mountfield

Press Release **30 June 2010**

Mountfield Group plc

("Mountfield" or the "Company")

Preliminary Results

Mountfield Group plc (AIM:MOGP), a provider of integrated specialist construction support services, announces its audited preliminary results for the year ended 31 December 2009.

Financial Overview

- Group turnover £10.33m* (2008: £17.44m)
- Group loss before tax of £2.43m* (2008: £1.36m profit before tax) including non recurring payment and loans items totalling £510,000
- Connaught Access Flooring pre-tax profit of £369,000 (£1.04m)
- Mountfield Building Group loss before tax of £1.71m (2008: £1.38m profit)

** Mountfield Group acquired a number of businesses during 2008 financial year therefore comparisons must take into consideration that the 2008 results were prepared on the basis that they disclose Group performance from 16 October to 31 December 2008.*

Commenting on the Preliminary Results, Graham Read, Chief Executive Officer of Mountfield Group plc, said: "2009 proved to be an exceptionally difficult year for the Group and all of the sectors in which it operates. However, through our efforts we have been able to create opportunities that will help provide for a more positive 2010. We are encouraged with the signs of recovery in our traditional Data Centre market and, accordingly, look forward with confidence to the new opportunities in 2010."

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Chairman and CEO's Statement

We are pleased to announce Mountfield Group's preliminary results for the year ended 31 December 2009.

2009 proved difficult for the Group with both Mountfield Building Group and Connaught Access Flooring experiencing a dramatic decline in turnover as challenging market conditions persisted. Whilst the Group's performance was in line with those of its competitors, our response has been to evaluate how we can build, develop and return our Group to profitability in 2010. We have done this mainly by looking at new markets where the Group's skills and experience can be applied and by seeking smaller scale contracts from our existing client base.

Results

The market for new Data Centres was considerably weaker during 2009, not only in terms of enquiries, but also the construction of new Data Centres. General construction and fit-out work also suffered due to the difficult economic environment, as a result margins on contracts won were considerably narrower than in recent years. In response to the broader economic conditions, the Group implemented a programme to maximise efficiency gains. The Group is confident that it will see the benefits of these measures as wider economic conditions and the Data Centre market show clear signs of improvement.

Revenue	£10.33m
Loss before tax	£2.43m

The Group's consolidated financial statements have been prepared based upon the reverse acquisition accounting method of consolidation. The effect of this is that Mountfield Building Group Limited has been effectively treated as the acquirer of Mountfield Group Plc, Connaught Access Flooring Limited and Mountfield Land Limited.

The consolidated financial statements therefore include the results of Mountfield Building Group Limited for the years ended 31 December 2008 and 31 December 2009, and the results of the holding company and the other subsidiary companies from the date of acquisition, 16 October 2008 to 31 December 2008 and for the year ended 31 December 2009.

If all of the companies had been part of the Group for the entire year ended 31 December 2008, Group turnover would have amounted to £23.8m and profit before taxation and one-off listing costs (including share based payment costs) would have totalled £2.55m.

Reported turnover for the Group for the year ended 31 December 2009 amounts to £10.33m (2008: £17.44m), and the loss before taxation (including share based payment costs) was £2.43m (2008: profit £1.36m).

Included within the Group loss before taxation is £242,000 (2008:£52,000) in respect of share based payments relating to warrants issued at the time of listing and loans written off of £268,000 (2008:£Nil). Neither of these items will re-occur.

Mountfield Building Group made a pre-tax loss of £1.71m (2008: profit £1.38m) based upon turnover of £5.15m (2008: £16.02m) for the year ended 31 December 2009, after eliminating inter-company trading.

Connaught Access Flooring made a pre-tax profit of £369,000 (2008: £1.04m) based upon turnover of £5.18m for the year ended 31 December 2009 (2008: £5.85m).

Mountfield Land had no turnover during the year to 31 December 2009 (2008: £nil) and recorded a loss of £109,000 (2008: £58,000 loss).

Mountfield Group Plc made a pre-tax loss for the year ended 31 December 2009 of £986,000 which included a share-based payment during the year of £242,000 and the loan write off of £268,000 (2008: £816,000 loss including a share based payment of £52,000).

Divisional reviews

Mountfield Group consists of three integrated businesses:

Mountfield Building Group Limited (¨MBG¨)
MBG has two divisions; direct contracting and trade contracting services. The former works as the main contractor with end user clients and specialises in the nationwide installation of Data Centres for large companies. The trade contract division delivers specialist building work and multi trade packages and refurbishment for main development contractors.

During 2009 there was a concentration of winning smaller scale contracts from existing clients in order to source revenue but also to keep the relationships active during the period of recession. This was successfully achieved and MBG did not lose any of its core clients during that period. The smaller scale trade contracting contracts included those at Canary Wharf and work for construction and fit-out firm ISG.

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. The Company has established itself as one of the few recognised specialists for fitting commercial office space for corporate end users. Connaught followed a similar strategy to that of MBG and was able, in the absence of larger contracts being on offer, to gain turnover from flooring contracts in Birmingham for a large accountancy firm and for a Data Centre in Hartlepool.

Mountfield Land Limited ("ML")
Mountfield Land was set up to source and enhance the value of land before selling its interest. It is not exposed to any financial risk as it does not purchase any sites. ML also sources sites that it believes are suitable for new Data Centres. The premium value that is placed on such sites means that sourcing and developing a new centre would be extremely profitable for the Group. With the Group concentrating on the housing sector generally rather than on social housing in particular, ML is now used to source suitable schemes which MBG will then build out for the respective developers.

Data Centre Market
After a year in which there was little sign of activity in this market it is now showing strong growth in certain areas, such as the banking and the retail sectors. This is driven by companies setting up their own facilities in order to reduce costs rather than outsource them to Data Centres operated by telecommunications companies. The Directors believe that over the next three years there will be further growth in the Data Centre market and that with Mountfield's experience, reputation and contacts, the Group is ideally placed to benefit from this growth.

Strategy
The Mountfield Group strategy is to continue as a leading player in the Data Centre market while also providing a full range of specialist construction and property services to both the private and public sectors on a nationwide basis. Accordingly, the Group will continue to seek to identify and acquire complementary businesses that can extend the range of services, increase the opportunity for cross selling and leverage its brands across the marketplace. This strategy is focused on positioning the Mountfield Group as a preferred supplier as market confidence returns.

The Group will use the breadth of its services to continue to identify new revenue streams within the trade construction and Data Centre sectors, which is likely to include the housing market.

In addition, the board has decided to extend its reach geographically for potential sources of new business. It is currently at the early stages of negotiation regarding potential opportunities to develop the Group's Data Centre business in Eastern Europe and South Africa.

Outlook

During 2010 the Group has witnessed an improvement in the market in which Group companies operate. In particular, MBG has been approached regarding a number of new Data Centre opportunities and is engaged in negotiations on three of them at the current time.

The demand for construction work continues to increase this year and the Group is currently involved in advanced discussions on an umbrella agreement for a large scale leisure project where Mountfield would be the preferred contractor for all small and medium sized building contracts within the development.

Mountfield is also in advanced discussions to support a construction project for the entertainment sector. The contract for this work is expected to be signed in 2010.

The sharp downturn in revenue and activity that the Group suffered during 2009 required the directors to consider the viability of each part of the Group and its structure. The Directors believe that the resulting changes have made the Group more streamlined, focused and efficient. Furthermore it has helped the Directors to define the Group's strategy which will enable it to capitalise as certain target markets including Data Centres, housing and the wider leisure sector return to growth, which coupled with international opportunities lead the Board to view the remainder of 2010 and beyond with confidence.

On behalf of the board we would like to thank our staff whose dedication has helped the business during these lean times. Their professional approach and success in bringing new skills to the business has meant the Mountfield Group has emerged with considerably greater potential now than ever before and can continue to look forward to a positive future.

Peter Jay	**Graham Read**
Executive Chairman	Chief Executive Officer
30 June 2010	30 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Revenue	3	**10,327,407**	17,444,169
Cost of sales		**(9,915,477)**	(14,689,825)
Gross profit		**411,930**	2,754,344
Administrative expenses	4	**(2,175,176)**	(1,453,980)
Negative goodwill		**-**	126,308
Share based payments	12	**(241,665)**	(52,357)
Loans written off		**(267,777)**	-
Operating (loss)/profit		**(2,272,688)**	1,374,315
Net finance costs	4	**(160,674)**	(13,838)
(Loss)/profit before income tax		**(2,433,362)**	1,360,477
Income tax credit/(expense)	5	**596,011**	(187,610)
Total comprehensive (loss)/income for the year		**(1,837,351)**	1,172,867
(Loss)/earnings per share			
- basic (p)	6	**(1.08)**	1.55
- diluted (p)	6	**(1.08)**	1.54

All amounts relate to continuing operations.

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 2009 was £856,666 (2008 - £192,494).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	**2009** £	2008 £
ASSETS			
Non-current assets			
Intangible assets	**7**	**15,816,529**	15,816,529
Property, plant and equipment	**8**	**188,828**	193,349
Deferred income tax assets	**15**	**425,040**	-
		16,430,397	16,009,878
Current assets			
Inventories	**9**	**125,924**	135,480
Trade and other receivables	**10**	**3,366,770**	4,328,004
Cash and cash equivalents	**11**	**699,865**	2,178,667
		4,192,559	6,642,151
TOTAL ASSETS		**20,622,956**	22,652,029
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**12**	**171,311**	169,558
Share premium		**492,074**	318,500
Share based payments reserve		**294,022**	52,357
Merger reserve		**12,951,180**	12,951,180
Reverse acquisition reserve		**(2,856,756)**	(2,856,756)
Retained earnings		**(487,442)**	1,349,909
TOTAL EQUITY		**10,564,389**	11,984,748
Current liabilities			
Trade and other payables	**13**	**3,985,842**	4,317,056
Short-term borrowings	**14**	**690,175**	170,325
Finance lease liabilities	**14**	**18,845**	6,920
Income tax		**38,031**	731,630
		4,732,893	5,225,931
Non-current liabilities			
Loan notes	**14**	**5,306,318**	5,419,737
Finance lease liabilities	**14**	**19,356**	10,079
Provision for deferred taxation	**15**	**-**	11,534
TOTAL LIABILITIES		**10,058,567**	10,667,281
TOTAL EQUITY AND LIABILITIES		**20,622,956**	22,652,029

The financial statements were approved by the board on 30 June 2010

Graham Read
Director

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Cash flows from operating activities			
Operating (loss)/profit		**(2,272,688)**	1,374,315
Adjusted for:			
Depreciation		**54,933**	18,776
Loss on disposal of fixed asset		**138**	-
Loans written off		**267,777**	-
Share based payment		**241,665**	52,357
Negative goodwill		**-**	(126,308)
Decrease in inventories		**9,556**	243
Decrease in receivables		**827,277**	1,107,589
Decrease in payables		**(474,577)**	(1,068,193)
Cash (used in)/generated by operating activities		**(1,345,919)**	1,358,779
Finance costs		**(17,650)**	(8,106)
Finance income		**339**	40,679
Taxation paid		**(667,983)**	(99,969)
Net cash (outflow)/inflow from operating activities		**(2,031,213)**	1,291,383
Cash flows from investing activities			
Purchase of equipment		**(21,904)**	(8,671)
Costs of acquisition		**-**	(783,817)
Cash acquired on acquisition		**-**	1,653,603
Net cash (outflow)/inflow from investing activities		**(21,904)**	861,115
Cash flows from financing activities			
Proceeds from issue of shares		**175,327**	-
Finance lease rentals		**(7,443)**	(6,920)
Repayment of non-convertible loan notes		**(113,419)**	(80,263)
Repayment of loans		**-**	(60,467)
Net cash flows from financing activities		**54,465**	(147,650)
Net (decrease)/increase in cash and cash equivalents		**(1,998,652)**	2,004,848
Cash and cash equivalents brought forward		**2,008,342**	3,494
Cash and cash equivalents carried forward	**11**	**9,690**	2,008,342

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Share premium	Share based payments reserves	Merger reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2008	100	-	-	-	-	177,042	177,142
Shares issued in the period for cash	32,238	-	-	-	-	-	32,238
Shares issued on conversion of loan notes	6,500	318,500	-	-	-	-	325,000
Shares issued on acquisition	130,820	-	-	12,951,180	-	-	13,082,000
Reverse acquisition	(100)	-	-	-	(2,856,756)	-	(2,856,856)
Share based payments	-	-	52,357	-	-	-	52,357
Total comprehensive income	-	-	-	-	-	1,172,867	1,172,867
At 31 December 2008	**169,558**	**318,500**	**52,357**	**12,951,180**	**(2,856,756)**	**1,349,909**	**11,984,748**
Shares issued in period to settle creditor	1,753	173,574	-	-	-	-	175,327
Share based payments	-	-	241,665	-	-	-	241,665
Total comprehensive income	-	-	-	-	-	(1,837,351)	(1,837,351)
At 31 December 2009	**171,311**	**492,074**	**294,022**	**12,951,180**	**(2,856,756)**	**(487,442)**	**10,564,389**

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. 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies

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 convention and a summary of the more important accounting policies is set out below.

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

Areas comprising critical judgement that may significantly impact earnings and financial position are:

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 £15.8 million. Details regarding the goodwill carrying value and assumptions used in carrying out the impairment reviews are provided in note 7.

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 10.

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.

1.2 IFRS compliance and adoption (continued)

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 Adoption of pronouncements by the IASB and IFRIC

New and amended IFRSs and interpretations applied by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

International Accounting Standards (IAS/IFRSs)

IFRS 8	Operating Segments
IAS 1 (revised)	Presentation of Financial Statements
IAS 16 (revised)	Property, Plant and Equipment
IAS 19 (revised)	Employee Benefits
IAS 32 (revised)	Financial Instruments: Presentation
IAS 36 (revised)	Impairment of Assets
IAS 39 (revised)	Financial Instruments: Recognition and Measurement

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 15	Agreements for the Construction of Real Estate

New and amended IFRSs and interpretations not applied by the Group

A number of new standards and interpretations have been issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committees with effective dates after the date of this financial information. Those that are relevant to the Group are as follows:

1.3 Adoption of pronouncements by the IASB and IFRIC (continued)

International Accounting Standards (IAS/IFRSs)		Effective Date
IFRS 2 (amended)	Group cash-settled share-based payment transactions	1 January 2010
IFRS 3 (revised)	Business combinations	1 July 2009
IFRS 8 (revised)	Operating Segments	1 January 2010
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2013
IAS 1 (revised)	Presentation of Financial Statements	1 January 2010
IAS 7 (revised)	Statement of Cash Flows	1 January 2010
IAS 17 (revised)	Leases	1 January 2010
IAS 24 (revised)	Related Party Disclosures	1 January 2011
IAS 32 (revised)	Financial Instruments: Presentation	1 February 2010
IAS 36 (revised)	Impairment of Assets	1 January 2010
IAS 39 (revised)	Financial Instruments: Recognition and Measurement	1 January 2010
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010

The Directors do not anticipate that the adoption of these standards and interpretations in future periods will have a material impact on the Group's financial statements in the period of initial application. The company will apply relevant new standards from their effective date subject to endorsement by the European Union.

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.

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. As a consequence of applying reverse acquisition accounting, the comparative figures for the period ended 31 December 2008 comprise those of Mountfield Building Group Limited plus those of the other acquired entities from 16 October 2008.

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 and incentive payments 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.

1.7 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 are 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

1.12 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 creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account 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 it becomes a party to the contractual provisions of the instrument.

The financial instruments, 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 Contingent deferred consideration payments

Contingent deferred consideration payments are not included in the cost of acquisition at the time of initially accounting for the investment where the deferred consideration payment is not probable or cannot be measured reliably. If the contingent consideration subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the initial investment.

1.16 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.

1.17 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 are readily convertible to a known amount of cash and are 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.

1.18 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.

1.19 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.

1.20 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.

1.21 Income tax expense

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

The current tax charge is based on the taxable loss/profit 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.

1.22 Deferred taxation

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 2009. Segmental reporting has been amended to be in accordance with IFRS 8, and comparative figures restated.

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 have 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 and fit-out
Direct contracting and trade contracting services and a provider of flooring systems to both main contractors and corporate end users.

Land sourcing
Sourcing land and enhancing value.

Segmental operating performance

	2009		2008	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000
Construction and fit-out	**10,324**	**(1,338)**	17,558	1,578
Land sourcing	**-**	**(109)**	-	(58)
	10,324	**(1,447)**	17,558	1,520
Inter-segmental revenue and unallocated costs	**3**	**(986)**	(114)	(160)
	10,327	**(2,433)**	17,444	1,360

2 Segmental reporting (continued)

Business segments assets and liabilities

	2009		2008	
	Segmental assets £'000	**Segment liabilities £'000**	Segmental assets £'000	Segment liabilities £'000
Construction and fit-out	**4,622**	**4,312**	7,842	4,529
Land sourcing	**37**	**10**	1	11
	4,659	**4,322**	7,843	4,540
Unallocated assets and liabilities	**15,964**	**5,737**	14,809	6,127
	20,623	**10,059**	22,652	10,667

Unallocated assets consist of Goodwill, 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.

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 UK.

Total group revenue to two customers amounted to £3,014,175. No other customers were individually material in revenue value.

3 Construction contracts

	2009	**2008**
	£	**£**
Contract revenue recognised in relation to construction contracts in the year and retentions	10,327,407	17,444,169
For contracts in progress at the balance sheet date:		
Aggregate costs incurred to date	8,096,462	16,428,968
Recognised profits to date	2,124,722	4,209,105
Retentions due	229,252	200,310

4 Other income and expenses

	2009	2008
	£	£
Net finance costs:		
Finance expenses		
Other loan interest	**(143,363)**	(54,002)
Interest on finance leases	**(571)**	(515)
Bank interest	**(17,079)**	-
Interest paid	**(161,013)**	(54,517)
Finance income		
Bank interest received	**339**	40,679
	(160,674)	(13,838)

Administrative expenses include:		
Depreciation of property, plant and equipment:		
- owned by the Group	**49,209**	11,414
- held under finance leases	**5,724**	7,362
- operating lease rentals - other	**84,463**	27,846
Auditors' remuneration	**40,000**	30,000

Auditor remuneration
During the year the Group obtained the following services from the company's auditor:

	2009	2008
	£	£
Fees payable to the company's auditor for the audit of the parent company, consolidated accounts and the subsidiaries	**40,000**	30,000

Average number of employees	**No.**	No.
The average number of employees (including executive Directors) was	**76**	85
The split of employees is as follows:		
	No.	No.
Administration	**19**	15
Cost of sales	**45**	57
Management	**12**	13
	76	85

4 Other income and expenses (continued)

	2009	2008
	£	£
Wages and salaries	**2,601,249**	2,598,090
Social security costs	**268,973**	257,718
Post employment benefits	**53,100**	53,100
	2,923,322	2,908,908

	2009	2008
Key management personnel compensation		
Short-term employee benefits	**305,013**	270,461
Post-employment benefits	**53,100**	53,100
	358,113	323,561

Directors remuneration			**2009**	2008
	Salaries and fees paid or receivable	**Pension contributions**	**Total**	Total
	£	£	**£**	£
G Read	82,833	53,100	**135,933**	256,103
A Collins	155,932	-	**155,932**	50,000
R Patel	24,000	-	**24,000**	6,000
J Hanley	6,250	-	**6,250**	2,083
P Jay	34,375	-	**34,375**	9,375
	303,390	53,100	**356,490**	323,561

The remuneration as disclosed for G Read includes £Nil (2008: £37,503) of salaries and £17,400 (2008: £17,400) of pension contributions paid to his wife, J Read.

5 Income tax

	2009	2008
	£	£
Current tax		
Current tax on income for the period	**(159,437)**	195,721
Deferred tax		
Deferred tax credit	**(436,574)**	(8,111)
Income tax (credit)/expense	**(596,011)**	187,610

Income tax is calculated at 28.0% (2008 – 28.5%) of the estimated assessable (loss)/profit for the year. The differences are reconciled overleaf:

5 Income tax (continued)

Factors affecting the tax charge

	2009	2008
	£	£
(Loss)/profit before income tax	**(2,433,362)**	1,360,477
(Loss)/profit before income tax multiplied by standard rate of UK Corporation Tax of 28.0% (2008: 28.5%)	**(681,341)**	387,736
Effects of:		
Expenditure not allowable for tax purposes	**28,532**	137,874
Depreciation for period in excess of capital allowances	**9,347**	(4,140)
Tax losses utilised and carried forward	**483,112**	(302,640)
Negative goodwill	**-**	(35,998)
Other adjustments	**913**	12,889
Current tax charge	**(159,437)**	195,721

6 Earnings per share

The basic earnings per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of shares in issue. In calculating the diluted earnings per share, share warrants outstanding have been taken into account where the impact of these is dilutive.

The weighted average number of shares in the period were:

	2009	2008
	Number	Number
Basic Ordinary Shares of 0.1p each	**170,879,375**	75,611,034
Dilutive Ordinary Shares from warrants	**-**	736,776
Total diluted	**170,879,375**	76,347,810

In the year ended 31 December 2009, the conditions attached to the warrants were not met and as such there is no dilutive effect on the average weighted number of ordinary shares or the diluted earnings per share.

The comparative number of shares for 2008 reflects the shares in issue had Mountfield Building Group Limited been acquired by Mountfield Group Plc on 1 January 2008.

	2009	2008
Earnings attributable to equity share holders of the parent		
Basic (loss)/earnings per share (p)	**(1.08)**	1.55
Diluted (loss)/earnings per share (p)	**(1.08)**	1.54

7 Intangible assets

	Goodwill
	£
Cost	
At 1 January 2008	-
Additions	15,816,529
At 31 December 2008	15,816,529
Additions	-
At 31 December 2009	**15,816,529**

The carrying amount of goodwill all relates to the construction and fit-out segment of the business.

7 Intangible assets (continued)

Impairment of goodwill

For the purposes of impairment testing of goodwill the carrying value of the cash-generating units (‘CGU’) (including goodwill) are compared to the recoverable amount of the CGUs and any deficits are provided. The carrying value of the CGUs includes only these 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 0% - 3% future growth in cash flows
- Discount rate of 9%

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

On the basis of the results of the above analysis there was no impairment of goodwill during the year.

8 Property, plant and equipment

	Freehold and leasehold property	Fixtures and fittings	Plant and equipment	Motor vehicles	Total
Cost	£	£	£	£	**£**
At 1 January 2008	63,375	-	56,735	38,449	158,559
Transfers upon acquisition	109,478	154,868	62,171	55,394	381,911
Additions	128	2,833	1,035	4,675	8,671
At 31 December 2008	172,981	157,701	119,941	98,518	549,141
Additions	8,442	13,462	-	28,646	50,550
Disposals	-	-	-	(7,082)	(7,082)
At 31 December 2009	181,423	171,163	119,941	120,082	592,609
Depreciation					
At 1 January 2008	8,775	-	24,530	12,867	46,172
Transfers upon acquisition	84,846	119,211	55,895	30,892	290,844
Charge for the period	2,434	3,031	4,266	9,045	18,776
At 31 December 2008	96,055	122,242	84,691	52,804	355,792
Charge for the year	12,328	19,620	7,162	15,823	54,933
Disposals	-	-	-	(6,944)	(6,944)
At 31 December 2009	108,383	141,862	91,853	61,683	403,781
At 31 December 2009	73,040	29,301	28,088	58,399	188,828
At 31 December 2008	76,926	35,459	35,250	45,714	193,349

8 Property, plant and equipment (continued)

The net book value of property, plant and equipment includes an amount of £45,817 (2008:£22,895) in respect of assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £19,640 (2008: £22,926) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

9 Inventories

	2009	2008
	£	£
Inventories	**125,924**	135,480

10 Trade and other receivables

	2009	2008
	£	£
Trade receivables	**474,899**	1,087,456
Less: Provision for impairment of trade receivable	**(5,961)**	(37,212)
	468,938	1,050,244
Contract retentions	**368,441**	518,264
Other receivables	**444,168**	440,081
Prepayments	**66,919**	76,562
VAT recoverable	**63,340**	-
Amounts recoverable on long term contracts	**1,954,964**	2,242,853
	3,366,770	4,328,004

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 60 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 £4,609 (2008: £44,415).

10 Trade and other receivables (continued)

The movement in the provision for impairment of trade receivables is as follows:	**£**
Balance at 1 January 2008	-
Charged to the statement of comprehensive income	37,212
Balance at 31 December 2008	37,212
Credit to the statement of comprehensive income	(31,251)
Balance at 31 December 2009	**5,961**

The Group's trade and other receivables that were past due 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:

	2009	2008
Trade receivables	**£**	£
Three to six months	**44,167**	117,619
Six to nine months	**4,593**	31,242
Nine to twelve months	**34,930**	3,528
More than twelve months	**105,540**	68,908
	189,230	221,297
Contract retentions		
Three to six months	**17,795**	34,584
Six to nine months	**6,584**	4,641
Nine to twelve months	**29,361**	166
More than twelve months	**15,841**	13,114
	69,581	52,505

11 Cash and cash equivalents

	2009	2008
	£	£
Cash at bank and in hand	**699,865**	2,178,667

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

The Group currently has a bank overdraft facility of £500,000 with Barclays Bank Plc, which is 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 a director's limited guarantee for £500,000.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2009:

	2009	2008
	£	£
Cash at bank and in hand	**699,865**	2,178,667
Bank overdraft	**(690,175)**	(170,325)
	9,690	2,008,342

12 Share capital

	2009	2008
	£	£
Authorised:		
1,000,000,000 Ordinary shares of 0.1p each	**1,000,000**	1,000,000
Issued:		
171,311,587 Ordinary shares of 0.1p each (2008: 169,558,520 Ordinary shares of 0.1p each)	**171,311**	169,558

On 31 March 2009 the Company issued 1,753,267 Ordinary shares of 0.1p each at a price of 10p per share in settlement of fees owed to an adviser to the Company.

Own shares held
A shareholder transferred 7,500,000 shares back to the company on 1 January 2009 for £nil consideration. The shares are held as treasury shares. The company has the right to re-issue these shares at a later date. All shares issued by the company were fully paid

At 31 December 2009, a total of 7,500,000 shares (2008:Nil) were held as treasury shares. This represents 4.4% (2008:0%) of issued share capital.

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

	Number	Weighted average exercise price
		£
Outstanding at 1 January 2009	10,000,000	0.07
Warrants granted in period	-	
Outstanding at 31 December 2009	10,000,000	

As at 31 December 2009 the warrants outstanding were exercisable as follows:

Date of grant		Exercise dates	Price £
27 October 2008	4,000,000	30 October 2009 and 29 October 2014	0.10
27 October 2008	6,000,000	30 October 2009 and 29 October 2014	0.05
	10,000,000		

No warrants were exercised during the period.

12 Share capital (continued)

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 2009 was £241,665 (2008: £52,357).

13 Trade and other payables (current)

	2009	2008
	£	£
Trade payables	**2,898,179**	3,327,191
Other payables	**219,206**	28,050
Accruals	**421,722**	401,734
Other taxes and social security costs	**446,735**	560,081
	3,985,842	4,317,056

The average credit taken for trade purchases is 84 days. The directors consider that the carrying amount of trade payables approximate their fair value.

14 Borrowings

	2009	2008
	£	£
Current		
Bank overdrafts	**690,175**	170,325
Net obligations under finance lease	**18,845**	6,920
	709,020	177,245
Non-current		
Unsecured non-convertible loan notes	**5,306,318**	5,419,737
Net obligations under finance leases	**19,356**	10,079
	6,034,694	5,607,061

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 £113,419 (2008:£80,263) were made against the loan notes in the period.

14 Borrowings (continued)

The loan notes are non-transferable and are redeemable at such time as the Company may decide, taking into account it's present and anticipated financial needs but in any event not later than 30 June 2011. However, the loan note holders have agreed to extend the repayment to 30 June 2012. The loan notes carry interest at a rate of 2 per cent above the base rate of Barclays Bank plc per annum.

During the year, the effective interest rate was 2.78%.

	2009	2008
	£	£
Non-current borrowings		
Analysis		
Repayable between one and five years	**5,325,674**	5,429,816

	2009	2008
	£	£
Net obligations under finance leases		
Analysis		
Repayable within one year	**18,845**	6,920
Repayable between one and five years	**19,356**	10,079
	38,201	16,999
Included in liabilities falling due within one year	**(18,845)**	(6,920)
	19,356	10,079

15 Deferred taxation

	2009	2008
	£	£
Deferred tax analysis:		
Deferred tax losses	**(427,495)**	-
Deferred tax expense relating to origination and reversal of temporary differences	**2,455**	11,534
	(425,040)	11,534
Movement in deferred tax during the year:		
At 1 January 2009	**11,534**	-
Credit for the year	**(436,574)**	(8,111)
Deferred tax asset acquired with subsidiary undertaking	**-**	19,645
At 31 December 2009	**(425,040)**	11,534

16 Capital commitments

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

17 Operating lease commitments

Commitments under non-cancellable operating leases expiring:

	Property	
	2009	2008
	£	£
Between two and five years	**34,281**	29,568

18 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 11.

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

	2009	2008
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	**699,865**	2,178,667
Trade and other receivables	**3,366,770**	4,328,004
Total	**4,066,635**	6,506,671
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**3,985,842**	4,317,056
Unsecured non-convertible loan notes	**5,306,318**	5,419,737
Secured borrowings	**728,376**	187,324
Total	**10,020,536**	9,924,117
Net	**(5,953,901)**	(3,417,446)

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.

18 Financial instruments (continued)

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.

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.

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 2009 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.

19 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 (2008 - £53,100).

20 Directors' benefits – advances, credits and 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 has given a guarantee limited to £500,000 in respect of the overdraft facility of Mountfield Building Group Limited.

21 Related party transactions

During the year Mountfield Group Plc loaned £Nil (2008 - £50,000) to Neil Hobbs and £Nil (2008 - £50,000) to Chris Baron. Neil Hobbs and Chris Baron were the shareholders of Mountfield Land Limited, a subsidiary of Mountfield Group Plc. In the year to 31 December 2009 both of these amounts were written off through the statement of comprehensive income.

The Company received a loan of £Nil (2008 - £714,889) from Mountfield Building Group Limited, a subsidiary undertaking. At 31 December 2009, £872,563 (2008 - £986,139) was owed to Mountfield Building Group Limited in respect of these transactions and expenses paid of £215,956 (2008 - £986,630) on behalf of the Company by Mountfield Building Group Limited.

During the period the Company received a loan of £625,000 (2008 - £Nil) from Connaught Access Flooring Limited, a subsidiary undertaking. At 31 December 2009 this amount was still outstanding.

As at 31 December 2009, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £3,871,045 (2008 - £3,959,868) and £1,478,110 (2008 - £1,459,869) respectively. Interest has been charged on these loans amounting to £104,264 (2008 - £21,096) and £39,099 (2008 - £25,315) respectively. Interest has not been paid and is included in accruals amounting to £125,360 (2008 - £21,096) and £64,414 (2008 - £25,315) respectively.

At 31 December 2009 the following warrants remained outstanding:

	Number	**Exercise Price**	**Date of Grant**	**Exercise Period**
Rakesh Patel	2,500,000	10p	18 September 2008	30 October 2009 and 29 October 2014
Sir Jeremy Hanley	500,000	10p	18 September 2008	30 October 2009 and 29 October 2014

On 11 June 2010, Rakesh Patel's warrants lapsed as he resigned from the Board.

Included in trade payables is an amount of £10,000 (2008 - £20,000) due to Rakesh Patel.

During the year the Group was invoiced £24,000 by Adler Shine for the services of Rakesh Patel as director of Mountfield Group plc.

As at 31 December 2009, £10,700 (2008 - £3,450) was due to Adler Shine.

Rakesh Patel is a partner in Adler Shine.

During the year the Group was charged £206,858 (2008 - £253,128) by Beachcroft, solicitors to the company. The company issued 1,753,267 shares in consideration for £175,327 of outstanding fees.

At 31 December 2009, Beachcroft were owed £47,753 (2008 - £146,773).

Peter Jay was a partner in Beachcroft and then a consultant.

22 Control

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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	2009 £	2008 £
ASSETS			
Non-current assets			
Investment in subsidiaries	**2**	**19,365,817**	19,365,817
Deferred income tax asset	**8**	**130,117**	-
		19,495,934	19,365,817
Current assets			
Other receivables	**3**	**16,695**	416,206
Cash and cash equivalents	**4**	**800**	6,677
		17,495	422,883
TOTAL ASSETS		**19,513,429**	19,788,700
EQUITY AND LIABILITIES			
Issued share capital	**5**	**171,311**	169,558
Share premium		**492,074**	318,500
Share based payments reserve		**294,022**	52,357
Merger reserve		**12,951,180**	12,951,180
Retained losses		**(1,672,598)**	(815,932)
TOTAL EQUITY		**12,235,989**	12,675,663
Current liabilities			
Trade and other payables	**6**	**1,971,092**	1,693,270
Income tax		**30**	30
		1,971,122	1,693,300
Non current liabilities			
Loan notes	**7**	**5,306,318**	5,419,737
TOTAL LIABILITIES		**7,277,440**	7,113,037
TOTAL EQUITY AND LIABILITIES		**19,513,429**	19,788,700

The financial statements were approved by the board on 30 June 2010

Graham Read
Director

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 £	Period ended 31 December 2008 £
Cash flows from operating activities			
Operating loss before interest and tax		**(986,783)**	(771,320)
Adjusted for:			
Share based payments		**241,665**	52,357
Loans written off		**267,777**	-
Decrease/(increase) in receivables		**131,734**	(148,429)
(Decrease)/increase in payables		**(276,439)**	660,720
Cash used in operating activities		**(622,046)**	(206,672)
Finance income		**-**	1,799
Income tax credit		**-**	30
Net cash outflow from operating activities		**(622,046)**	(204,843)
Cash flows from investing activities			
Acquisition costs of subsidiary undertakings		**-**	(783,817)
		-	(783,817)
Cash flows from financing activities			
Proceeds from issue of shares		**175,327**	32,238
Proceeds from issue of convertible loan note		**-**	325,000
Loans received from subsidiary undertakings		**554,261**	986,139
Loans made to related parties		**-**	(100,000)
Other loans		**-**	(167,777)
Repayment of non-convertible loan notes		**(113,419)**	(80,263)
Net cash inflow from financing activities		**616,169**	995,337
Net (decrease)/increase in cash and cash equivalents		**(5,877)**	6,677
Cash and cash equivalents brought forward		**6,677**	-
Cash and cash equivalents carried forward	**4**	**800**	6,677

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Share premium	Share based payments reserve	Merger reserve	Retained earnings	Total equity
	£	**£**	**£**	**£**	**£**	**£**
As at 18 September 2007	-	-	-	-	-	-
Shares issued in period for cash	32,238	-	-	-	-	32,238
Shares issued on conversion of loan notes	6,500	318,500	-	-	-	325,000
Shares issued in period on acquisition	130,820	-	-	12,951,180	-	13,082,000
Share based payment	-	-	52,357	-	-	52,357
Total comprehensive income	-	-	-	-	(815,932)	(815,932)
At 31 December 2008	**169,558**	**318,500**	**52,357**	**12,951,180**	**(815,932)**	**12,675,663**
Shares issued in period for cash	1,753	173,574	-	-	-	175,327
Share based payment	-	-	241,665	-	-	241,665
Total comprehensive income	-	-	-	-	(856,666)	(856,666)
At 31 December 2009	**171,311**	**492,074**	**294,022**	**12,951,180**	**(1,672,598)**	**12,235,989**

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. 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.

1 ACCOUNTING POLICIES

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 8 to 14.

1.1 Investment in subsidiaries

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

2 Investments in subsidiaries

	Shares in subsidiary undertakings
	£
At 18 September 2007	-
Additions	19,365,817
At 31 December 2008	19,365,817
Additions	-
At 31 December 2009	**19,365,817**

The following companies are the principal subsidiary undertakings at 31 December 2009 and are all consolidated:

Subsidiary undertaking	Country of incorporation	Class	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	To seek land for development of quality homes to suit homebuyers

3 Trade and other receivables

	2009	2008
	£	£
Other loans receivable	**-**	267,777
Other receivables	**-**	119,293
Prepayments	**16,695**	29,136
	16,695	416,206
Comprising:		
Loans and receivables at amortised cost	**-**	387,070
Prepayments	**16,695**	29,136
	16,695	416,206

4 Cash and cash equivalents

	2009	2008
	£	£
Cash at bank	**800**	6,677

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 £800 (2008 - £6,677).

For the purposed of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2009:

Cash at bank	**800**	6,677

5 Share capital

	2009	2008
	£	£
Authorised:		
1,000,000,000 Ordinary shares of 0.1p	**1,000,000**	1,000,000
Issued:		
171,311,587 Ordinary shares of 0.1p each (2008: 169,558,520 Ordinary shares of 0.1p each)	**171,311**	169,558

Details of changes in share capital issued are included at note 12 to the Consolidated Financial Statements.

6 Trade and other payables

	2009	2008
	£	£
Trade payables	**200,352**	506,791
Amounts owed to subsidiary undertakings	**1,540,400**	986,139
Other payables	**230,340**	200,340
	1,971,092	1,693,270

7 Borrowings

	2009	2008
	£	£
Non-current liabilities		
Unsecured non-convertible loan notes	**5,306,318**	5,419,737

Details of the loan notes are included at Note 14 to the Consolidated Financial Statements.

8 Deferred taxation

	2009	2008
	£	£
Deferred tax analysis:		
Deferred tax losses	**(130,117)**	-
Movement in deferred tax during the year:		
At 1 January 2009	**-**	-
Credit for the year	**(130,117)**	-
At 31 December 2009	**(130,117)**	-

8 Capital Commitments

There were no capital commitments at the period end.

9 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 was £273,799 (2008:£Nil).

10 Key management personnel compensation

Key management personnel expenses are disclosed in Note 4 to the Consolidated Financial Statements.

11 Directors' benefits – advances, credits and guarantees

Directors' benefits – advances, credits and guarantees are disclosed at Note 20 to the Consolidated Financial Statements.

12 Related party disclosures

Related party disclosures are detailed at Note 21 to the Consolidated Financial Statement.

13 Financial instruments

Details of key risks are included at Note 18 to the Consolidated Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Categories of financial instruments

	2009	2008
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Other receivables	**16,695**	416,206
Cash and cash equivalents	**800**	6,677
Total	**17,495**	422,883
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**1,971,092**	1,693,270
Unsecured non-convertible loan notes	**5,306,318**	5,419,737
Total	**7,277,410**	7,113,007
Net	**(7,259,915)**	(6,690,124)

14 Availability of Report & Accounts

Copies of the report & accounts will be posted to shareholders later today and will be available on the Company's website, www.mountfieldgroupplc.com

ENDS