Company Registration No. 06374598 (England and Wales)

MOUNTFIELD GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENTS

COMPANY INFORMATION

Directors	**P H Jay** Executive Chairman **G J Read** Chief Executive **A J Collins** 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	**Beachcroft** 100 Fetter Lane London EC4A 1BN
Registrars	**Equiniti Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA
Nominated Adviser	**Arbuthnot Securities Limited** Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Broker	**First Columbus LLP** New Broad Street House 35 New Broad Street London EC2M 1NH

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

The Company is pleased to present the Group's financial statements for the year ended 31 December 2010

The year to 31 December 2010 proved to be a tough year for the Group with both subsidiaries - Mountfield Building Group Limited and Connaught Access Flooring Limited - experiencing a decline in turnover as challenging market conditions persisted.

The return of tendering activity in our core data centre and IT market noted in the latter part of 2010 has continued to gather pace into 2011.

In May 2011 the Company announced that it had been awarded three contracts with an aggregate value of approximately £5 million to fit out various data centres in the UK for leading data centre operators. The Directors are encouraged by the increased level in demand and are optimistic that it will continue.

In May 2011 the Group completed a fundraising of £560,000, before expenses, resulting in the Group's shareholder base being enhanced with the addition of small cap institutions.

The market for new data centres was weak in 2010, 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 remained under pressure.

Working Capital

As a result of the difficult market conditions, working capital has been under pressure and the Group has taken steps to manage its creditors, cut costs and restructure the business by moving further towards using sub-contract labour rather than employing a fixed workforce.

In order to support the Group further, the Executive Directors have reduced their emoluments and also as loan note holders they have waived all interest relating to these loans (£130,355) for the year under review. In addition repayment of £4.4m of loan notes due in 2011 have been deferred to June 2016.

Results

Revenue	£8.5m (2009: £10.33m)
Loss before tax	£0.87m (2009: £2.43m)

- Mountfield Building Group made a pre-tax loss of £0.95m (2009:£1.28m) based upon turnover of £4.5m (2009:£5.15m) for the year ended 31 December 2010, after eliminating inter-company trading.

- Connaught Access Flooring made a pre-tax profit of £309,000 (2009:£369,000) based upon turnover of £4m (2009:£5m) for the year ended 31 December 2010.

- Mountfield Land had no turnover during the year to 31 December 2010 (2009:£Nil) and recorded a loss of £1,073 (2009:£108,000 loss).

- The Company made a pre-tax loss for the year ended 31 December 2010 of £227,047 which included a share-based payment during the year of £nil (2009:£986,000 loss including a share based payment of £242,000).

Divisional reviews

The 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 2010 the focus was on winning smaller scale contracts from existing clients in order to source revenue and also to maintain the relationships with clients during the downturn. This was successfully achieved and MBG did not lose any of its core clients during that period.

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. However with the continuing decline in the commercial office market a refocus has seen diversification into refurbishment projects in existing office space as end users take stock. Despite adverse market conditions, our data centre works held up well throughout the year with two significant projects completed and thus, allied with diversification into the residential sector and broadening of our main contractor relationships, we have seen a reasonably profitable year and one in which we have created solid foundations for 2011.

Mountfield Land Limited ("ML")

ML was set up to source and enhance the value of land before selling its interest. Whilst residential market conditions remain very tough we have identified significant new opportunities in the commercial property sector which should enable ML to focus on securing construction business for the Group. We will, however, continue to seek opportunities in the residential market.

Data Centre Market

After two years in which there has been little sign of activity, 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 telecom companies. The Directors believe that over the next three years there will be further growth in the data centre market and that with the Company's experience, reputation and contacts, it is ideally placed to benefit from this growth.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

Strategy

The Group's 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 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 and as highlighted above, this is likely to include the housing market.

Outlook

The sharp downturn in revenue and activity that the Group suffered during 2009 and 2010 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 and this should enable it to capitalise on these achievements as the data centre market improves.

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 that the Group has emerged with considerably greater potential now than ever before and can continue to look forward to a positive future.

Peter Jay
Executive Chairman
29 June 2011

Graham Read
Chief Executive Officer
29 June 2011

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

The directors are pleased to present their annual report and audited financial statements for the year ended 31 December 2010.

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 loss of £872,215 (2009 – loss £2,433,362) for the year ended 31 December 2010 on turnover of £8,498,436 (2009 - £10,327,407).

At 31 December 2010 the Group had net assets of £10,056,218 (2009 - £10,564,389).

Post balance sheet events
On 12 May 2011, it was announced that the Company had raised £560,000, before expenses, by way of a placing of 37,333,334 new ordinary shares of 0.1 pence each at a price of 1.5 pence per share. The proceeds of the issue will be used to fund working capital and expenses of the issue. The new shares issued represent approximately 17.56% of the Company's then enlarged issued share capital.

On 29 June it was announced that the Company had issued 4,099,333 new ordinary shares of 0.1p each at a price of 1.5 pence per share in settlement of creditors. The new shares issued represent 1.9% of the Company's enlarged issued share capital.

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.

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.

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.

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.

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.

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 18 to the financial statements.

Dividends

The Directors do not propose payment of any dividends for the year ended 31 December 2010.

Directors

The directors who served during the year were:

P H Jay
G J Read
A J Collins
R R Patel (resigned 11 June 2010)

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 85 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
29 June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 2010 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 8, 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 2010 and of the Group's loss 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.

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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 (Senior statutory auditor)
for and on behalf of
Brett Adams
Chartered Accountants
Statutory Auditor
25 Manchester Square
London W1U 3PY

June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** £	2009 £
Revenue	3	**8,498,436**	10,327,407
Cost of sales		**(7,694,878)**	(9,915,477)
Gross profit		**803,558**	411,930
Administrative expenses	4	**(1,601,582)**	(2,175,176)
Share based payments	12	**-**	(241,665)
Loans written off		**-**	(267,777)
Operating loss		**(798,024)**	(2,272,688)
Net finance costs	4	**(74,191)**	(160,674)
Loss before income tax		**(872,215)**	(2,433,362)
Income tax credit	5	**244,044**	596,011
Total comprehensive loss for the year		**(628,171)**	(1,837,351)
Loss per share			
- basic (p)	6	**(0.36)**	(1.08)
- diluted (p)	6	**(0.36)**	(1.08)

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 2010 was £159,736 (2009 - £856,666).

The notes on pages 15 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	2010 £	2009 £
ASSETS			
Non-current assets			
Intangible assets	7	**15,816,529**	15,816,529
Property, plant and equipment	8	**140,587**	188,828
Deferred income tax assets	15	**664,240**	425,040
		16,621,356	16,430,397
Current assets			
Inventories	9	**76,381**	125,924
Trade and other receivables	10	**2,224,408**	3,366,770
Cash and cash equivalents	11	**600,852**	699,865
		2,901,641	4,192,559
TOTAL ASSETS		**19,522,997**	20,622,956
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	12	**175,311**	171,311
Share premium		**608,074**	492,074
Share based payments reserve		**294,022**	294,022
Merger reserve		**12,951,180**	12,951,180
Reverse acquisition reserve		**(2,856,756)**	(2,856,756)
Retained earnings		**(1,115,613)**	(487,442)
TOTAL EQUITY		**10,056,218**	10,564,389
Current liabilities			
Trade and other payables	13	**3,245,601**	3,985,842
Short-term borrowings	14	**1,786,357**	690,175
Finance lease liabilities	14	**8,573**	18,845
Income tax		**30**	38,031
		5,040,561	4,732,893
Non-current liabilities			
Loan notes	14	**4,412,705**	5,306,318
Finance lease liabilities	14	**13,513**	19,356
Provision for deferred taxation	15	**-**	-
TOTAL LIABILITIES		**9,466,779**	10,058,567
TOTAL EQUITY AND LIABILITIES		**19,522,997**	20,622,956

The financial statements were approved by the board on 29 June 2011

Graham Read
Director
The notes on pages 15 to 36 form part of these financial statements.

COMPANY REGISTRATION NO. 06374598

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Operating loss		**(798,024)**	(2,272,688)
Adjusted for:			
Depreciation		**46,839**	54,933
Loss on disposal of fixed asset		**3,091**	138
Loans written off		**-**	267,777
Share based payment		**-**	241,665
Decrease in inventories		**49,543**	9,556
Decrease in receivables		**1,008,542**	827,277
Decrease in payables		**(778,501)**	(474,577)
Cash used in operating activities		**(468,510)**	(1,345,919)
Finance costs		**(37,501)**	(17,650)
Finance income		**1,570**	339
Taxation received		**100,663**	(667,983)
Net cash outflow from operating activities		**(403,778)**	(2,031,213)
Cash flows from investing activities			
Purchase of equipment		**(9,630)**	(21,904)
Proceeds from sale of property, plant and equipment		**7,941**	-
Net cash outflow from investing activities		**(1,689)**	(21,904)
Cash flows from financing activities			
Proceeds from issue of shares		**120,000**	175,327
Finance lease rentals		**(16,115)**	(7,443)
Repayment of non-convertible loan notes		**(420,621)**	(113,419)
Proceeds from short term loan loans		**350,000**	-
Net cash flows generated from financing activities		**33,264**	54,465
Net decrease in cash and cash equivalents		**(372,203)**	(1,998,652)
Cash and cash equivalents brought forward		**9,690**	2,008,342
Cash and cash equivalents carried forward	**11**	**(362,513)**	9,690

The notes on pages 15 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital £	Share premium £	Share based payments reserve £	Merger reserve £	Reverse acquisition reserve £	Retained earnings £	Total £
At 1 January 2009	169,558	318,500	52,357	12,951,180	(2,856,756)	1,349,909	11,984,748
Total comprehensive income	-	-	-	-	-	(1,837,351)	(1,837,351)
Share based payments	-	-	241,665	-	-	-	241,665
Shares issued in period to settle creditor	1,753	173,574	-	-	-	-	175,327
At 31 December 2009	**171,311**	**492,074**	**294,022**	**12,951,180**	**(2,856,756)**	**(487,442)**	**10,564,389**
Shares issued in period to settle creditor	4,000	116,000	-	-	-	-	120,000
Total comprehensive income	-	-	-	-	-	(628,171)	(628,171)
At 31 December 2010	**175,311**	**608,074**	**294,022**	**12,951,180**	**(2,856,756)**	**(1,115,613)**	**10,056,218**

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. 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 accounting for the acquisition of Mountfield Building Group Limited and MBG Construction Ltd

The notes on pages 15 to 36 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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.

1.2 IFRS compliance and adoption (continued)

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.

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 use but not yet effective. These standards have not been adopted early by the Group as they are not expected to have a material impact on the Group's financial statements.

International Accounting Standards (IAS/IFRSs)

IFRS 1	First time adoption of IFRS (amendment)
IFRS 7	Financial instruments : disclosures (amendment)
IFRS 9	Financial instruments : classification and measurement
IAS 1	Presentation of financial statements (amendment)
IAS 24	Related party disclosures (revised)
IAS 27	Consolidated and separate financial statements (revised)
IAS 32	Financial instruments: presentation (amendment)

The International Financial Reporting Interpretations Committee has also issued interpretations which the Group 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.

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 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 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.

1.19 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 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.

1.21 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 2010.

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 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.

2 Segmental reporting (continued)

Segmental operating performance

	2010		2009	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000
Construction and fit-out	**8,498**	**(644)**	10,324	(1,338)
Land sourcing	**-**	**(1)**	-	(109)
	8,498	**(645)**	10,324	(1,447)
Inter-segmental revenue and unallocated costs	**-**	**(227)**	3	(986)
	8,498	**(872)**	10,327	(2,433)

Business segments assets and liabilities

	2010		2009	
	Segmental assets £'000	**Segment liabilities £'000**	Segmental assets £'000	Segment liabilities £'000
Construction and fit-out	**3,317**	**4,205**	4,622	4,312
Land sourcing	**38**	**9**	37	10
	3,355	**4,214**	4,659	4,322
Unallocated assets and liabilities	**16,168**	**5,253**	15,964	5,737
	19,523	**9,467**	20,623	10,059

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 three customers amounted to £5,482,144. No other customers were individually material in revenue value.

3 Construction contracts

	2010	2009
	£	£
Contract revenue recognised in relation to construction contracts in the year and retentions	**8,498,436**	10,327,407
For contracts in progress at the balance sheet date:		
Aggregate costs incurred to date	**5,331,818**	8,096,462
Recognised profits to date	**670,545**	2,124,722
Retentions due	**108,490**	229,252

4 Other income and expenses

	2010	2009
	£	£
Net finance costs:		
Finance expenses		
Loan interest	**(38,260)**	(143,363)
Interest on finance leases	**(551)**	(571)
Other interest	**(5,199)**	-
Bank interest	**(31,751)**	(17,079)
Interest paid	**(75,761)**	(161,013)
Finance income		
Bank interest received	**1,570**	339
	(74,191)	(160,674)
Administrative expenses include:		
Depreciation of property, plant and equipment:		
- owned by the Group	**38,710**	49,209
- held under finance leases	**8,129**	5,724
Operating lease rentals - other	**80,802**	84,463

Auditor remuneration

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

	2010	2009
	£	£
Fees payable to the company's auditor for the audit of the parent company, consolidated accounts and the subsidiaries	**40,000**	40,000
Fee payable for other services	**1,500**	-
	41,500	40,000

4 Other income and expenses (continued)

Average number of employees

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

	2010	2009
	No.	No.
Administration	**9**	19
Cost of sales	**42**	45
Management	**7**	12
	58	76

	2010	2009
	£	£
Wages and salaries	**1,938,441**	2,601,249
Social security costs	**201,330**	268,973
Post employment benefits	**53,100**	53,100
	2,192,871	2,923,322
Key management personnel compensation		
Short-term employee benefits	**42,356**	305,013
Post-employment benefits	**53,100**	53,100
	95,456	358,113

Directors remuneration				**2010**	2009
	Salaries and fees paid or receivable	**Benefits in kind**	**Pension contributions**	**Total**	Total
	£	£	**£**	**£**	£
G Read	-	2,244	53,100	**55,344**	135,933
A Collins	42,356	2,088	-	**44,444**	155,932
R Patel	5,000	-	-	**5,000**	24,000
J Hanley	-	-	-	**-**	6,250
P Jay	11,563	-	-	**11,563**	34,375
	58,919	4,332	53,100	**116,351**	356,490

The remuneration as disclosed for G Read includes £17,400 (2009: £17,400) of pension contributions paid for his wife, J Read.

5 Income tax

	2010	2009
	£	£
Current tax		
Current tax on income for the period	**-**	(159,437)
Adjustment in respect of prior years	**(4,844)**	-
Total current tax	**(4,844)**	(159,437)
Deferred tax		
Deferred tax credit	**(239,200)**	(436,574)
Income tax credit	**(244,044)**	(596,011)

Income tax is calculated at 28.0% (2009 – 28%) of the estimated assessable (loss)/profit for the year. The differences are reconciled as follows:

Factors affecting the tax charge

	2010	2009
	£	£
Loss before income tax	**(872,215)**	(2,433,362)
Loss before income tax multiplied by standard rate of UK Corporation Tax of 28% (2009: 28%)	**(244,248)**	(681,341)
Effects of:		
Expenditure not allowable for tax purposes	**23,115**	28,532
Depreciation for period in excess of capital allowances	**7,592**	9,347
Tax losses not utilised and carried forward	**212,648**	483,112
Other adjustments	**893**	913
Adjustment in respect of prior years	**(4,844)**	-
Current tax charge	**(4,844)**	(159,437)

6 Loss per share

The basic loss 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 loss 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:

	2010	2009
	Number	Number
Basic Ordinary Shares of 0.1p each	**172,648,673**	170,879,375
Dilutive Ordinary Shares from warrants	**-**	-
Total diluted	**172,648,673**	170,879,375

In the year ended 31 December 2010, 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 loss per share.

	2010	2009
Loss attributable to equity share holders of the parent	**£628,171**	£1,837,351
Basic loss per share (p)	**(0.36)**	(1.08)
Diluted loss per share (p)	**(0.36)**	(1.08)

7 Intangible assets

	Goodwill
	£
Cost	
At 1 January 2009	15,816,529
Additions	-
At 31 December 2009	15,816,529
Additions	-
At 31 December 2010	**15,816,529**

The carrying amount of goodwill relates to the construction and fit-out, and land sourcing segments 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 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 0% - 3% future growth in cash flows
- Discount rate of 10%

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 2009	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
Additions	-	9,280	350	-	9,630
Disposals	-	(16,334)	-	(28,509)	(44,843)
At 31 December 2010	**181,423**	**164,109**	**120,291**	**91,573**	**557,396**
Depreciation					
At 1 January 2009	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)
As at 31 December 2009	108,383	141,862	91,853	61,683	403,781
Charge for the year	12,405	12,587	3,802	18,045	46,839
Disposals	-	(15,676)	-	(18,135)	(33,811)
At 31 December 2010	**120,788**	**138,773**	**95,655**	**61,593**	**416,809**
At 31 December 2010	**60,635**	**25,336**	**24,636**	**29,980**	**140,587**
At 31 December 2009	73,040	29,301	28,088	58,399	188,828

The net book value of property, plant and equipment includes an amount of £24,683 (2009: £45,817) in respect of assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £7,835 (2009: £19,640) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

9 Inventories

	2010	2009
	£	£
Materials and finished goods	**76,381**	125,924

The amount of inventories recognised as expense during the year was £125,924 *(2009 - £135,480).*

10 Trade and other receivables

	2010	2009
	£	£
Trade receivables	**579,381**	474,899
Less: Provision for impairment of trade receivable	**(15,647)**	(5,961)
	563,734	468,938
Contract retentions	**205,970**	368,441
Other receivables	**8,677**	444,168
Prepayments	**186,701**	66,919
VAT recoverable	**-**	63,340
Amounts recoverable on long term contracts	**1,259,326**	1,954,964
	2,224,408	3,366,770

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 27 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 £23,507 (2009: £4,609).

The movement in the provision for impairment of trade receivables is as follows:	**£**
At 1 January 2009	37,212
Credit to the statement of comprehensive income	(31,251)
At 31 December 2009	5,961
Debit to the statement of comprehensive income	9,686
At 31 December 2010	**15,647**

10 Trade and other receivables (continued)

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:

	2010	2009
Trade receivables	**£**	£
Three to six months	**2,766**	44,167
Six to nine months	**26,114**	4,593
Nine to twelve months	**1,144**	34,930
More than twelve months	**4,882**	105,540
	34,906	189,230
Contract retentions		
Three to six months	**7,828**	17,795
Six to nine months	**3,200**	6,584
Nine to twelve months	**24,644**	29,361
More than twelve months	**21,279**	15,841
	56,951	69,581

11 Cash and cash equivalents

	2010	2009
	£	£
Cash at bank and in hand	**600,852**	699,865

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 directors' limited guarantees for up to £500,000.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2010:

	2010	2009
	£	£
Cash at bank and in hand	**600,852**	699,865
Bank overdraft	**(963,365)**	(690,175)
	(362,513)	9,690

12 Share capital

	2010	2009
	£	£
Authorised:		
1,000,000,000 Ordinary shares of 0.1p each	**1,000,000**	1,000,000
Issued:		
175,311,687 Ordinary shares of 0.1p each (2009: 171,311,687 Ordinary shares of 0.1p each)	**175,311**	171,311

On 1 September 2010 the Company issued 4,000,000 Ordinary shares of 0.1p each at a price of 3p per share in settlement of fees owed to an adviser to the Company.

Own shares held

At 31 December 2010, a total of 7,500,000 shares (2009: 7,500,000) were held as treasury shares. The company has the right to re-issue these shares at a later date. This represents 4.3% (2009: 4.4%) 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 2010	10,000,000	0.07
Warrants granted in period	-	
Outstanding at 31 December 2010	10,000,000	

As at 31 December 2010 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 or lapsed during the period. The weighted average exercise price in respect of the warrants subsisting at the year end was £0.07.

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 2010 was £nil (2009: £241,665).

13 Trade and other payables (current)

	2010	2009
	£	£
Trade payables	**1,922,378**	2,898,179
Other payables	**49,219**	219,206
Accruals	**655,123**	421,722
Other taxes and social security costs	**618,881**	446,735
	3,245,601	3,985,842

The average credit taken for trade purchases is 85 days. The directors consider that the carrying amount of trade payables approximate their fair value.

14 Borrowings

	2010	2009
	£	£
Current		
Bank overdrafts	**963,365**	690,175
Net obligations under finance lease	**8,573**	18,845
Short-term unsecured loan	**350,000**	-
Unsecured non-convertible loan notes	**472,992**	-
	1,794,930	709,020
Non-current		
Unsecured non-convertible loan notes	**4,412,705**	5,306,318
Net obligations under finance leases	**13,513**	19,356
	4,426,218	5,325,674
Total borrowings	**6,221,148**	6,034,694

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 £420,621 (2009: £113,419) were made against the loan notes in the period.

14 Borrowings (continued)

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 2011.

During the year, all interest on the loan notes was waived.

The short-term unsecured loan was drawn down in June 2010 to provide additional working capital. It is due for repayment on 14 December 2011. Interest is accruing at 20% p.a. and is payable on settlement of the loan At the balance sheet date £38,260 interest had accrued.

	2010	2009
	£	£
Non-current borrowings		
Analysis		
Repayable between one and two years	**-**	5,325,674
Repayable after five years	**4,412,705**	-

	2010	2009
	£	£
Net obligations under finance leases		
Analysis		
Repayable within one year	**8,573**	18,845
Repayable between one and five years	**13,513**	19,356
	22,086	38,201
Included in current liabilities	**(8,573)**	(18,845)
	13,513	19,356

15 Deferred taxation

	2010	2009
	£	£
Deferred tax analysis:		
Deferred tax losses	**(669,557)**	(427,495)
Deferred tax expense relating to origination and reversal of temporary differences	**5,317**	2,455
	(664,240)	(425,040)
Movement in deferred tax during the year:		
At 1 January 2010	**(425,040)**	11,534
Credit for the year	**(239,200)**	(436,574)
At 31 December 2010	**(664,240)**	(425,040)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the tax benefit through future taxable profits is probable.

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	
	2010	2009
	£	£
Between two and five years	**42,068**	34,281

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

	2010	2009
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	**600,852**	699,865
Trade and other receivables	**2,224,408**	3,366,770
Total	**2,825,260**	4,066,635
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**3,595,601**	3,985,842
Unsecured non-convertible loan notes	**4,885,697**	5,306,318
Secured borrowings	**985,451**	728,376
Total	**9,466,749**	10,020,536
Net	**(6,641,489)**	(5,953,901)

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 2010 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 (2009 - £53,100).

20 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 has given a guarantee limited to £500,000 in respect of the overdraft facility of Mountfield Building Group Limited.

21 Related party transactions

The Company received a loan of £nil (2009 - £nil) from Mountfield Building Group Limited, a subsidiary undertaking. At 31 December 2010, £1,319,610 (2009 - £872,563) was owed to Mountfield Building Group Limited in respect of these transactions and expenses paid of £447,047 (2009 - £215,956) on behalf of the Company by Mountfield Building Group Limited.

During the period the Company received a loan of £nil (2009 - £625,000) from Connaught Access Flooring Limited, a subsidiary undertaking. At 31 December 2010, £948,862 (2009 - £625,000) was owed to Connaught Access Flooring Limited in respect of these transactions and expenses paid of £323,862 (2009 -£nil) on behalf of the company by Connaught Access Flooring Limited.

As at 31 December 2010, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £3,579,472 (2009 - £3,871,045) and £1,306,225 (2009 - £1,478,110) respectively. Interest for the year has been waived and interest in respect of prior periods has not been paid and is included in accruals amounting to £125,360 (2009 - £125,360) and £64,414 (2009 - £64,414) respectively.

At 31 December 2010 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

Rakesh Patel is a partner in Adler Shine. During the year the Group was invoiced £5,000 by Adler Shine for the services of Rakesh Patel as director of Mountfield Group plc (2009 - £24,000). Mr Patel resigned on 11 June 2010.

As at 31 December 2010, £nil (2009 - £10,700) was due to Adler Shine.

During the year, Meze LLP invoiced £11,562 (2009: £nil) for the services of Peter Jay as a director of Mountfield Group Plc. As at 31 December 2010, £nil (2009: £nil) was due to Meze LLP.

During the year, the Group was invoiced £39,500 (2009: £45,987) for accountancy and bookkeeping services by Read & Co, a Chartered accountancy practice controlled by Graham Read's brother. As at 31 December 2010 the balance owed to Read & Co was £nil (2009: £8,668).

22 Post Balance Sheet Events

On 12 May 2011, it was announced that the Company had raised £560,000 by way of a placing of 37,333,334 new ordinary shares of 0.1 pence each at a price of 1.5 pence per share. The proceeds of the issue will be used to fund working capital and expenses of the issue. The new shares issued represent approximately 17.56% of the Company's enlarged issued share capital.

On 29 June, it was announced that the Company had issued 4,099,333 new ordinary shares of 0.1 pence each at a price of 1.5 pence per share in settlement of creditors.

Following these allotments, the Company had 216,744,454 ordinary shares of 0.1p each in issue.

23 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 2010
Company no. 06374598

	Notes	2010 £	2009 £
ASSETS			
Non-current assets			
Investment in subsidiaries	2	**19,365,817**	19,365,817
Deferred income tax asset	8	**197,428**	130,117
		19,563,245	19,495,934
Current assets			
Other receivables	3	**155,918**	16,695
Cash and cash equivalents	4	**-**	800
		155,918	17,495
TOTAL ASSETS		**19,719,163**	19,513,429
EQUITY AND LIABILITIES			
Issued capital	5	**175,311**	171,311
Share premium		**608,074**	492,074
Share based payments reserve		**294,022**	294,022
Merger reserve		**12,951,180**	12,951,180
Retained losses		**(1,832,333)**	(1,672,598)
TOTAL EQUITY		**12,196,25**	12,235,989
Current liabilities			
Trade and other payables	6	**2,635,617**	1,971,092
Short-term borrowing	7	**1,565**	-
Loan notes	7	**472,992**	-
Income tax		**30**	30
		3,110,204	1,971,122
Non current liabilities			
Loan notes	7	**4,412,705**	5,306,318
TOTAL LIABILITIES		**7,522,909**	7,277,440
TOTAL EQUITY AND LIABILITIES		**19,719,163**	19,513,429

The financial statements were approved by the board on 29 June 2011

Graham Read
Director

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Operating loss before interest and tax		**(227,046)**	(986,783)
Adjusted for:			
Share based payments		**-**	241,665
Loans written off		**-**	267,777
(Increase)/decrease in receivables		**(139,223)**	131,734
Decrease in payables		**(63,650)**	(276,439)
Net cash outflow from operating activities		**(429,919)**	(622,046)
Cash flows from financing activities			
Proceeds from issue of shares		**120,000**	175,327
Loans received from subsidiary undertakings		**728,175**	554,261
Repayment of non-convertible loan notes		**(420,621)**	(113,419)
Net cash inflow from financing activities		**427,554**	616,169
Net decrease in cash and cash equivalents		**(2,365)**	(5,877)
Cash and cash equivalents brought forward		**800**	6,677
Cash and cash equivalents carried forward	4	**(1,565)**	800

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share premium	Share based payments reserve	Merger reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As 1 January 2009	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**
Shares issued in period for cash	4,000	116,000	-	-	-	120,000
Total comprehensive income	-	-	-	-	(159,736)	(159,736))
At 31 December 2010	**175,311**	**608,074**	**294,022**	**12,951,180**	**(1,832,334)**	**12,196,253**

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 COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 15 to 21.

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 1 January 2009	19,365,817
Additions	-
At 31 December 2009	19,365,817
Additions	-
At 31 December 2010	**19,365,817**

The following companies are the principal subsidiary undertakings at 31 December 2010 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 quality Construction opportunities for the Group and to secure land for residential development

3 Trade and other receivables

	2010	2009
	£	£
Prepayments	**155,918**	16,695

4 Cash and cash equivalents

	2010	2009
	£	£
Cash at bank	**-**	800

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 (2009: £800).

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2010:

	2010	2009
	£	£
Bank overdraft	**(1,565)**	-
Cash at bank	**-**	800
	(1,565)	800

5 Share capital

	2010	2009
	£	£
Authorised:		
1,000,000,000 Ordinary shares of 0.1p	**1,000,000**	1,000,000
Issued:		
175,311,687 Ordinary shares of 0.1p each (2009: 171,311,687 Ordinary shares of 0.1p each)	**175,311**	171,311

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

6 Trade and other payables

	2010	2009
	£	£
Trade payables	**128,340**	200,352
Amounts owed to subsidiary undertakings	**2,268,575**	1,540,400
Other payables	**238,702**	230,340
	2,635,617	1,971,092

7 Borrowings

	2010	2009
	£	£
Current		
Bank overdraft	**1,565**	-
Unsecured non-convertible loan notes	**472,992**	-
	474,557	-
Non-current liabilities		
Unsecured non-convertible loan notes	**4,412,705**	5,306,318
Total borrowings	**4,887,262**	5,306,318

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

8 Deferred taxation

	2010	2009
	£	£
Deferred tax analysis:		
Deferred tax losses	**(197,428)**	(130,117)
Movement in deferred tax during the year:		
At 1 January 2010	**(130,117)**	-
Credit for the year	**(67,311)**	(130,117)
At 31 December 2010	**(197,428)**	(130,117)

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 was £326,334 (2009:£273,799).

11 Key management personnel compensation

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

12 Directors' guarantees

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

13 Related party disclosures

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

14 Financial instruments

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

Categories of financial instruments

	2010	2009
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Other receivables	**155,918**	16,695
Cash and cash equivalents	**-**	800
Total	**155,918**	17,495
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	**2,635,617**	1,971,092
Bank overdraft	**1,565**	-
Unsecured non-convertible loan notes	**4,885,697**	5,306,318
Total	**7,522,879**	7,277,410
Net	**(7,366,961)**	(7,259,915)