MOUNTFIELD GROUP PLC

Company Registration No. 06374598 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Mountfield Group Plc

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Mountfield Group Plc

COMPANY INFORMATION

Directors	**P H Jay**	Executive Chairman
	G J Read	Chief Executive
	A J Collins	Executive Director
	T Spanner	Non – Executive Director
Secretary	**P H Jay**	
Company number	06374598 (England and Wales)	
Registered office	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU	
Auditors	**Brett Adams** 25 Manchester Square London W1U 3PY	
Solicitors	**DAC Beachcroft LLP** 100 Fetter Lane London EC4A 1BN	
Registrars	**Equiniti Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA	
Nominated Adviser & Broker	**WH Ireland Ltd** 24 Martin Lane London EC4R ODR	

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

The Company is pleased to present the Group's financial statements for the year ended 31 December 2011.

2011 was the year during which the Company's business started to recover from the recession, with revenue increasing by 30% to £11.1m (2010: £8.5m). The underlying operating loss from continuing trading operations was reduced to £0.7m (2010: £0.8m) notwithstanding the impact of a £0.6m cost of sales provision (2010: £nil).Excluding this provision, the underlying operating loss from continuing trading operations reduced to £0.1m (2010: £0.8m). Gross margin, after exclusion of this provision, improved to 12.2% (2010: 9.4%).

Results

	2011 **£m**	2010 £m
Revenue	**11.1**	8.5
Underlying operating loss (continuing operations)	**(0.7)**	(0.8)
Underlying operating loss before cost of sales provision	**(0.1)**	(0.8)
Loss before tax – continuing trading operations	**(4.3)**	(0.8)

Mountfield Building Group Limited (¨MBG¨)

MBG's principal business is the design and construction of data centres and IT installations. The recession affected construction companies severely (even those like MBG that had a business built on specialist skills) but during that time when new business was in short supply the directors of MBG made a particular effort to maintain relationships and gained from this approach in 2011 when levels of activity in its areas of interest increased markedly.

MBG made a pre-tax loss of £0.8m (2010: £0.95m) on turnover of £7.6m (2010: £4.5m) after eliminating inter-company trading. Included in this loss is a cost of sales provision of £0.6m relating to balances brought forward from 2010.

After two years in which there has been little sign of activity, the data centre market is now showing strong growth in certain areas, such as the banking and 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.

MBG has shown itself able to adapt to changes within the data centre market. An example has been the recent move to centres composed of individual and separate pods that are constructed off-site and installed into the data centre structure. This change can result in greater flexibility of layout for tenants and also greater levels of security. MBG has won construction work from a new client that wishes to build a number of this style of data centre in the UK.

Contracts with a gross value of approximately £13.0m were won in 2011 and these included:

- Data centre projects worth over £6m commenced in 2011 with in excess of a remaining £5m in the course of completion in 2012. These works included new Data Centre fit-outs in Romford, Enfield, Swindon and Farnborough as well as a large scale National IT Facility upgrade;
- Student accommodation in the South of England;
- A major residential refurbishment;
- Refurbishment of a National Art Gallery;
- Refurbishment of the House of Commons; and
- General property maintenance works for a National IT Facility provider.

Connaught Access Flooring Ltd ("Connaught")

Connaught is a provider of flooring systems to both main contractors and corporate end users, primarily focused on the refurbishment and fitting out of commercial offices and 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, Connaught has diversified into refurbishment projects in existing office space as end users take stock.

Connaught made a pre-tax profit of £314,000 (2010: £309,000) on turnover of £3.5m (2010: £4m).

One of the effects of the recession has been to increase competition significantly between specialist flooring contractors who have seen overall market turnover decline, with the result that work has become harder to win for companies in the sector and margins have been under pressure. Connaught has been affected along with its competitors; although it has done well to maintain margins in recent years, it is not anticipated that this situation will change materially in the medium term. Emphasis is therefore being placed on diversifying the product offering and seeking to reduce operating costs without adversely affecting the quality of service.

Contracts with a gross value of approximately £2.9m were won in 2011 and these included:

- A data centre in East London;
- Refurbishment of an existing office space in the City of London;
- Fit out for a new office space;
- Acoustic flooring in an up market residential block in central London;
- An urban sustainability centre for a manufacturing company; and
- A large auditorium.

Although the Company is confident that the prospects for Connaught remain good over the longer term, the Board has decided that since it is not confident about the likelihood of achieving the levels of turnover and overall profitability achieved in 2008 in the current market, it should reflect this by a reduction of £3.5m in the value of the goodwill arising from the acquisition of Connaught from £8.4m to £4.9m.

Board changes

In August 2011 Tom Spanner joined the Board as a non-executive director. Tom is a member of the Royal Institute of Chartered Surveyors. His knowledge of, and expertise in, the property market and in particular high-end construction projects is proving extremely valuable.

Strategy

The Group's principal strategy is to continue as a leading player in the data centre market, while also providing a full range of specialist construction services on a nationwide basis.

In furtherance of this strategy, the Company is undertaking two initiatives that have the potential to be of material importance in the context of its turnover and profitability.

The first derives from the Company's decision to exploit MBG's reputation for timely delivery of high quality projects, which it has gained from its experience of working on data centres, to build links with developers requiring contractors with similar skills to work on non-data centre related projects.

The initial response has been extremely positive and MBG has commenced negotiations for a contract with a value of approximately £1m for construction works on two units on a retail park. It is also in advanced discussions with clients on a number of other, more substantial projects. The Directors believe that MBG's construction operation is likely to have a significant, positive impact on the Group's financial performance.

The second initiative is a joint venture (in which the Company is taking an equity stake) in a start-up company, led by an entrepreneur who had previously developed a significant fit-out business, which will undertake design and re-fit projects. Under the joint venture, MBG has agreed to provide construction services on projects sourced by its partner.

Mountfield Land Limited

Mountfield Land had no turnover during the year to 31 December 2011 (2010: £nil) and recorded a pre-tax profit of £141 (2010: £1,073 loss).

Mountfield Land was acquired by the Company at the time of the admission of its shares to AIM in October 2008. Its business was centred on acquiring options over sites on which it was intended to undertake residential or, more particularly, social housing development schemes. Mountfield Land's business suffered badly as the residential market deteriorated post 2009 and the substantial reduction in the programmes for social housing persuaded the Board that the prospects for Mountfield Land's type of business were not good enough to justify maintaining the subsidiary. As a result the Board has taken the decision to discontinue Mountfield Land's operations and to close the company. There has been a consequent write off of £1.5m from the Group's goodwill as a result of this decision.

Financial

The Company completed a fundraising of £560,000, before expenses, in May 2011, which resulted in a strengthening of the institutional shareholder base and it received a loan from Graham Read of £300,000 (of which £280,700 was outstanding at year end). The loan is unsecured, attracts interest at up to 6% per annum (which was waived by Mr Read in 2011) and has no fixed repayment date. The Board, excluding Mr Read, consider, having consulted with W H Ireland, the Company's nominated adviser, that the terms of the loan are fair and reasonable insofar as shareholders are concerned. The Board remains committed to the effective management of working capital.

The decision to discontinue the business of Mountfield Land and to write down the value of the goodwill arising from the acquisition of Connaught resulted in a reduction in the value of the Group's intangible assets in its Consolidated Statement of Financial Position by £5.0m to £10.8m.

In order to expedite the process of conversion of work in progress into cash, a decision was made to seek an agreed settlement of certain accounts rather than to prolong the timeline through detailed negotiations. It was therefore decided to write down a number of items of work in progress brought forward from 2010 resulting in a 2011 provision within cost of sales of £0.6m.

At the balance sheet date the Company had net current borrowings of £1.6m (2010: £1.8m) and net non-current borrowings of £4.1m (2010: £4.4m).

Outlook

Both Mountfield and Connaught have experienced a very good trading performance for the year to date. In addition, enquiries regarding potential new business and requests for quotations are at levels that the Company has not experienced since before the recession began and the return of tendering activity in the data centre and IT has continued to gather pace into 2012.

As a result of the resurgence of the data centre construction market and the consequent growth in the Group's order pipeline, the improving activity levels in the construction operations under its new initiatives and the result of the first five months' trading, the Board views 2012 and beyond with increasing 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 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

Graham Read
Chief Executive Officer

28 June 2012

Mountfield Group Plc

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their annual report and audited financial statements for the year ended 31 December 2011.

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

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

Results
The Group made a pre-tax operating loss from continuing operations of £4,208,813 (2010: loss £796,951) and a net pre-tax loss of £5,864,197 from continuing and discontinued operations (2010: loss - £872,215) for the year ended 31 December 2011 on turnover of £11,063,041 (2010: £8,498,436).

At 31 December 2011 the Group had net assets of £4,810,421 (2010: £10,056,218).

Post balance sheet events
On 22 May 2012, the Company granted 16,666,663 share options under its Enterprise Management Incentive scheme to employees of the Group. These options are exercisable at a price of 3p at any time between the first and fourth anniversary of date of grant.

Mountfield Building Group Ltd ("MBG") has entered into a Memorandum of Understanding with Hub (UK) Ltd ("Hub"). Under the terms of this agreement, MBG will acquire 20% of Hub's share capital and will advance certain funds for working capital. Both parties will enter into a shareholder agreement. Hub will provide construction opportunities for MBG. At the date of this report, MBG had advanced £58,426.

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

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

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

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

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

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

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

The Company seeks to mitigate the investment risk in the bidding process by selecting only those tenders for contracts where it believes it has a competitive advantage and where it believes there is significant potential for profitability

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.

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

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

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

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

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

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

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

Dividends
The Directors do not propose payment of any dividends for the year ended 31 December 2011.

Directors
The Directors who served during the year were:

P H Jay
G J Read
A J Collins
T Spanner (appointed 1 August 2011)

Mountfield Group Plc

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

Charitable Donations
During the year the Group made charitable donations totalling £1,900 (2010: £990)

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

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

Creditor payment policy
The Group's current policy concerning the payment of trade creditors is to:
a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
c) pay in accordance with the Group's contractual and other legal obligations.

At the year end trade creditors represented 68 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
28 June 2012

Mountfield Group Plc

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 2011 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 11, 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 2011 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.

Matters on which we are required to report by exception

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

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

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

28 June 2012
25 Manchester Square
London W1U 3PY

Mountfield Group Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
Continuing operations			
Revenue	**3**	**11,063,041**	8,498,436
Cost of sales	**4**	**(10,289,113)**	(7,694,878)
Gross profit		**773,928**	803,558
Administrative expenses	**5**	**(1,482,741)**	(1,600,509)
Operating loss – before impairment		**(708,813)**	(796,951)
Impairment of Goodwill	**9**	**(3,500,000)**	-
Operating loss – continuing operations		**(4,208,813)**	(796,951)
Net finance costs	**5**	**(127,517)**	(74,191)
Loss before income tax – continuing operations		**(4,336,330)**	(871,142)
Income tax credit	**6**	**102,028**	244,044
Loss for the year from continuing operations		**(4,234,302)**	(627,098)
Discontinued operations			
Loss for the year from discontinued operations	**7**	**(1,565,286)**	(1,073)
Total comprehensive loss for the year		**(5,799,588)**	(628,171)
Loss per share			
Basic and diluted loss per share:			
Continuing operations		**(2.11)p**	(0.36)p
Discontinued operations		**(0.78)p**	- p

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

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of Mountfield Group Plc. Its loss for the year ended 31 December 2011 was £6,875,757 (2010: £159,736).

The notes on pages 17 to 37 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Intangible assets	9	10,788,521	15,816,529
Property plant and equipment	10	127,590	140,587
Deferred income tax assets	17	728,849	664,240
		11,644,960	16,621,356
Current assets			
Inventories	11	75,567	76,381
Trade and other receivables	12	2,292,624	2,224,408
Cash and cash equivalents	13	328,344	600,852
		2,696,535	2,901,641
TOTAL ASSETS		14,341,495	19,522,997
EQUITY AND LIABILITIES			
Issued share capital	14	216,744	175,311
Share premium		1,120,432	608,074
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		(6,915,201)	(1,115,613)
TOTAL EQUITY		4,810,421	10,056,218
Current liabilities			
Trade and other payables	15	3,836,328	3,245,601
Short-term borrowings	16	1,619,442	1,786,357
Finance lease liabilities	16	8,482	8,573
Income tax		-	30
		5,464,252	5,040,561
Non-current liabilities			
Loan notes	16	4,051,513	4,412,705
Finance lease liabilities	16	15,309	13,513
Provision for deferred taxation	17	-	-
		9,531,074	9,466,779
TOTAL EQUITY AND LIABILITIES		14,341,495	19,522,997

The financial statements were approved by the board on 28 June 2012

Graham Read
Director

The notes on pages 17 to 37 form part of these financial statements.

COMPANY REGISTRATION NO. 06374598

Mountfield Group Plc

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
Cash flows from operating activities			
Operating loss – continuing operations		**(708,813)**	(796,951)
Operating profit (loss) – discontinued operations		**141**	(1,073)
Adjusted for:			
Depreciation		**26,968**	46,839
Loss on disposal of property, plant and equipment		**1,400**	3,091
Decrease in inventories		**814**	49,543
(Increase)/decrease in trade and other receivables		**(68,216)**	1,008,542
Increase/(decrease) in trade and other payables		**520,651**	(778,501)
Cash used in operations		**(227,055)**	(468,510)
Finance costs		**(57,484)**	(37,501)
Finance income		**13**	1,570
Taxation received		**-**	100,663
Net cash outflow from operating activities		**(284,526)**	(403,778)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(5,358)**	(9,630)
Proceeds from sale of fixed assets		**1,800**	7,941
Net cash used in investing activities		**(3,558)**	(1,689)
Cash flows from financing activities			
Proceeds from issue of shares		**621,490**	120,000
Costs of shares issued		**(67,699)**	-
Finance lease rentals		**(10,108)**	(16,115)
Repayment of non-convertible loan notes		**(472,992)**	(420,621)
Proceeds from short-term loans		**280,700**	350,000
Net cash flows generated from financing activities		**351,391**	33,264
Net cash increase/(decrease) in cash and cash equivalents		**63,307**	(372,203)
Cash and cash equivalents brought forward		**(362,513)**	9,690
Cash and cash equivalents carried forward	13	**(299,206)**	(362,513)

The notes on pages 17 to 37 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Share based payment reserve	Merger reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2010	171,311	492,074	294,022	12,951,180	(2,856,756)	(487,442)	10,564,389
Total comprehensive income for the year	-	-	-	-	-	(628,171)	(628,171)
Shares issued in period	4,000	116,000	-	-	-	-	120,000
At 31 December 2010	175,311	608,074	294,022	12,951,180	(2,856,756)	(1,115,613)	10,056,218
Total comprehensive income for the year	-	-	-	-	-	(5,799,588)	(5,799,588)
Shares issued in period	41,433	580,057	-	-	-	-	621,490
Costs of shares issued	-	(67,699)	-	-	-	-	(67,699)
At 31 December 2011	**216,744**	**1,120,432**	**294,022**	**12,951,180**	**(2,856,756)**	**(6,915,201)**	**4,810,421**

Merger Reserve

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

Reverse Acquisition Reserve

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

The notes on pages 17 to 38 form part of these financial statements.

1 Accounting policies

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

1.1 General information

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

1.2 IFRS compliance and adoption

Statement of compliance with IFRS

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

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

The financial statements have been prepared under the historical cost.

Sources of estimation uncertainty

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

Significant judgements

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

Goodwill

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

Receivables

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

Accounting for construction contracts

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

1 Accounting policies (continued)

1.2 IFRS compliance and adoption (continued)

Significant judgements

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

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

1.3 New standards and interpretations

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

		Effective Date
IFRS 1	First time adoption (amendment)	1st July 2011
IFRS 7	Disclosures – Transfers of financial assets (amendment)	1st July 2011
IFRS 9	Financial instruments*	1st January 2015
IFRS 10	Consolidated financial statements	1st January 2013
IFRS 11	Joint arrangements	1st January 2013
IFRS 12	Disclosure of interests in other entities	1st January 2013
IFRS 13	Fair value measurement	1st January 2013
IAS 1	Presentation of items of other comprehensive income (amendment)	1st July 2012
IAS 12	Deferred tax – Recovery of underlying assets (amendment)	1st January 2012
IAS 19	Employee benefits (revised)	1st January 2013
IAS 27	Separate financial statements (revised)	1st January 2013
IAS 28	Investments in associates and joint ventures (revised)	1st January 2013
IAS 32	Financial Instruments: Presentation (amendment)	1st January 2014

* This standard has not yet been endorsed by the EU.

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

1.4 Basis of consolidation

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

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.

1 Accounting policies (continued)

1.4 Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

1.7 Amounts recoverable on long term contracts

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

1.8 Share-based payments

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

1.9 Retirement benefits: Defined contribution schemes

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

1.10 Impairment

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

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

1.11 Property, plant and equipment

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

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

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

1 Accounting policies (continued)

1.12 Leasing

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

Assets obtained under finance leases are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such arrangements are included in 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, which excludes current receivables and payables, comprise cash or overdraft and unsecured non-convertible loan notes. The directors consider the fair value not to be materially different to the carrying value for the financial instruments. During the years under review, the Group did not enter into derivative transactions and did not undertake trading in any financial instruments.

1.15 Trade and other receivables

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

1.16 Cash and cash equivalents

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

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

1.17 Financial liabilities and equity

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

1.18 Share capital

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

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

1 Accounting policies (continued)

1.19 Trade and other payables

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

1.20 Taxation

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

The current tax charge is based on the taxable 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.

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 2011.

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

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

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

The Group comprises the following segments:

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

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

Land sourcing
Sourcing land and enhancing value.

2 Segmental reporting (continued)

Segmental operating performance

	2011		2010	
	Revenue	**Profit /(loss) before tax**	Revenue	Profit / (loss) before tax
	£'000	**£'000**	£'000	£'000
Construction	**7,581**	**(811)**	4,516	(953)
Fit-out	**3,672**	**(3,186)**	4,010	309
Land sourcing	**-**	**(1,528)**	-	(1)
	11,253	**(5,525)**	8,526	(645)
Inter-segmental revenue and unallocated	**(190)**	**(339)**	(28)	(227)
	11,063	**(5,864)**	8,498	(872)

Business segments assets and liabilities

	2011		2010	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Construction	**2,039**	**4,301**	1,503	3,378
Fit-out	**1,236**	**505**	1,814	827
Land sourcing	**-**	**2**	38	9
	3,275	**4,808**	3,355	4,214
Goodwill – Construction	**5,914**	**-**	5,914	-
Goodwill – Fit-out	**4,874**	**--**	8,374	-
Goodwill – Land sourcing	**-**	**-**	1,528	-
Other unallocated assets & liabilities	**278**	**4,723**	352	5,253
	14,341	**9,531**	19,523	9,467

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

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

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

3 Construction contracts

	2011	2010
	£	£
Contract revenue recognised in relation to construction contracts in the year and retentions	**11,063,041**	8,498,436
For contracts in progress at the balance sheet date:		
Aggregate cost incurred to date	**3,828,833**	5,331,818
Recognised profit to date	**877,999**	670,545
Retentions due	**124,993**	108,490

Major customers

Total group revenue to five customers all relating to construction and fit out, totalled £8,077,989 of which £6,142,475 related to construction and £1,935,514 to fit out. No other customers were individually material in revenue value.

4 Cost of sales

	2011	2010
	£	£
Direct costs	**9,708,537**	7,694,878
Adjustment to amount receivable on long term contracts	**580,576**	-
Total cost of sales	**10,289,113**	7,694,878

In order to expedite the process of conversion of work in progress into cash, a decision was made to seek an agreed settlement of certain accounts rather than to prolong the timeline through detailed negotiations. It was therefore decided to write down a number of items of work in progress brought forward from 2010 resulting in a 2011 provision of £580,576.

5 Other income and expenses

	2011	2010
	£	£
Finance expense		
Loan interest	**80,046**	38,260
Interest on finance leases	**482**	551
Other interest	**18,984**	5,199
Bank interest	**28,018**	31,751
Interest paid	**127,530**	75,761
Finance income		
Bank interest received	**13**	1,570
Net finance costs	**127,517**	74,191

5 Other income and expenses (continued)

Administrative expenses include:

	2011	2010
	£	£
Depreciation of property, plant and equipment		
- owned by the Group	**20,875**	40,578
- held under finance leases	**6,093**	6,261
Operating lease rentals - other	**48,394**	80,802
Auditors remuneration		
Fees payable to the company's auditor for the audits of the parent company, consolidated financial statements and the subsidiaries	**40,000**	40,000
Fees payable for other services	**-**	1,500

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

	2011	2010
	No.	No.
Administration	**7**	9
Cost of sales	**18**	42
Management	**10**	7
	35	58

Wages and salaries

	2011	2010
	£	£
Wages and salaries	**1,234,967**	1,938,441
Social security costs	**139,880**	201,330
Post employment benefits	**53,100**	53,100
	1,427,947	2,192,871

Key management personnel compensation

	2011	2010
	£	£
Short-term employee benefits	**6,475**	42,356
Post-employment benefits	**53,100**	53,100
	59,575	95,456

5 Other income and expenses (continued)

Directors' remuneration

	2011				2010
	Salaries and fees	**Benefits in kind**	**Pension contributions**	**Total**	Total
	£	£	£	**£**	£
G Read	-	2,282	53,100	**55,382**	55,344
A Collins	6,475	5,700	-	**12,175**	44,444
P Jay	4,300	-	-	**4,300**	11,563
T Spanner	10,000	-	-	**10,000**	-
R Patel	-	-	-	**-**	5,000
	20,775	7,982	53,100	**81,857**	116,351

The remuneration as disclosed for G Read includes £17,400 (2010: £17,400) of pension contributions paid for his wife, J Read.

6 Income tax expense/credit

	2011	2010
	£	£
Current tax		
Adjustment in respect of prior periods	**-**	(4,844)
Total current tax	**-**	(4,844)
Deferred tax		
Deferred tax credit - continuing operations	**(102,028)**	(239,200)
Deferred tax debit – discontinued operations	**37,419**	-
Income tax credit	**(64,609)**	(244,044)
Factors affecting tax charge		
Loss before income tax –continuing & discontinued operations	**(5,864,197)**	(872,215)
Loss before income tax multiplied by effective rate of UK corporation tax of 26.5% (2010: 28%)	**(1,553,426)**	(244,248)
Effects of:		
Expenses not deductible for tax purposes	**1,357,740**	23,115
Depreciation for period in excess of capital allowances	**3,135**	7,592
Tax losses not utilised and carried forward	**192,552**	212,648
Other adjustments	**-**	893
Adjustment in respect of prior periods	**-**	(4,844)
Current tax charge	**-**	(4,844)

It has been announced that the UK tax rate will reduce by 1% per annum for each of the next 3 years to 23% for the tax year commencing 1st April 2014. The impact of these reductions will be reflected if the relevant legislation is enacted.

7 Loss for the year from discontinued operations

	2011	2010
Administrative expenses	**141**	(1,073)
Impairment of goodwill (note 9)	**(1,528,008)**	-
Loss before taxation	**(1,527,867)**	(1,073)
Income tax expense	**(37)**	-
Write-off of deferred tax balance	**(37,382)**	-
Loss for the year after taxation attributable to discontinued operations	**(1,565,286)**	(1,073)

8 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.

	2011	2010
Basic and diluted	**£**	£
Loss for the financial year –continuing operations	**(4,234,302)**	(627,098)
Loss for the financial year – discontinued operations	**(1,565,286)**	(1,073)
	(5,799,588)	(628,171)
Weighted average number of shares	**200,902,211**	172,648,673

In the year ended 31 December 2011, 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.

9 Intangible assets

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

	Goodwill £
Cost	
At 1 January 2010	15,816,529
Additions	-
At 31 December 2010	15,816,529
Additions	-
At 31 December 2011	**15,816,529**
Amortisation and impairment	
At 1 January 2010 and 31 December 2010	-
Impairment loss – continuing operations	3,500,000
Impairment loss – discontinued operations	1,528,008
Balance at 31 December 2011	**5,028,008**
Net book value	
At 31 December 2011	**10,788,521**
At 31 December 2010	15,816,529

Impairment of goodwill

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

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

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

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

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

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

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

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

Mountfield Group Plc

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FOR THE YEAR ENDED 31 DECEMBER 2011

10 Property, plant and equipment

	Freehold and leasehold £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2010	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
Additions	1,995	146	3,217	11,813	17,171
Written back on disposal	-	(119,715)	(61,612)	(13,115)	(194,442)
At 31 December 2011	**183,418**	**44,540**	**61,896**	**90,271**	**380,125**
Depreciation					
At 1 January 2010	108,383	141,862	91,853	61,683	403,781
Charge for the year	12,405	12,587	3,802	18,045	46,839
Written back on disposals	-	(15,676)	-	(18,135)	(33,811)
At 31 December 2010	120,788	138,773	95,655	61,593	416,809
Charge for the year	2,568	11,455	2,854	10,091	26,968
Written back on disposals	-	(119,715)	(61,612)	(9,915)	(191,242)
At 31 December 2011	**123,356**	**30,513**	**36,897**	**61,769**	**252,535**
Net book value					
At 31 December 2011	**60,062**	**14,027**	**24,999**	**28,502**	**127,590**
At 31 December 2010	60,635	25,336	24,636	29,980	140,587

The net book value of property, plant and equipment includes an amount of £27,253 (2010: £24,771) in respect of assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £7,862 (2009: £7,835) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

11 Inventories

	2011 £	2010 £
Materials and finished goods	**75,567**	76,381

The amount of inventories recognised as expense during the year was £76,381 (2010 - £125,924).

12 Trade and other receivables

	2011 £	2010 £
Trade receivables	**1,108,472**	579,381
Less: Provision for impairment of trade receivable	**-**	(15,647)
	1,108,472	563,734
Contract retentions	**282,927**	205,970
Other receivables	**4,675**	8,677
Prepayments	**137,530**	186,701
Amounts recoverable on long term contracts	**759,020**	1,259,326
Total trade and other receivables	**2,292,624**	2,224,408

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 30 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 £1,290 (2010: £23,507).

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

	2011 £	2010 £
Balance at 1 January	**15,647**	5,961
(Credit)/charge to the statement of comprehensive income	**(7,647)**	9,686
Balance at 31 December	**8,000**	15,647

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

	2011 £	2010 £
Trade receivables		
Three to six months	**15,000**	2,766
Six to nine months	**-**	26,114
Nine to twelve months	**-**	1,144
More than twelve months	**68**	4,882
	15,068	34,906
Contract retentions		
Three to six months	**12,193**	7,828
Six to nine months	**15,775**	3,200
Nine to twelve months	**18,968**	24,644
More than twelve months	**1,068**	21,279
	48,004	56,951

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

13 Cash and cash equivalents

	2011	2010
	£	£
Cash at bank and in hand	**328,344**	600,852

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 £400,000 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 £400,000

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2011:

	2011	2010
	£	£
Cash at bank and in hand	**328,344**	600,852
Bank overdraft	**(627,550)**	(963,365)
	(299,206)	(362,513)

14 Share capital

	2011		2010	
	Number	**£**	Number	£
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**216,744,454**	**216,744**	175,311,787	175,311

On 17 May 2011, the Company issued 37,333,334 Ordinary Shares of 0.1p each at a price of 1.5p per share in cash for a sum of £560,000 gross of expenses.

On 22 June 2011, the Company issued 4,099,333 Ordinary Shares of 0.1p each at a price of 1.5p per share in settlement of fees owed to advisers to the company.

Own shares held
At 31 December 2010, a total of 7,500,000 shares (2010: 7,500,000) were held as treasury shares. The company has the right to re-issue these shares at a later date. This represents 3.5% (2010: 4.3%) of issued share capital.

14 Share Capital (continued)

Warrants

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

	Weighted average remaining contractual life (years)	**Number**	**Weighted average exercise price £**
At 1 January 2010		10,000,000	0.07
Granted	-	-	-
Lapsed	-	-	-
At 31 December 2010	3.8	10,000,000	0.07
Granted	-	-	-
Lapsed	-	-	-
At 31 December 2011	**2.8**	**10,000,000**	**0.07**

As at 31 December 2011 the warrants outstanding were exercisable as follows:

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

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

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

The charge to the statement of comprehensive income for share based payments during the year ended 31 December 2011 was £nil (2010: £nil).

15 Trade and other payables (current)

	2011 £	2010 £
Trade payables	**2,298,000**	1,922,378
Other payables	**76,617**	49,219
Accruals	**773,966**	655,123
Other taxes and social security costs	**687,745**	618,881
	3,836,328	3,245,601

The average credit taken for trade purchases is 68 days. The directors consider that the carrying amount of trade payables approximate their fair value.

16 Borrowings

	2011 £	2010 £
Current		
Bank overdrafts	**627,550**	963,365
Net obligations under finance leases	**8,482**	8,573
Short-term unsecured loan	**350,000**	350,000
Short-term unsecured loan from Director	**280,700**	-
Unsecured non-convertible loan notes	**361,192**	472,992
	1,627,924	1,794,930
Non - current		
Unsecured non-convertible loan notes	**4,051,513**	4,412,705
Net obligations under finance leases	**15,309**	13,513
	4,066,822	4,426,218
Total borrowings	**5,694,746**	6,221,148

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 £472,992 (2010: £420,621) were made against the loan notes in the period.

The loan notes are non-transferrable and carry interest at a rate of 2 per cent above the base rate of Barclays Bank plc per annum. The non–current portion of the unsecured loan notes is redeemable on 30 June 2016. The current portion of the unsecured loan notes is due for repayment during 2012.

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 was due for repayment on 14 December 2011 but repayment has been deferred to a number of installments being £100,000 on 1 July 2012 and four further installments each of £62,500 on 27 July, 31 August, 30 September and 31 October 2012. Accrued interest to 31 December was paid on 5 January, net of income tax. Interest continues to accrue at 20% p.a. and interest accrued to 30 June 2012 is payable on 1 July 2012. Interest accrued from 1 July is payable with final installment of the loan on 31 October 2012. At the balance sheet date £108,306 of interest (gross of income tax) had accrued.

The short-term unsecured loan from a Director accrues interest at 6% pa but all interest to 31 December 2011 was waived.

16 Borrowings (continued)

	2011	2010
	£	£
Non-current borrowings		
Analysis		
Repayable between one and two years	**341,892**	341,892
Repayable between two and five years	**3,709,621**	4,070,813
Repayable after five years	**-**	
	4,051,513	4,412,705

	2011	2010
	£	£
Net obligations under finance leases		
Analysis		
Repayable within one year	**8,482**	8,573
Repayable between one and five years	**15,309**	13,513
	23,791	22,086
Included in current liabilities	**(8,482)**	(8,573)
	15,309	13,513

17 Deferred taxation

	2011	2010
	£	£
Deferred tax analysis:		
Deferred tax losses	**(728,849)**	(669,557)
Deferred tax expense relating to origination and reversal of temporary differences	**-**	5,317
	(728,849)	(664,240)

	2011	2010
	£	£
Movement in deferred tax during the year		
At 1 January 2011	**(664,240)**	(425,040)
Credit for the year	**(64,609)**	(239,200)
At 31 December 2011	**(728,849)**	(664,240)

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

18 Capital commitments

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

19 Operating lease commitments

Commitments under non-cancellable operating leases expiring:

	Property	
	2011	2010
	£	£
Less than one year	**4,400**	4,500
Between two and five years	**37,068**	37,068
	41,468	41,568

20 Financial instruments

Capital risk management

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

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

Categories of financial instruments

	2011	2010
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	**328,344**	600,852
Trade and other receivables	**2,292,626**	2,224,408
Total	**2,620,970**	2,825,260
Financial liabilities		
Trade and other payables	**4,467,027**	3,595,601
Unsecured non-convertible loan notes	**4,412,705**	4,885,697
Secured borrowings	**651,341**	985,451
	9,531,073	9,466,749
Net	**(6,910,103)**	(6,641,489)

Cash and cash equivalents

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

General risk management principles

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

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

Market risk

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

Interest rate risk

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

20 Financial instruments (continued)

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 2011 is the carrying value of financial assets recorded in the financial statements.

Liquidity risk

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

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

Fair value of financial assets and liabilities

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

21 Pension costs

The Group operates a defined contribution pension scheme in respect of the directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £53,100 (2010: £53,100).

22 Directors' guarantees

Andrew Collins and Graham Read have given a guarantee limited to £100,000 in respect of the overdraft facility for Connaught Access Flooring Limited. Graham Read has given a guarantee limited to £400,000 in respect of the overdraft facility of Mountfield Building Group Limited.

23 Related party transactions

The Company made a loan of £315,165 (2010: £nil) to Mountfield Building Group Limited, a subsidiary undertaking. At 31 December 2011, £1,378,686 (2010: £1,319,610) was owed to Mountfield Building Group Limited in respect of this transaction and expenses of £574,241 (2010; £447,047) paid on behalf of the Company by Mountfield Building Group Limited, net of £200,000 (2010: nil) in respect of liabilities discharged by the company on behalf of Mountfield Building Group Ltd.

During the year, the Company acquired the intercompany loan balance of £166,158 (2010: £159,158) due from Mountfield Land Ltd to Mountfield Building Group Ltd. Following the decision to discontinue the operations of Mountfield Land Ltd, this balance was fully impaired.

During the year Connaught Access Flooring Limited, a subsidiary undertaking, paid expenses of £194,793 (2010: £323,862) on behalf of the company. At 31 December 2011, £1,143,658 (2010: £948,865) was owed to Connaught Access Flooring Limited in respect of these transactions.

23 Related party transactions (continued)

During the year the Company received advances totalling £31,550 (2010: £100) from MBG Construction Limited, a subsidiary undertaking. At 31 December 2011, the Company owed £31,650 (2010: £100) in respect of these transactions

As at 31 December 2011, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £3,268,372 (2010: £3,579,472) and £1,144,333 (2010: £1,306,225) 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 (2010: £125,360) and £64,414 (2010: £64,414) respectively.

During the year, Meze LLP invoiced £nil (2010: £11,562) for the services of Peter Jay as a director of Mountfield Group Plc. As at 31 December 2011, £nil (2010: £nil) was due to Meze LLP. Peter Jay's fees of £4,300 for the year to 31 December 2011 were accrued at year-end and invoiced in 2012.

During the year, the Group was invoiced £40,729 (2010: £39,500) for accountancy and bookkeeping services by Read & Co, a Chartered accountancy practice controlled by Graham Read's brother. As at 31 December 2011 the balance owed to Read & Co was £2,350 (2010: £nil).

During the year, the Group was invoiced £38,940 (2010: £30,219) by Planet Red Media for business consultancy services. Planet Red Media is a firm controlled by a member of Graham Read's family. As at 31 December 2011, Planet Red Media was owed £295 (2010: £nil) by the Group.

As at 31 December 2011 the Group owed Mr. James Schulman £350,000 (2010: £350,000). This loan was advanced initially to Graham Read who, in turn, advanced the monies to Mountfield Building Group Ltd in order to provide it with working capital. As the loan had been taken up by Graham Read for the benefit of the Group, the Board determined that the Group should assume responsibility for the repayment of the loan and any interest relating to it. Interest charged to the Consolidated Statement of Comprehensive Income was £70,046 (2010: £38,260) and is included in accruals amounting to £108,306 (2010: £38,260)

During the year the Group was advanced £300,000 by Graham Read (2010: £nil). The balance outstanding at 31 December was £280,700 (2010: £nil). Interest is chargeable at 6% per annum on this loan but has been waived for 2011.

During the year, the Group made payments of £177,400 to Mr. Alvin Lindley on behalf of Graham Read (2010: £204,000). These payments were deducted from the amounts due to Graham Read in respect of the current portion of his loan notes.

24 Post Balance Sheet Events

On 22 May 2012, the Company granted 16,666,663 share options under its Enterprise Management Incentive scheme to employees of the Group. These options are exercisable at a price of 3p at any time between the first and fourth anniversary of date of grant.

Mountfield Building Group Ltd ("MBG") has entered into a Memorandum of Understanding with Hub (UK) Ltd ("Hub"). Under the terms of this agreement, MBG will acquire 20% of Hub's share capital and will advance certain funds for working capital. Both parties will enter into a shareholder agreement. Hub will provide construction opportunities for MBG. At the date of this report, MBG had advanced £58,426.

25 Control

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

Mountfield Group Plc

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

Company no. 06374598

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Investment in subsidiaries	2	**13,021,629**	19,365,817
Deferred income tax assets	8	**170,985**	197,428
		13,192,614	19,563,245
Current assets			
Other receivables	3	**106,523**	155,918
Cash and cash equivalents	4	**-**	-
		106,523	155,918
TOTAL ASSETS		**13,299,137**	19,719,163
EQUITY AND LIABILITIES			
Issued share capital	5	**216,744**	175,311
Share premium		**1,120,432**	608,074
Share based payments reserve		**294,022**	294,022
Merger reserve		**12,951,180**	12,951,180
Retained losses		**(8,708,090)**	(1,832,333)
TOTAL EQUITY		**5,874,288**	12,196,254
Current liabilities			
Trade and other payables	6	**3,003,931**	2,635,617
Short-term borrowings	7	**8,213**	1,565
Loan notes	7	**361,192**	472,992
Income tax		**-**	30
		3,373,336	3,110,204
Non-current liabilities			
Loan notes	7	**4,051,513**	4,412,705
		7,424,849	7,522,909
TOTAL EQUITY AND LIABILITIES		**13,299,137**	19,719,163

The financial statements were approved by the board on 28 June 2012

Graham Read
Director

Mountfield Group Plc

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		£	£
Cash flows from operating activities			
Operating loss		**(6,849,314)**	(227,046)
Adjusted for:			
Impairment of investment in subsidiaries		**6,344,187**	-
Decrease/(increase) in trade and other receivables		**49,395**	(139,223)
Decrease in trade and other payables		**(83,293)**	(63,650)
Net cash outflow from operating activities		**(539,025)**	(429,919)
Cash flows from financing activities			
Proceeds from issue of shares		**621,490**	120,000
Cost of shares issued		**(67,699)**	-
Loans received from subsidiary undertakings		**451,578**	728,175
Repayment of non-convertible loan notes		**(472,992)**	(420,621)
Net cash flows generated from financing activities		**532,377**	427,554
Net cash decrease in cash and cash equivalents		**(6,648)**	(2,365)
Cash and cash equivalents brought forward		**(1,565)**	800
Cash and cash equivalents carried forward	11	**(8,213)**	(1,565)

Mountfield Group Plc

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Share based payment reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£
At 1 January 2010	171,311	492,074	294,022	12,951,180	(1,672,597)	12,235,990
Total comprehensive income for the year	-	-	-		(159,736)	(159,736)
Shares issued in period	4,000	116,000	-	-	-	120,000
At 31 December 2010	175,311	608,074	294,022	12,951,180	(1,832,333)	12,196,254
Total comprehensive income for the year	-	-	-	-	(6,875,757)	(6,875,757)
Shares issued in period	41,433	580,057	-	-	-	621,490
Costs of shares issued	-	(67,699)	-	-	-	(67,699)
At 31 December 2011	**216,744**	**1,120,432**	**294,022**	**12,951,180**	**(8,708,090)**	**5,874,288**

Merger reserve

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

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 17 to 37.

1.1 Investment in subsidiaries

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

2 Investment in subsidiary undertakings

	Shares in subsidiary undertakings
Cost	£
At 1 January 2010	19,365,817
Additions	-
At 31 December 2010	19,365,817
Additions	-
At 31 December 2011	**19,365,817**
Accumulated Impairment provisions	
At 1 January 2010 and 31 December 2010	-
Impairment loss – Connaught Access Flooring Ltd	4,815,694
Impairment loss – Mountfield Land Ltd	1,528,493
Balance at 31 December 2011	**6,344,187**
Net book value	
At 31 December 2011	**13,021,629**
At 31 December 2010	19,365,817

The following companies are the principal subsidiary undertakings at 31 December 2011 and are all consolidated:

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

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

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

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

3 Trade and other receivables

	2011	2010
	£	£
Prepayments	**106,523**	155,918

4 Cash and cash equivalents

	2011	2010
	£	£
Cash at bank	**-**	-

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £nil (2010: £nil).

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2011:

	2011	2010
	£	£
Cash at bank	**-**	-
Bank overdraft	**(8,213)**	(1,565)
	(8,213)	(1,565)

5 Share capital

	2011		2010	
	Number	**£**	Number	£
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**216,744,354**	**216,744**	175,311,687	175,311

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

6 Trade and other payables

	2011	2010
	£	£
Trade payables	**43,719**	128,340
Amounts owed to subsidiary undertakings	**2,720,153**	2,268,575
Other payables	**234,260**	238,702
Other tax and social security costs	**5,799**	-
	3,003,931	2,635,617

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

7 Borrowings

	2011	2010
	£	£
Current liabilities		
Bank overdraft	**8,213**	1,565
Unsecured non-convertible loan notes	**361,192**	472,992
	369,405	474,557
Non-current liabilities		
Unsecured non-convertible loan notes	**4,051,513**	4,412,705
	4,420,918	4,887,262

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

8 Deferred taxation

	2011	2010
	£	£
Deferred tax analysis:		
Deferred tax losses	**(170,985)**	(197,428)
Movement in deferred tax during the year:		
At 1 January 2011	**(197,428)**	(130,117)
Charge/(credit) for the year	**26,443**	(67,311)
At 31 December 2011	**(170,985)**	(197,428)

9 Capital Commitments

There were no capital commitments at the year end.

10 Contingent liabilities

Under the terms of the Group's banking facilities, the Company has provided a cross guarantee to the Group's bankers. At the year end, the net balance due to the Group's bankers in respect of the guarantee was £318,603 (2010: £326,334).

11 Key management personnel compensation

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

12 Directors' guarantees

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

13 Related party disclosures

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

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

14 Financial instruments

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

Categories of financial instruments

	2011	2010
	£	£
Financial assets		
Loans and receivables at amortised cost	**106,523**	155,918
Other receivables	**-**	-
Cash and cash equivalents	**-**	-
	106,523	155,918
Financial liabilities		
Trade and other payables	**3,003,931**	2,635,617
Bank overdraft	**8,213**	1,565
Unsecured non-convertible loan notes	**4,412,705**	4,885,697
	7,424,849	7,522,879
	(7,318,326)	(7,366,961)