have been incurred in bringing the inventory to its present location and condition.

1.14 Financial instruments
Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The financial instruments, which excludes current receivables and payables, comprise cash or overdraft and unsecured non-convertible loan notes. The Directors consider the fair value not to be materially different to the carrying value for the financial instruments. During the years under review, the Group did not enter into derivative transactions and did not undertake trading in any financial instruments.

1.15 Trade and other receivables
Trade receivables are recognised at fair value less any provision for impairment. A provision for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The fair value of trade and other receivables are equivalent to their book values as set out in the financial information.

1.16 Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, demand deposits and other short-term highly liquid investments that is readily convertible to a known amount of cash and is subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

1.17 Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

1.18 Share capital
The Company has one class of ordinary share, which carries no rights to fixed income. All ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

Ordinary shares issued by the Company are classified as equity and recorded at fair value on initial recognition received, net of direct issue costs.

1 Accounting policies (continued)

1.19 Trade and other payables

Trade payables are initially recognised at fair value and subsequently at amortised cost. The fair value of the trade and other payables are equivalent to their book values as set out in the financial information.

1.20 Taxation

The taxation charge represents the sum of current tax and deferred tax.

The current tax charge is based on the taxable profit/loss for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided using the liability method, in respect of temporary differences between the carrying amount of the assets and liabilities and their tax base. Deferred tax is recognised in the statement of comprehensive income, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

Deferred tax assets are recognised only when it can be regarded as probable that there will be suitable taxable profits in the foreseeable future against which the deductible temporary difference can be utilised. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2 Segmental reporting

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31 December 2012.

The chief operating decision-maker has been identified as the Board of Directors (the Board). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and on the internal report's structure.

Segment performance is evaluated by the Board based on revenue and profit before tax (PBT). Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, such as centrally managed costs relating to individual segments and costs relating to land used in more than one individual segment.

Given that income taxes and certain corporate costs are managed on a centralized basis, these items are not allocated between operating segments for the purposes of the information presented to the Board and are accordingly omitted from the analysis below.

The Group comprises the following segments:

Construction
Direct contracting and trade contracting services to both main contractors and corporate end users.

Fit-out
Providing raised flooring systems to both main contractors and corporate end users.

Land sourcing
Sourcing land and enhancing value.

2 Segmental reporting (continued)

Segmental operating performance

	2012		2011	
	Revenue	**Profit /(loss) before tax**	Revenue	Profit /(loss) before tax
	£'000	**£'000**	£'000	£'000
Construction	**9,916**	**(8)**	7,581	(811)
Fit-out	**3,736**	**198**	3,672	(3,186)
Land sourcing	**-**	**-**	-	(1,528)
	13,652	**190**	11,253	(5,525)
Inter-segmental revenue and unallocated	**(95)**	**29**	(190)	(339)
	13,557	**219**	11,063	(5,864)

Business segments assets and liabilities

	2012		2011	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Construction	**2,078**	**4,335**	2,039	4,301
Fit-out	**1,072**	**632**	1,236	505
Land sourcing	**-**	**2**	-	2
	3,150	**4,969**	3,275	4,808
Goodwill – Construction	**5,914**	**-**	5,914	-
Goodwill – Fit-out	**4,874**	**-**	4,874	-
Goodwill – Land sourcing	**-**	**-**	-	-
Other unallocated assets & liabilities	**101**	**4,149**	278	4,723
	14,039	**9,118**	14,341	9,531

Unallocated assets consist of deferred tax, trade and other receivables and cash held by the Parent Company. Unallocated liabilities consist of trade and other payables and interest bearing loans owed by the Parent Company.

Other segment information

	2012	2011
	£'000	£'000
Depreciation included in segment results		
Construction	**10**	10
Fit-out	**8**	17
	18	27

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 Segmental reporting (continued)

Revenue by geographical destination
All revenue is attributable to the United Kingdom market.

Total assets including property, plant and equipment and intangible assets are all held in the United Kingdom.

3 Construction contracts

	2012	2011
	£	£
Contract revenue recognised in relation to construction contracts in the year and retentions	**13,556,918**	11,063,041
For contracts in progress at the balance sheet date:		
Aggregate cost incurred to date	**4,570,953**	3,828,833
Recognised profit to date	**763,417**	877,999
Retentions due	**165,661**	124,993

Major customers

Total group revenue to five customers all relating to construction and fit-out, totalled £9,517,778 of which £7,179,733 related to construction and £2,338,045 to fit-out. No other customers were individually material in revenue value.

4 Cost of sales

	2012	2011
	£	£
Direct costs	**11,797,502**	9,708,537
Adjustment to amount receivable on long term contracts	**-**	580,576
Total cost of sales	**11,797,502**	10,289,113

5 Other income and expenses

	2012	2011
	£	£
Finance income/(expense)		
Loan interest	**(114,662)**	(80,046)
Interest on finance leases	**(527)**	(482)
Loan note interest (interest waived by loan note holders)	**189,774**	-
Other interest	**(20,598)**	(18,984)
Bank interest	**(28,580)**	(28,018)
Interest paid	**25,407**	(127,530)
Finance income		
Bank interest received	**-**	13
Other interest received	**3,881**	-
Net finance income/(costs)	**29,288**	(127,517)

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 Other income and expenses (continued)

Administrative expenses include:

	2012	2011
	£	£
Depreciation of property, plant and equipment		
- owned by the Group	**11,146**	20,875
- held under finance leases	**6,770**	6,093
Operating lease rentals - other	**56,605**	48,394
Auditors remuneration		
Fees payable to the company's auditor for the audits of the parent company, consolidated financial statements and the subsidiaries	**40,000**	40,000
Fees payable for other services	**-**	-

Average number of employees

The average number of employees (including executive Directors) was:

	2012	2011
	No.	No.
Administration	**8**	7
Cost of sales	**23**	18
Management	**11**	10
	42	35

Wages and salaries

	2012	2011
	£	£
Wages and salaries	**1,661,404**	1,234,967
Social security costs	**184,529**	139,880
Post employment benefits	**53,100**	53,100
	1,899,033	1,427,947

Key management personnel compensation

	2012	2011
	£	£
Short-term employee benefits	**16,165**	6,475
Post-employment benefits	**53,100**	53,100
	69,265	59,575

5 Other income and expenses (continued)

Directors' remuneration

				2012	2011
	Salaries and fees	**Benefits in kind**	**Post employment benefit**	**Total**	Total
	£	£	£	**£**	£
G Read	-	2,315	53,100	**55,415**	55,382
A Collins	6,475	7,375	-	**13,850**	12,175
P Jay	24,000	-	-	**24,000**	4,300
T Spanner	22,500	-	-	**22,500**	10,000
	52,975	9,690	53,100	**115,765**	81,857

The remuneration as disclosed for G Read includes £17,400 (2011: £17,400) of pension contributions paid for his wife, J Read. The number of Directors for whom retirement benefits are accruing under money purchase pension schemes was 1 (2011:1)

The Directors interests in share options as at 31 December 2012 are as follows:

	Option at 31 December 2012	**Exercise price**	**Date of grant**	**First date of exercise**	**Final date of exercise**
T Spanner	1,450,000	2p	20 July 2012	31 August 2012	31 August 2015

6 Income tax expense/credit

	2012	2011
	£	£
Current tax		
UK corporation tax	**6,691**	-
Total current tax	**6,691**	-
Deferred tax		
Deferred tax debit/(credit) - continuing operations	**128,863**	(102,028)
Deferred tax debit – discontinued operations	**-**	37,419
Income tax expense/(credit)	**135,554**	(64,609)
Factors affecting tax charge		
Profit/(loss) before income tax –continuing & discontinued operations	**218,504**	(5,864,197)
Profit before income tax multiplied by effective rate of UK corporation tax of 24.5% (2011: 26.5%)	**53,533**	(1,553,426)
Effects of:		
Expenses not deductible for tax purposes	**25,347**	1,357,740
Depreciation for period in excess of capital allowances	**457**	3,135
Tax losses not utilised and carried forward	**(76,492)**	192,552
Other adjustments	**3,846**	-
Adjustment in respect of prior periods	**-**	-
Current tax charge	**6,691**	-

6 Income tax expense/credit (continued)

It has been announced that the UK tax rate will reduce by 1% per annum for each of the next 3 years to 23% for the tax year commencing 1st April 2013. The impact of these reductions will be reflected if the relevant legislation is enacted.

7 Loss for the year from discontinued operations

	2012	2011
	£	£
Administrative expenses	-	141
Impairment of goodwill (note 9)	-	(1,528,008)
Loss before taxation	-	(1,527,867)
Income tax expense	-	(37)
Write-off of deferred tax balance	-	(37,382)
Loss for the year after taxation attributable to discontinued operations	-	(1,565,286)

8 Profit/(loss) per share

The basic profit/(loss) per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of shares in issue.

	2012	2011
Basic and diluted	**£**	£
Profit/(loss) for the financial year –continuing operations	**82,951**	(4,234,302)
Profit/(loss) for the financial year – discontinued operations	-	(1,565,286)
	82,951	(5,799,588)
Weighted average number of shares	**216,744,454**	200,902,211

There was no dilutive effect from the share warrants or share options outstanding during the year (note 14).

9 Intangible assets

The carrying amount of goodwill relates to the construction and fit-out, and land sourcing segments of the business.

	Goodwill £
Cost	
At 1 January 2011	15,816,529
Additions	-
At 31 December 2011	15,816,529
Additions	-
At 31 December 2012	**15,816,529**
Amortisation and impairment	
At 1 January 2011	-
Impairment loss – continuing operations	3,500,000
Impairment loss – discontinued operations	1,528,008
At 31 December 2011	5,028,008
Impairment loss	-
Balance at 31 December 2012	**5,028,008**
Net book value	
At 31 December 2012	**10,788,521**
At 31 December 2011	10,788,521

Impairment of goodwill

Goodwill has been allocated for impairment testing to three groups of cash – generating units ('CGU') identified according to operating segments being Construction, Fit-out and Land sourcing as disclosed in Note 2.

For the purposes of impairment testing of goodwill the carrying value of the CGUs (including goodwill) are compared to the recoverable amount of the CGUs and any deficits are provided. The carrying value of the CGUs includes only those assets that can be attributed directly, or allocated on a reasonable and consistent basis.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on three year financial budgets approved by management. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below.

The key assumptions used in the value-in-use calculations for each CGU are as follows:

- Terminal value based on between 2.25% future growth in cash flows
- Discount rate of 7.37%

Revenue was based upon actual amounts measured in prior periods which were projected forward in accordance with expected trends.

The CGU called Land sourcing was originally set-up to exploit land opportunities in the residential and social housing sector. The Board determined that given the current economic climate, there are better opportunities to be exploited elsewhere. The Board therefore impaired the full carrying value of Goodwill of this CGU (£1,528,008) in 2011.

In addition, a provision has been made against the Goodwill of Fit-out CGU. Although, the business continues to deliver significant profits, forecast growth has been reduced to reflect current market conditions, thereby reducing projected future cash flows.

Mountfield Group Plc

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10 Property, plant and equipment

	Freehold and leasehold	Fixtures and fittings	Plant and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2011	181,423	164,109	120,291	91,573	557,396
Additions	1,995	146	3,217	11,813	17,171
Disposals	-	(119,715)	(61,612)	(13,115)	(194,442)
At 31 December 2011	183,418	44,540	61,896	90,271	380,125
Additions	-	1,249	6,620	4,995	12,864
Written back on disposals	-	-	(25,056)	(28,999)	(54,055)
At 31 December 2012	**183,418**	**45,789**	**43,460**	**66,267**	**338,934**
Depreciation					
At 1 January 2011	120,788	138,773	95,655	61,593	416,809
Charge for the year	2,568	11,455	2,854	10,091	26,968
Written back on disposals	-	(119,715)	(61,612)	(9,915)	(191,242)
At 31 December 2011	123,356	30,513	36,897	61,769	252,535
Charge for the year	1,657	6,176	2,459	7,624	17,916
Written back on disposals	-	-	(18,950)	(28,999)	(47,949)
At 31 December 2012	**125,013**	**36,689**	**20,406**	**40,394**	**222,502**
Net book value					
At 31 December 2012	**58,405**	**9,100**	**23,054**	**25,873**	**116,432**
At 31 December 2011	60,062	14,027	24,999	28,502	127,590

The net book value of property, plant and equipment includes an amount of £20,309 (2011: £27,253) in respect of assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £6,806 (2011: £7,862) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

11 Inventories

	2012	2011
	£	£
Materials and finished goods	**82,005**	75,567

The amount of inventories recognised as expense during the year was £75,567 (2011 - £76,381).

12 Trade and other receivables

	2012	2011
	£	£
Trade receivables	**595,993**	1,116,472
Less: Provision for impairment of trade receivable	**(12,000)**	(8,000)
	583,993	1,108,472
Contract retentions	**320,589**	282,927
Other receivables	**138,947**	4,675
Prepayments	**82,655**	137,530
Amounts recoverable on long term contracts	**1,102,296**	759,020
Total trade and other receivables	**2,228,480**	2,292,624

Based on prior experience and an assessment of the current economic environment, management believes there is no further credit risk provision required in excess of the normal provision for impairment of trade receivables.

The average credit period taken on sales is 13 days. No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

Amounts recoverable on long-term contracts are stated net of discounts allowed of £6,741 (2011: £20,829).

The movement in the provision for impairment of trade receivables is as follows:

	2012	2011
	£	£
Balance at 1 January	**8,000**	15,647
Charge/(credit) to the statement of comprehensive income	**4,000**	(7,647)
Balance at 31 December	**12,000**	8,000

12 Trade and other receivables (continued)

The Group's trade and other receivables that were past due date but not impaired relate to a number of individual customers for whom there is no reason to believe that the debt is not recoverable. The ageing of these trade receivables and contract retentions is as follows:

	2012	2011
	£	£
Trade receivables		
Three to six months	**582**	15,000
Six to nine months	**-**	-
Nine to twelve months	**-**	-
More than twelve months	**15,000**	68
	15,582	15,068
Contract retentions		
Three to six months	**10,380**	12,193
Six to nine months	**21,935**	15,775
Nine to twelve months	**28,159**	18,968
More than twelve months	**22,606**	1,068
	83,080	48,004

13 Cash and cash equivalents

	2012	2011
	£	£
Cash at bank and in hand	**223,337**	328,344

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

At the balance sheet date the Group had a bank overdraft facility of £800,000 with Barclays Bank Plc, secured by a fixed charge over the book debts and property of the Group and a floating charge over all other assets of the Group and directors' limited guarantees for up to £800,000. Following the year end the facility was reduced to £600,000.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2012:

	2012	2011
	£	£
Cash at bank and in hand	**223,337**	328,344
Bank overdraft	**(981,555)**	(627,550)
	(758,218)	(299,206)

14 Share capital

	2012		2011	
	Number	£	Number	£
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**216,744,454**	**216,744**	216,744,454	216,744

14 Share capital (continued)

Own shares held
At 31 December 2012, a total of 7,500,000 shares (2011: 7,500,000) were held as treasury shares. The company has the right to re-issue these shares at a later date. This represents 3.5% (2011: 3.5%) of issued share capital.

Warrants
Details of the warrants outstanding during the period are as follows:

	Weighted average remaining contractual life (years)	Number	Weighted average exercise price £
At 1 January 2011		10,000,000	0.07
Granted	-	-	-
Lapsed	-	-	-
At 31 December 2011	2.8	10,000,000	0.07
Granted	-	-	-
Lapsed	-	-	-
At 31 December 2012	**1.8**	**10,000,000**	**0.07**

As at 31 December 2012 the warrants outstanding were exercisable as follows:

Date of grant	Exercise date	Number	Price £
27 October 2008	30 October 2009 and 29 October 2014	4,000,000	0.10
27 October 2008	30 October 2009 and 29 October 2014	6,000,000	0.15
		10,000,000	

At the date of issue, the warrants were valued using the Black–Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation were as follows:

	Exercise price 10p	Exercise price 5p
Expected volatility	50.6%	50.6%
Expected life	3.5 years	3.5 years
Risk free interest rate	2.93%	2.93%
Expected dividend yield	-	-
Possibility of ceasing employment before vesting	-	-
Fair value per option	3.0p	4.0p

The charge to the statement of comprehensive income for share based payments during the year ended 31 December 2012 was £nil (2011: £nil).

14 Share capital (continued)

Share Options

At 31 December 2012, outstanding awards to subscribe for ordinary shares of 0.10p each in the Company granted in accordance with the rules of the Mountfield EMI share option scheme were as follows:

	Number	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	-	-	-
Granted	33,949,993		
Exercised	-		
Lapsed	-		
Carried forward	33,949,993	2.47	2.96

The fair value of the remaining share options has been calculated using the Black-Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

Grant Date	22 May 2012	11 June 2012	20 July 2012	22 July 2012
Exercise period	May 2012 - May 2015	June 2012 - June 2015	August 2012– August 2015	July 2012 – July 2015
Share price at date of grant	1.5p	1.5p	1.5p	1.5p
Exercise price	3.0p	3.0p	2.0p	3.0p
Shares under option	16,666,663	12,499,997	1,450,000	3,333,333
Expected volatility	57%	57%	57%	57%
Expected life (years)	2.5	2.5	3.0	2.5
Risk free rate	1.02%	1.02%	1.02%	1.02%
Expected dividend yield	0%	0%	0%	0%
Fair value per option	0.13p	0.13p	0.27p	0.13p

All options were exercisable at the year end.

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of monthly share prices over a 3 year period to grant date. All of the above options are equity settled and the charge for the year is £26,939 (2011: £nil).

15 Trade and other payables (current)

	2012	2011
	£	£
Trade payables	**2,225,176**	2,298,000
Other payables	**44,415**	76,617
Accruals	**523,529**	773,966
Other taxes and social security costs	**649,743**	687,745
	3,442,863	3,836,328

The average credit taken for trade purchases is 55 days. The directors consider that the carrying amount of trade payables approximate their fair value.

16 Borrowings

	2012	2011
	£	£
Current		
Bank overdrafts	**981,555**	627,550
Net obligations under finance leases	**8,496**	8,482
Short-term unsecured loan	**175,000**	350,000
Short-term unsecured loan from Director	**430,700**	280,700
Unsecured non-convertible loan notes	**346,892**	361,192
	1,942,643	1,627,924
Non - current		
Unsecured non-convertible loan notes	**3,718,921**	4,051,513
Net obligations under finance leases	**7,332**	15,309
	3,726,253	4,066,822
Total borrowings	**5,668,896**	5,694,746

On 16 October 2008 the Company issued £2,500,000 unsecured non-convertible loan notes to the vendors of Mountfield Building Group Limited and £3,000,000 unsecured non-convertible loan notes to the vendors of Connaught Access Flooring Holdings Limited as part of the consideration for the acquisition of the entire share capital of each company. Repayments of £346,892 (2011: £472,992) were made against the loan notes in the period.

The loan notes are non-transferrable and carry interest at a rate of 2 per cent above the base rate of Barclays Bank plc per annum. The non–current portion of the unsecured loan notes is redeemable on 30 June 2016. The current portion of the unsecured loan notes is due for repayment during 2013.

During the year, interest of £105,834 on the loan notes was waived. An accrual of £189,774 in respect of interest for previous years has been reversed as the loan note holders have also agreed to waive this interest.

The short-term unsecured loan was drawn down in July 2012 to provide additional working capital.

The short-term unsecured loan from a Director accrues interest at 6% pa but all interest to 31 December 2012 was waived.

16 Borrowings (continued)

	2012	2011
	£	£
Non-current borrowings		
Analysis		
Repayable between one and two years	**346,892**	341,892
Repayable between two and five years	**3,372,029**	3,709,621
Repayable after five years	**-**	-
	3,718,921	4,051,513

	2012	2011
	£	£
Net obligations under finance leases		
Analysis		
Repayable within one year	**8,496**	8,482
Repayable between one and five years	**7,332**	15,309
	15,828	23,791
Included in current liabilities	**(8,496)**	(8,482)
	7,332	15,309

17 Deferred taxation

	2012	2011
	£	£
Deferred tax analysis:		
Deferred tax losses	**(599,986)**	(728,849)
Deferred tax expense relating to origination and reversal of temporary differences	**-**	-
	(599,986)	(728,849)

	2012	2011
	£	£
Movement in deferred tax during the year		
At 1 January 2012	**(728,849)**	(664,240)
Debit/(credit) for the year	**128,863**	(64,609)
At 31 December 2012	**(599,986)**	(728,849)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the tax benefit through future taxable profits is probable.

18 Capital commitments

There were no capital commitments at the year-end date.

19 Operating lease commitments

Commitments under non-cancellable operating leases in respect of property expiring:

	2012	2011
	£	£
Less than one year	**4,400**	4,400
Between two and five years	**37,568**	37,068
	41,968	41,468

20 Financial instruments

Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce cost of capital. The capital structure of the Group comprises equity attributable to equity holders of the Company consisting of issued ordinary share capital, reserves and retained earnings as disclosed in Consolidated Statement of Changes in Equity and cash and cash equivalents as disclosed in Note 13.

The Group maintains or adjusts its capital structure through the payment of dividends to shareholders, issue of new shares and buy-back of existing shares.

Categories of financial instruments

	2012	2011
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	**223,337**	328,344
Trade and other receivables	**2,228,480**	2,292,624
Total	**2,451,817**	2,620,968
Financial liabilities		
Trade and other payables	**4,048,564**	4,467,027
Unsecured non-convertible loan notes	**4,065,813**	4,412,705
Secured borrowings	**997,383**	651,341
	9,111,760	9,531,073
Net	**(6,659,943)**	(6,910,105)

Cash and cash equivalents

This comprises cash and short-term deposits held by the Group. The carrying amount of these assets approximates their fair value.

General risk management principles

The Group's activities expose it to a variety of risks including market risk (interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance. The Directors have an overall responsibility for the establishment of the Group's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic operational and financial risks of the Group is in place to ensure appropriate risk management of its operations.

20 Financial instruments (continued)

The following represent the key financial risks that the Group faces:

Market risk
The Group's activities expose it primarily to the financial risk of interest rates.

Interest rate risk
The Group's interest rate exposure arises mainly from its interest bearing borrowings. Contractual agreements entered into at floating rates expose the entity to cash flow risk. Interest rate risk also arises on the Group's cash and cash equivalents. The Group does not enter into derivative transactions in order to hedge against its exposure to interest rate fluctuations.

Credit risk
The Group's principal financial assets are trade and other receivables and bank balances and cash.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to trade receivables. The Group has a policy of assessing credit worthiness of potential and existing customers before entering into transactions. There is ongoing credit evaluation on the financial condition of accounts receivable using independent ratings where available or by assessment of the customer's credit quality based on its financial position, past experience and other factors. The Group manages the collection of its receivables through its post completion project monitoring procedures and ongoing contract with customers so as to ensure that any potential issues that could result in non-payment of the amounts due are addressed as soon as identified.

The maximum exposure to credit risk in respect of the above at 31 December 2012 is the carrying value of financial assets recorded in the financial statements.

Liquidity risk
The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular forecasts which estimate cash flows over the next eighteen months, so that management can ensure that sufficient funding is in place as it is required.

Fair value of financial assets and liabilities
The Directors consider that there is no significant difference between the book value and fair value of the Group's financial assets and liabilities.

21 Pension costs

The Group operates a defined contribution pension scheme in respect of the directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £53,100 (2011: £53,100).

22 Directors' guarantees

Andrew Collins and Graham Read have given a guarantee limited to £100,000 in respect of the overdraft facility for Connaught Access Flooring Limited. Graham Read, Peter Jay and Andrew Collins have given a guarantee limited to £600,000 in respect of the overdraft facility of Mountfield Building Group Limited.

23 Related party transactions

The Company made a loan of £11,969 (2011: £315,165) to Mountfield Building Group Limited, a subsidiary undertaking. The Company made sales of £120,639 (2011: £nil) to Mountfield Building Group Limited. At 31 December 2012, £1,743,655 (2011: £1,544,844) was owed to Mountfield Building Group Limited in respect of these transactions and expenses of £331,419 (2011; £574,241) paid on behalf of the Company by Mountfield Building

23 Related party transactions (continued)

Group Limited, net of £nil (2011: £200,000) in respect of liabilities discharged by the Company on behalf of Mountfield Building Group Ltd.

During the year Connaught Access Flooring Limited, a subsidiary undertaking, paid expenses of £291,001 (2011: £194,793) on behalf of the Company. The Company made sales of £98,705 (2011: £nil) to Connaught Access Flooring Limited. At 31 December 2012, £1,335,955 (2011: £1,143,658) was owed to Connaught Access Flooring Limited in respect of these transactions.

During the year the Company received advances totalling £2,100 (2011: £31,550) from MBG Construction Limited, a subsidiary undertaking. At 31 December 2012, the Company owed £33,750 (2011: £31,650) in respect of these transactions

As at 31 December 2012, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £3,083,372 (2011: £3,268,372) and £982,441 (2011: £1,144,333) respectively. Interest for the year of £79,423 and £26,411 respectively has been waived and interest in respect of prior periods has also been waived. In previous years it was included in accruals amounting to £125,360 and £64,414 respectively.

During the year, Meze LLP invoiced £24,000 (2011: £nil) for the services of Peter Jay as a director of Mountfield Group Plc. As at 31 December 2012, £4,000 (2011: £nil) was due to Meze LLP.

During the year, the Group was invoiced £33,275 (2011: £40,729) for accountancy and bookkeeping services by Read & Co, a Chartered accountancy practice controlled by Graham Read's brother. As at 31 December 2012 the balance owed to Read & Co was £2,412 (2011: £2,350).

During the year, the Group was invoiced £nil (2011: £38,940) by Planet Red Media for business consultancy services. Planet Red Media is a firm controlled by a member of Graham Read's family. As at 31 December 2012, Planet Red Media was owed £nil (2011: £295) by the Group.

During the year the Group repaid the loan of £350,000 to Mr James Schulman, a shareholder. This amount was outstanding at the end of 2011. Interest for 2012 was waived.

During the year the Group was advanced £150,000 by Graham Read (2011: £280,700). The balance outstanding at 31 December was £430,700 (2011: £280,700). Interest is chargeable at 6% per annum on this loan but has been waived for 2012.

During the year, the Group made payments of £42,092 to Mr. Alvin Lindley on behalf of Graham Read (2011: £177,400). These payments were deducted from the amounts due to Graham Read in respect of the current portion of his loan notes.

During the year the Group was advanced £200,000 by Seabrook Limited, a company controlled by a shareholder of the Company. The balance outstanding at 31 December 2012 was £175,000 (2011: £nil). Interest charged to the Consolidated Statement of Comprehensive Income was £82,000.

24 Control

In the opinion of the directors, Graham Read, director and shareholder, is the ultimate controlling party.

Mountfield Group Plc

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

Company no. 06374598

	Note	2012 £	2011 £
ASSETS			
Non-current assets			
Investment in subsidiaries	2	**13,021,629**	13,021,629
Deferred income tax assets	8	**119,075**	170,985
		13,140,704	13,192,614
Current assets			
Other receivables	3	**55,593**	106,523
Cash and cash equivalents	4	**-**	-
		55,593	106,523
TOTAL ASSETS		**13,196,297**	13,299,137
EQUITY AND LIABILITIES			
Issued share capital	5	**216,744**	216,744
Share premium		**1,120,432**	1,120,432
Share based payments reserve		**320,961**	294,022
Merger reserve		**12,951,180**	12,951,180
Retained losses		**(8,731,391)**	(8,708,090)
TOTAL EQUITY		**5,877,926**	5,874,288
Current liabilities			
Trade and other payables	6	**3,250,454**	3,003,931
Short-term borrowings	7	**2,104**	8,213
Loan notes	7	**346,892**	361,192
Income tax		**-**	-
		3,599,450	3,373,336
Non-current liabilities			
Loan notes	7	**3,718,921**	4,051,513
		7,318,371	7,424,849
TOTAL EQUITY AND LIABILITIES		**13,196,297**	13,299,137

The financial statements were approved by the board on 27 June 2013

Graham Read
Director

Mountfield Group Plc

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011
		£	£
Cash flows from operating activities			
Operating profit/(loss)		**28,609**	(6,849,314)
Adjusted for:			
Impairment of investment in subsidiaries		**-**	6,344,187
Share-based payment charge		**26,939**	-
Decrease in trade and other receivables		**50,930**	49,395
Increase in trade and other payables		**(146,684)**	(83,293)
Net cash outflow from operating activities		**(40,206)**	(539,025)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	621,490
Cost of shares issued		**-**	(67,699)
Loans received from subsidiary undertakings		**393,207**	451,578
Repayment of non-convertible loan notes		**(346,892)**	(472,992)
Net cash flows generated from financing activities		**46,315**	532,377
Net cash increase/(decrease) in cash and cash equivalents		**6,109**	(6,648)
Cash and cash equivalents brought forward		**(8,213)**	(1,565)
Cash and cash equivalents carried forward	4	**(2,104)**	(8,213)

Mountfield Group Plc

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Share premium	Share based payment reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£
At 1 January 2011	175,311	608,074	294,022	12,951,180	(1,832,333)	12,196,254
Total comprehensive income for the year	-	-	-	-	(6,875,757)	(6,875,757)
Shares issued in period	41,433	580,057	-	-	-	621,490
Cost of shares issued	-	(67,699)	-	-	-	(67,699)
At 31 December 2011	216,744	1,120,432	294,022	12,951,180	(8,708,090)	5,874,288
Total comprehensive income for the year	-	-	-	-	(23,301)	(23,301)
Shares issued in period	-	-	-	-	-	-
Costs of shares issued	-	-	26,939	-	-	26,939
At 31 December 2012	**216,744**	**1,120,432**	**320,961**	**12,951,180**	**(8,731,391)**	**5,877,926**

Merger reserve

The merger reserve exists as a result of the acquisitions of Mountfield Building Group Limited, MBG Construction Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited where the consideration included the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the fair value of those shares at the date of acquisition.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 16 to 37.

1.1 Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

2 Investment in subsidiary undertakings

	Shares in subsidiary undertakings
Cost	£
At 1 January 2011	19,365,817
Additions	-
At 31 December 2011	19,365,817
Additions	-
At 31 December 2012	**19,365,817**
Accumulated Impairment provisions	
At 1 January 2011	-
Impairment provision	6,344,188
At 31 December 2011	6,344,188
Impairment provision	-
Balance at 31 December 2012	**6,344,188**
Net book value	
At 31 December 2012	**13,021,629**
At 31 December 2011	13,021,629

The following companies are the principal subsidiary undertakings at 31 December 2012 and are all consolidated:

Subsidiary undertaking	Country of incorporation	Class of share	Percentage of shares held
Mountfield Building Group Limited	England and Wales	Ordinary	100%
MBG Construction Limited *	England and Wales	Ordinary	100%
Connaught Access Flooring Holdings Limited	England and Wales	Ordinary	100%
Connaught Access Flooring Limited **	England and Wales	Ordinary	100%
Mountfield Land Limited	England and Wales	Ordinary	100%

* Interest held indirectly by Mountfield Building Group Limited.
** Interest held indirectly by Connaught Access Flooring Holdings Limited.

The principal activity of these undertakings for the last relevant financial year was as follows:

Subsidiary undertaking	Principal activity
Mountfield Building Group Limited	Refurbishment and fitting out contracting services
MBG Construction Limited	Construction and refurbishment contractors
Connaught Access Flooring Holdings Limited	Intermediate holding company
Connaught Access Flooring Limited	Specialist flooring contractor
Mountfield Land Limited	Dormant

3 Trade and other receivables

	2012	2011
	£	£
Prepayments	**55,593**	106,523

4 Cash and cash equivalents

	2012	2011
	£	£
Cash at bank	**-**	-

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £nil (2011: £nil).

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2012:

	2012	2011
	£	£
Cash at bank	**-**	-
Bank overdraft	**(2,104)**	(8,213)
	(2,104)	(8,213)

5 Share capital

	2012		2011	
	Number	**£**	Number	£
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**216,744,354**	**216,744**	216,744,354	216,744

Details of changes in share capital are included at note 14 to the Consolidated Financial Statements.

6 Trade and other payables

	2012	2011
	£	£
Trade payables	**96,260**	43,719
Amounts owed to subsidiary undertakings	**3,113,360**	2,720,153
Other payables	**39,137**	234,260
Other tax and social security costs	**1,697**	5,799
	3,250,454	3,003,931

7 Borrowings

	2012	2011
	£	£
Current liabilities		
Bank overdraft	**2,104**	8,213
Unsecured non-convertible loan notes	**346,892**	361,192
	348,996	369,405
Non-current liabilities		
Unsecured non-convertible loan notes	**3,718,921**	4,051,513
	4,067,917	4,420,918

Details of the loan notes are included at Note 16 to the Consolidated Financial Statements.

8 Deferred taxation

	2012	2011
	£	£
Deferred tax analysis:		
Deferred tax losses	**(119,075)**	(170,985)
Movement in deferred tax during the year:		
At 1 January 2012	**(170,985)**	(197,428)
Charge for the year	**51,910**	26,443
At 31 December 2012	**(119,075)**	(170,985)

9 Capital Commitments

There were no capital commitments at the year end.

10 Contingent liabilities

Under the terms of the Group's banking facilities, the Company has provided a cross guarantee to the Group's bankers. At the year end, the net balance due to the Group's bankers in respect of the guarantee was £758,218 (2011: £318,603).

11 Key management personnel compensation

Key management personnel expenses are disclosed in Note 5 to the Consolidated Financial Statements.

12 Directors' guarantees

Directors' benefits – advances, credits and guarantees are disclosed at Note 22 to the Consolidated Financial Statements.

13 Related party disclosures

Related party disclosures are detailed at Note 23 to the Consolidated Financial Statement.

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

14 Financial instruments

Details of key risks are included at Note 20 to the Consolidated Financial Statements.

Categories of financial instruments

	2012	2011
	£	£
Financial assets		
Loans and receivables at amortised cost	**55,593**	106,523
Other receivables	**-**	-
Cash and cash equivalents	**-**	-
	55,593	106,523
Financial liabilities		
Trade and other payables	**3,250,454**	3,003,931
Bank overdraft	**2,104**	8,213
Unsecured non-convertible loan notes	**4,065,813**	4,412,705
	7,318,371	7,424,849
	(7,262,778)	(7,318,326)