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This document, which is an admission document prepared in accordance with the AIM Rules for Companies has been issued in connection with the application for Admission. The Admission will not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA or the Prospectus Rules published by the Financial Services Authority (“FSA”) (as amended) and accordingly this document does not constitute a prospectus for these purposes and has not been pre-approved by the United Kingdom Listing Authority pursuant to section 85 of FSMA.

The Directors, whose names appear on page 3 of this document, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information. In connection with this document no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

The delivery of this document or any subscriptions or purchases made hereunder and at any time subsequent to the date of this document shall not, under any circumstances, create an impression that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct.

**Application has been made for the Ordinary Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this document.**

**The rules of AIM are less demanding than those of the United Kingdom Listing Authority “Official List”. It is emphasised that no application will be made for admission of the Ordinary Shares to the Official List.**

**The whole of this document should be read. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Your attention is also drawn to the section headed “Risk Factors” which is set out in Part Two of this document.**

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# Mountfield Group plc

*(Incorporated in England and Wales with registered number 6374598)*

## Admission to trading on AIM

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### Nominated Adviser & Broker

### Daniel Stewart & Company plc

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Share Capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£1,000,000	1,000,000,000	Ordinary Shares of 0.1 pence each	£169,558	169,558,520

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The distribution of this document outside the UK may be restricted by law. No action has been taken by the Company, the holders of the Ordinary Shares or Daniel Stewart & Company plc that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for those purposes is required. Persons outside the UK who come into possession of this document should inform themselves about and observe any restrictions on the distribution of this document in their particular jurisdiction. Failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe or buy Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such an offer or solicitation. In particular this document is not for distribution (directly or indirectly) in or into the United States of America, Canada, Australia, Japan or South Africa. Accordingly the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the United States of America, Canada, Australia, Japan or South Africa. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, Canada, Australia, Japan or South Africa and they may not be offered or sold directly or indirectly within the United States of America, Canada, Australia, Japan or South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan or South Africa.

Daniel Stewart & Company plc, which is regulated in the UK by the FSA, is acting as the Company’s nominated adviser and broker in connection with the proposed Admission. The responsibilities of Daniel Stewart & Company plc as the Company’s nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No liability whatsoever is accepted by Daniel Stewart & Company plc for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible. Daniel Stewart & Company plc will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of any acquisition of Ordinary Shares.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Daniel Stewart & Company plc, Becket House, 36 Old Jewry, London EC2R 8DD from the date of this document and shall remain available for a period of one month from Admission.

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## DIRECTORS, SECRETARY AND ADVISORS

<b>Directors</b>	Peter Harry Jay ( <i>Executive Chairman</i> ) Graham John Read ( <i>Chief Executive</i> ) Andrew James Collins ( <i>Executive Director</i> ) Rakesh Ramesh Patel ( <i>Finance Director</i> ) The Rt Hon. Sir Jeremy Hanley KCMG ( <i>Non-Executive Director</i> ) all of: 3C Sopwith Crescent, Wickford Business Park, Wickford, Essex SF11 8YU
<b>Registered Office</b>	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU Telephone Number: 01268 573736 Website: <a href="http://www.mountfieldgroupplc.com">www.mountfieldgroupplc.com</a>
<b>Company Secretary</b>	Peter Jay
<b>Nominated Adviser and Broker</b>	<b>Daniel Stewart &amp; Company plc</b> Becket House 36 Old Jewry London EC2R 8DD
<b>Reporting Accountants</b>	<b>Baker Tilly Corporate Finance LLP</b> 2 Bloomsbury Street London WC1B 3ST
<b>Solicitors to the Company</b>	<b>Beachcroft LLP</b> 100 Fetter Lane London EC4A 1BN
<b>Solicitors to Daniel Stewart</b>	<b>K&amp;L Gates LLP</b> 110 Cannon Street London EC4N 6AR
<b>Registrars</b>	<b>Equiniti Limited</b> Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>ISIN</b>	GB00B3CQW227
<b>EPIC</b>	MOGP

## STATISTICS

Number of Ordinary Shares in issue at Admission	169,558,520
Issue Price of Ordinary Shares at Admission	10p
Market Capitalisation of the Company on Admission at the Admission Price	£16.96m

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	27 October 2008
Admission and dealings in the Ordinary Shares to commence on AIM	8.00 a.m. on 30 October 2008
Delivery into CREST of the Ordinary Shares to be held in uncertificated form	8.00 a.m. on 30 October 2008
Delivery of the share certificates for the Ordinary Shares in certificated form	13 November 2008

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“2006 Act”	the Companies Act 2006;
“Access Flooring”	raised flooring that may be removed in pieces to allow for cabling and cooling systems to run under floor space;
“Act”	the Companies Act 1985 (as amended);
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“Admission Price”	the price placed on each Ordinary Share at Admission;
“AIM”	AIM, a market operated and regulated by the London Stock Exchange;
“AIM Rules for Companies”	the rules of the London Stock Exchange which set out the rules and responsibilities in relation to companies whose shares are admitted to AIM;
“AIM Rules for Nominated Advisers”	the rules of the London Stock Exchange which set out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers;
“Acquisitions”	the acquisition by the Company of Mountfield, Connaught and Mountfield Land;
“Acquisition Agreements”	the Mountfield Acquisition Agreement, the Connaught Acquisition Agreement and the Mountfield Land Acquisition Agreement;
“Board” or “Directors”	the directors of the Company for the time being and (where the context requires) comprises those persons as at the date of this document, whose names appear on page 3 of this document, each of which being “a Director”;
“Code”	The City Code on Takeovers and Mergers;
“Combined Code”	the code of best practice including the principles of good governance published in June 2006 by the Financial Reporting Council;
“Company”	Mountfield Group plc;
“Connaught”	Connaught Access Flooring Holdings Limited;
“Connaught Access Flooring”	Connaught Access Flooring Limited;
“Connaught Acquisition Agreement”	the share purchase agreement dated 16 October 2008 between (1) the Connaught Vendors and (2) the Company, details of which are set out in paragraph 15.1.4 of Part 5 of this document;
“Connaught Consideration Shares”	the 64,600,000 Ordinary Shares in the capital of the Company to be issued pursuant to the terms of the Connaught Acquisition Agreement;
“Connaught Vendors”	Andrew Collins and Graham Read;

“Consideration Shares”	the 130,820,000 Ordinary Shares issued at 10 pence per share as part consideration for the Acquisitions comprising the Mountfield Consideration Shares, Mountfield Land Consideration Shares and Connaught Consideration Shares;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Uncertificated Securities Regulations);
“Daniel Stewart”	Daniel Stewart & Company plc;
“Data Centre”	a facility used to house computer systems and associated equipment such as telecommunications and storage systems;
“Directors”	being Peter Jay, Graham Read, Andrew Collins, Rakesh Patel and Sir Jeremy Hanley;
“Fully Diluted Share Capital”	the share capital of the Company, as fully diluted by the exercise of the Warrants and the issue of the maximum number of Mountfield Land Deferred Consideration Shares;
“Group” or “Mountfield Group”	the Company and its Subsidiaries as at the date of this document and following Admission;
“Loan Notes”	£5,500,000 of unsecured non-convertible loan notes to be issued to Graham Read, Janet Read and Andrew Collins as part of the consideration for the acquisition of Mountfield and Connaught;
“London Stock Exchange”	London Stock Exchange plc;
“MBG”	MBG Construction Limited;
“Mountfield”	Mountfield Building Group Limited;
“Mountfield Acquisition Agreement”	the share purchase agreement dated 16 October 2008 between (1) the Mountfield Vendors and (2) the Company, details of which are set out in paragraph 15.1.3 of Part 5 of this document;
“Mountfield Consideration Shares”	the 51,220,000 Ordinary Shares in the capital of the Company issued pursuant to the terms of the Mountfield Acquisition Agreement;
“Mountfield Land”	Mountfield Land Limited;
“Mountfield Land Acquisition Agreement”	the share purchase agreement dated 16 October 2008 between (1) the Mountfield Land Vendors and (2) the Company, details of which are set out in paragraph 15.1.5 of Part 5 of this document;
“Mountfield Land Consideration Shares”	the 15,000,000 Ordinary Shares in the capital of the Company to be issued pursuant to the terms of the Mountfield Land Acquisition Agreement;
“Mountfield Land Deferred Consideration Shares”	the Ordinary Shares (if any) to be issued to the Mountfield Land Vendors in accordance with the terms of the Mountfield Land Acquisition Agreement, further details of which are set out in paragraph 15.1.5 of Part 5 of this document;
“Mountfield Land Vendors”	Chris Baron and Neil Hobbs;

“Mountfield Vendors”	Graham Read and Janet Read;
“Official List”	the official list of the UK Listing Authority;
“Ordinary Shares”	the ordinary shares of 0.1 pence each in the share capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“Pre-IPO Loan Notes”	£325,000 of unsecured convertible loan notes issued by the Company, further details of which are set out in paragraph 15.1.16 of Part 5;
“Prospectus Rules”	the Prospectus Rules published by the Financial Services Authority from time to time;
“Registrar”	Equiniti Limited;
“Shareholder(s)”	the person(s) who are registered as holder(s) of Ordinary Shares from time to time;
“Share Capital”	the issued ordinary share capital of the Company on Admission;
“Subsidiaries”	the subsidiaries of the Company being Connaught, Connaught Access Flooring, Mountfield, MBG and Mountfield Land;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the official list;
“Uncertificated Form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST;
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended;
“United States”	the United States of America, each State thereof, its territories and possessions and the District of Columbia; and
“Warrants”	warrants to subscribe for up to 10,000,000 Ordinary Shares to be granted by the Company on Admission exercisable at the Admission Price for a term of 5 years from the date falling 12 months after Admission.

## PART 1

### INFORMATION ON THE GROUP

#### 1. Information on the Group

##### *Background*

Mountfield consists of three businesses and provides construction and property services to the private sector. The Group's principal activity is the internal construction and fit out of Data Centres for the IT industry.

At Admission the Group's activities comprise:

- Design and nationwide installation of environmentally controlled Data Centres.
- Builderswork packages on commercial IT facility buildings.
- Installation of specialist Access Flooring to Data Centres, disaster recovery centres and commercial office buildings.
- Fitting out and refurbishment of commercial office buildings, hospitals and education facilities.
- Specialist bespoke hard flooring finishes including timber, stone and ceramics.
- Site assembly for residential and commercial developments.

The Directors intend to create a group which provides a range of specialist construction and property services to both the private and public sectors as well as delivering value to shareholders by cross selling those services to clients within the Group. In pursuance of this strategy, the Directors intend to acquire other well-run companies which will enable them to not only extend the range of such services, but also to exploit the opportunities presented by its reputation in the various sectors in which it operates.

The Directors believe Admission will enable the Group to provide incentivisation to both existing and prospective subsidiary company managers which is fundamental to the Group's philosophy of management equity. Admission will also make the Company's shares a more attractive currency for future acquisitions. The Directors further believe that Admission will enhance the Group's commercial profile in the sectors in which it operates.

Further details on the Subsidiaries and the sectors in which they operate are set out below.

##### *Mountfield*

Mountfield was incorporated in February 1987 by Graham Read. The company has two divisions – direct contracting services and trade contracting services. Each has its own management team and centralised services such as plant hire, resourcing and subcontracting.

Each division is run by a construction manager who reports to Graham Read. In aggregate there are fourteen construction management staff including the Mountfield directors, quantity surveyors and administrators and approximately forty other directly employed staff including labourers, plasterers and supervisors.

##### *Direct Contracting Service Division*

This division carries out works as a main contractor with end-user clients. Since the 1990s Mountfield has specialised in the nationwide installation of Data Centres and this activity accounts for a significant proportion of its revenue.

Over the last ten years Mountfield has successfully completed contracts for more than 20 Data Centres throughout the UK for clients which include: Energis Plc, Planetonline Ltd, Kingston Inmedia Limited, Level 3 Communications Inc and Cable & Wireless plc. Mountfield's principal Data Centre client is currently Cable & Wireless plc with whom it has an informal partnering arrangement to install and renovate its IT and Data Centre facilities throughout the UK.



The Data Centre market is expanding with major companies (in particular banks and retailers) setting up their own facilities in order to reduce costs rather than outsource them to Data Centres operated by telecom companies. According to available reports, the Data Centre market is expected to increase in space by almost 45 per cent. by 2010 and the Directors believe that over the next three years there will be further growth in the Data Centre market and that Mountfield has the experience, reputation and contacts to benefit from this market growth.

#### *Trade Contracting Services Division*

This division carries out specialist builderswork and multi trade packages for leading fitting-out and refurbishment main contractors. Deploying its own directly employed skilled labour Mountfield delivers a comprehensive range of services together with specialist partnering subcontractors. In addition to Data Centre trade packages, Mountfield carries out builderswork packages that include stripping out, blockwork, plastering, riser/lift formations, ceilings, partitions and general builderswork in connection with the supply of mechanical and electrical services.

This division works with a number of main contractors, including ISG Plc, Skanska and Mercury Engineering, on projects ranging from £5 million to £800 million. It has a long term relationship with ISG Plc in particular which has promoted Mountfield to being one of its partnering contractors under ISG Plc's Platinum Contractors Scheme. The projects are typically fit-out and include refurbishment for offices, railway stations, hospitals and retail premises.

Mountfield is currently working on projects where it offers clients large architectural/building packages as a specialist Data Centre provider under a trade contract arrangement. As part of this service it is able to supply and install the Access Flooring element if required, through its trading relationship with Connaught.

As a result of the expected expansion of the Data Centre market place over the next 2-3 years the Directors believe its trade contracting services division will secure significant trade packages on new Data Centre projects through partnering, market awareness and client liaison.

#### ***Connaught Access Flooring***

Connaught Access Flooring (the wholly owned subsidiary of Connaught) was formed in 1992 as a provider of flooring systems to main contractors and corporate end users. The business has grown substantially since it was acquired by Graham Read and Andrew Collins in 2004. It has supplied and installed flooring in excess of 5 million square feet to both office and Data Centre installations since that time.

Connaught Access Flooring installs raised flooring to the following work sectors:

- Data Centres;
- Disaster recovery centres;
- Telco/switch sites;
- IT rooms; and
- Commercial offices (both new build, fit out and refurbishment).

Connaught Access Flooring provides and installs architecturally designed floors to varying depths of floor void and finish specification. The client base has been reduced to focus on a select number of leading main contractors. Over the last four years Connaught Access Flooring has developed a reputation among its clients for working in Data Centre environments and has become a specialist in the installation of anti-static vinyl/high pressure laminate finished floor tiles on pedestals of varying heights. These floors are supplied as a system and installed to minimal tolerances and finished to provide a working platform for operation and maintenance of the completed centre.

Connaught Access Flooring has successfully completed Data Centre installation projects for ISG Plc, Skanska, MACE Group Limited, Structure Tone (UK), Inc and Mountfield. In addition, the business has grown significantly and established itself as one of the few recognised specialists for fitting out of

commercial office space for new build, refurbishment and fit out projects for corporate end users such as Reed Smith Limited, Standard Chartered Bank, Henderson Global Investors and Unilever plc.

### ***Mountfield Land***

Mountfield Land (which was incorporated in 2008) sources and enhances the value of land before selling its interest to developers. The Directors believe it is not exposed to any financial risk or liability from its dealings or transactions as it does not purchase any sites.

Its senior managers have had extensive experience of this type of work and also of the sales, marketing and development of residential properties.

Mountfield Land evaluates brownfield sites (such as redundant commercial and industrial sites) which may be converted to residential use, and also assembles sites from residential gardens and/or private dwellings in order to create viable residential development opportunities. It also looks at opportunities to bring land on the fringe of residential areas into the local plan and thereby enhance the existing use value.

Its managers seek to obtain an option over the site and a share of the completed value of the site. Mountfield Land then assigns the option to a developer, housing association or registered social landlord.

The managers work with the developer to ensure that the due diligence and planning application processes are handled speedily and usually at the cost of the assignee in order to maximise revenue.

Mountfield Land currently operates in the Northern and Southern outer London suburbs of which its managers have extensive working knowledge. The company currently has the benefit of eleven options, and the managers currently maintain an active interest in about twenty other sites.

Mountfield Land is operated on a low cost base and is staffed by two senior managers, a land finder and a secretary. The managers are Neil Hobbs who has a number of years experience as a builder, developer and land finder and Chris Baron whose experience has been in sales and marketing of properties as well as a developer. Operational costs are kept at a low level as a result of the partnering arrangement Mountfield Land has with its consultants which eliminates the need to employ personnel such as town planners and architects. Consultants receive settlement of their fees on successful completion of the transaction (i.e. when the option is exercised by the end user) and therefore are paid from profits achieved on that transaction.

The Directors believe that even though the housing market is currently depressed there remains a demand for sites suitable for small to medium sized developments particularly from housing associations.

## **2. Market and Competition**

The business of the Group covers a diverse range of activities within the construction sector. The industry is competitive throughout all contract sizes and in all fields of operation. However, within all of the Group's businesses there is experienced management, established customer bases and a track record of successful trading within a competitive environment.

The Directors believe that the diverse nature of the Group's activities and its experience will make the Group a defensive investment but will allow for sustained growth notwithstanding competition or adverse economic conditions.

## **3. Strategy**

The Directors intend to create a group which provides a range of specialist construction and property services to both the private and public sectors as well as delivering value to shareholders by cross selling those services to clients within the Group. In pursuance of this strategy, the Directors intend to acquire other well-run companies which will enable them to not only extend the range of such services, but also to exploit the opportunities presented by its reputation in the various sectors in which it operates.

The Group's principal companies (Mountfield and Connaught) have extensive and recognised experience in the installation of Data Centres and associated specialist works. The Directors believe that this is a

marketplace that is growing rapidly and that the Group is well placed to benefit from such growth because of its excellent client base and its reputation for producing quality work within agreed contractual times.

In addition to Data Centre installations and the other activities, the Group intends to identify target sectors in the commercial field into which it can extend its current business model including the fitting out and refurbishment of office buildings and general builderswork packages.

The Group's other activity is a site assembly business and although the residential development market is currently depressed, sites for current development or for land banking remain of interest to a variety of developers and in particular housing associations. To this end this part of the Group's business is developing several opportunities that are expected to be completed over the next two years.

Over the next three years the Directors intend to integrate the current businesses and expand their operation geographically by employing the combined resources of the Group. The Group's long term objective is to be a provider of a wide range of specialist construction and property services on a nationwide basis using a shared client base and management structure that covers both private and public sector opportunities.

The Group will also seek to develop and grow new businesses organically by the creation of new internal divisions that do not require external funding. The Directors intend to create a labour supply/site logistics service which would benefit all companies within the Group and to also seek opportunities to provide labour to major projects such as the 2012 Olympics and Kings Cross development.

The Company's investment strategy will be to acquire businesses which will supplement its existing operations. The Directors intend that the Group should be able to offer an integrated range of services within the construction and property services sector to both the private and public sectors and to both existing and potential customers.

#### **4. Financial information on the Group**

The summary of the financial information on the Group set out below is extracted from the financial information on the Subsidiaries set out in Part 3 of this document:

<i>Company</i>	<i>Year end</i>	<i>Turnover £'000</i>	<i>Profit £'000</i>
Mountfield	31 December 2007	11,256	1,094
Connaught	31 March 2008	8,111	950

This information refers to past performance which is not a reliable indicator of future results.

#### **5. Current Trading and Prospects**

Current trading for the Group is in line with the Board's expectations and the Directors are confident with the prospects for the forthcoming year. The Group has a strong pipeline of business and has not been materially affected by the current economic climate.

#### **6. Directors and Senior Management**

##### ***Directors***

##### ***Peter Harry Jay – Executive Chairman (aged 63)***

Peter qualified as a solicitor in 1970 and was a partner in Ingledeew Brown Bennison & Garrett from 1974 until 1985 when he left to become a founding partner of Stein Swede Jay & Bibring which later became Finers Stephens Innocent. Peter was senior partner of the firm between 1999 and 2002 and in that capacity was responsible for undertaking a number of mergers and acquisitions for the practice.

As a lawyer, Peter has specialised in corporate work and, in particular, on AIM and PLUS Market listings.

Between 2003 and April 2007 Peter was a partner in Beachcroft LLP where he was responsible for building its AIM presence. In April 2007 he retired as a partner and a solicitor and is now a consultant to that firm.

Peter has held a number of directorships with both private and public companies, including Sportingbet plc, Top Ten Holdings plc and is currently non-executive director of YCO-Deuxmil plc and Interactive Publications Plc.

His executive role within the Group will include responsibility for its corporate finance functions.

*Graham Read MCIOB, RICS – Group Chief Executive (aged 51)*

Prior to the acquisition of Mountfield by the Company Graham was the chief executive and sole shareholder of Mountfield. He started his career in 1976 as a quantity surveyor for Taylor Woodrow Construction Limited (“Taylor Woodrow”). By 1986, when he left the company, he had become commercial manager for Taylor Woodrow’s management contracting division where his responsibilities included:

- cost/value reports on projects;
- board statement/guidance/training of surveying members of staff;
- client negotiation and settlement of contracts; and
- financial agreement of final accounts with clients cost consultants.

In 1986 he founded Mountfield as a trade contractor specialising in brickwork and plastering subcontracts.

In the following year he identified the need for specialist builderswork contracts to operate on fitting out projects and the company offered multi trade services to the leading main contractors.

*Andrew Collins – Executive Director (aged 43)*

Andrew’s background is in surveying and he has held a number of senior posts with companies specialising in refurbishing and fast track fit outs. In 1989 he joined ISG Plc, which specialises in commercial fit outs and refurbishment services, as a senior quantity surveyor. When he left the company in 2004 he held the post of divisional financial director.

Andrew became managing director of Connaught in June 2004 where he has developed the reputation of the company such that it is now regarded as a recognised specialist in the supply and installation of raised access flooring, primarily for commercial offices and Data Centres.

*Rakesh Patel, BA Econ, FCCA, CF – Finance Director (aged 45)*

Rakesh joined Gerald Edelman, a firm of chartered accountants in London in 1988 and qualified as a Chartered Certified Accountant in 1991. In 1992 he formed the corporate finance division, dealing with acquisitions, disposals, mergers, private placings and stock market flotations. Rakesh was involved in advising on the acquisition of Ryman the Stationer and left the firm in 1996 to become group financial controller of Chancerealm Limited, a group including Ryman Limited and Contessa Ladieswear Limited. Rakesh returned to Gerald Edelman in 1997 as a partner to head the firm’s corporate finance division until leaving in March 2003 to join Adler Shine LLP, chartered accountants as a Partner. Rakesh is on the board of two AIM listed investing companies.

*The Rt Hon. Sir Jeremy Hanley KCMG – Non-Executive Director (aged 63)*

A Chartered Accountant, Sir Jeremy has carried on a wide-ranging commercial life since retiring from politics in 1997. Previously he was Member of Parliament for Richmond and Barnes from 1983-97, and a Government Minister for over seven years. His posts included: Cabinet Minister without Portfolio whilst Chairman of the Conservative Party, Minister of State for Foreign Affairs (responsible for Hong Kong and the Middle East), Minister of State for the Armed Forces at the Ministry of Defence and Under Secretary for State for Northern Ireland as Minister for Health & Social Services, Minister for Agriculture and for Education and Political Development.

He qualified as an FCA (1969), FCCA (1980) and FCIS (1980) and was Senior Lecturer in Law with the Financial Training Co. for 21 years, becoming Deputy Chairman. He now serves on the Boards and Audit Committees of a number of quoted and unquoted companies.

He has been a Privy Councillor since 1994 and a Knight Commander of the Order of St Michael & St George since 1997.

### ***Senior Management***

*Chris Baron – Senior Land Finder, Mountfield Land (aged 54)*

Chris is jointly responsible with Neil Hobbs for the land assembly activities.

Chris has a wide and varied experience in the sales and marketing of new homes. He has worked in senior management positions with Countryside Properties plc, Fairview New Homes Limited and Wren Homes plc.

*Neil Hobbs – Senior Land Finder, Mountfield Land (aged 42)*

Neil is responsible with Chris Baron for managing the Group's land assembly operations. After working for his father as a builder in the early 1980's Neil worked as a land director for Samian Properties Limited from 1984 to 1990 and then in a similar role for Crest Homes (Eastern) Limited until 1995. After a year spent with Thirlstone Homes Limited as a land director where he sourced land sites and ran a team of land buyers he joined Villiers Estates in 1996 was managing director of the company until 1999 from when, until 2007 he undertook residential developments with Chris Baron.

### ***Employees***

As at the date of this document, save for the Directors, the Company does not have any employees.

At Admission, the Group will employ approximately 70 staff in administration, operations and finance functions, excluding the Directors.

## **7. Corporate Governance**

Following Admission, the Company intends to continue with measures previously put in place to ensure that it complies with the Combined Code so far as is practicable and appropriate for a public company of its size and nature.

The Company has an audit committee and a remuneration committee. The audit committee currently consists of Sir Jeremy Hanley as chairman and Peter Jay. It has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to its accounting and internal controls. In all cases due regard is given to the interests of shareholders. The remuneration committee consists of Sir Jeremy Hanley as chairman and Rakesh Patel. It determines the terms and conditions of service of the executive directors, including their remuneration and grant of options.

The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees. In line with the AIM Rules for Companies, the Company has adopted an AIM rules compliance policy setting out the procedures to be followed in order that the Company will fully comply with the AIM Rules for Companies.

## **8. Dividend Policy**

The Company does not currently pay a dividend. It is the Company's intention to pay a dividend, from funds lawfully available, at the earliest time the Board believes to be appropriate. The declaration and payment by the Company of any future dividends and the amount thereof will depend upon the Company's operating results, financial condition, future prospects, profits legally available for distribution and other factors deemed by the Directors to be relevant at the time.

## **9. Lock-In Arrangements**

Immediately following Admission, the Directors will be interested in, in aggregate, 139,820,000 Ordinary Shares, representing approximately 82.46 per cent. of the Share Capital. Pursuant to the terms of a lock-in

and orderly market agreement, the Directors have undertaken to the Company and Daniel Stewart, subject to certain exceptions in accordance with, *inter alia*, the AIM Rules for Companies (including the ability to accept a take-over offer for the Company and to give an irrevocable undertaking to accept a takeover offer for the Company), not to dispose of or transfer any Ordinary Shares in which they are interested for a period of 12 months from Admission.

The Directors have also undertaken to the Company and to Daniel Stewart only to dispose of Ordinary Shares in which they are interested through Daniel Stewart (provided that Daniel Stewart remain the Company's broker), during the period from the end of the lock-in period referred to for an additional 12 months.

In addition to the Directors, the Mountfield Land Vendors have agreed to lock-in and orderly market arrangements. Further details of these arrangements are set out in paragraphs 15.1.1 to 15.1.2 of Part 5 of this document.

## **10. Admission and Crest**

Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the ordinary share capital will commence on AIM at 8.00 a.m. on 30 October 2008.

CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. Application has been made by the Company's registrar and transfer agent for Ordinary Shares in issue at the time of Admission to be admitted to CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## **11. The Takeover Code**

The Code is issued and administered by the Panel. Mountfield is a company to which the Code applies and its shareholders are accordingly entitled to the protections afforded by the Code.

Under Rule 9 of the Code, any person who acquires an interest (as defined in the Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code is normally required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of the company but does not hold shares carrying more than 50 per cent. of the voting rights of the company, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

### ***Concert Party***

Graham Read and Andrew Collins (together the "Concert Party") are deemed to be acting in concert for the purpose of the Code.

At Admission, the Concert Party will between them be interested in 115,820,000 Ordinary Shares representing approximately 68.31 per cent. of the Share Capital (assuming the Pre-IPO Loan Notes are fully converted into Ordinary Shares immediately prior to Admission).

	<i>Number of Ordinary Shares on Admission (Note 1)</i>	<i>Percentage of of Ordinary Shares on Admission (Note 1)</i>	<i>Number of Ordinary Shares assuming the maximum number of Warrants are exercised</i>	<i>Percentage of Ordinary Shares assuming the maximum number of Warrants are exercised</i>	<i>Percentage of Ordinary Shares assuming issue of maximum Mountfield Land Deferred Consideration Shares (Note 1)</i>	<i>Maximum potential controlling position (percentage) (Note 2)</i>
Graham Read	83,520,000	49.26	83,520,000	46.51	43.49	41.33
Andrew Collins	32,300,000	19.05	32,300,000	17.99	16.82	15.99
<b>TOTAL</b>	<b>115,820,000</b>	<b>68.31</b>	<b>115,820,000</b>	<b>64.50</b>	<b>60.31</b>	<b>57.32</b>

Note 1: Assuming no Warrants are exercised.

Note 2: Assuming maximum exercise of Warrants and maximum issue of the Mountfield Land Deferred Consideration Shares.

**At Admission the members of the Concert Party will between them hold more than 50 per cent. of the Company’s voting share capital and (for so long as they continue to be treated as acting in concert) may accordingly increase their aggregate interests in shares without incurring any obligation under Rule 9 of the Code to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in shares through or between a relevant Rule 9 threshold without Panel consent.**

## 12. Information on the Concert Party

The members of the Concert Party are deemed to be acting in concert by way of the following connections:

- Graham Read is a director of Mountfield, Connaught and Connaught Access Flooring and a former shareholder of Mountfield and Connaught and a Director of the Company; and
- Andrew Collins is a director of Connaught and Connaught Access Flooring and a former shareholder of Connaught and a Director of the Company.

The Concert Party have no current intention of selling any of their interests in the enlarged issued voting share capital of the Company. It is the current intention of both to remain as controlling parties in the Company.

Members of the Concert Party are subject to lock-in and orderly market agreements, further details of which are set out in paragraph 9 of this Part 1.

Brief biographical details of Graham Read and Andrew Collins are set out in paragraph 6 of Part 1 of this document, as they are Directors as well as forming part of the Concert Party.

## 13. Further Information

Your attention is drawn to Parts 2 to 5 of this document, which provide additional information on the matters and, in particular, to Part 2 entitled “Risk Factors”.

## PART 2

### RISK FACTORS

The attention of prospective investors is drawn to the fact that ownership of shares in the Company will involve a variety of risks which, if they occur, may have a materially adverse effect on the Company's business or financial condition, results or future operations. In such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment.

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. In particular, the Company's performance might be affected by changes in market and economic conditions and in legal, regulatory and tax requirements. Additionally, there may be further risks of which the Directors are not aware or believe to be immaterial which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, who specialises in advising on the acquisition of shares and other securities.

#### **Risk factors specific to the Group**

##### *Management and employees*

The nature of the Group and its business model creates reliance upon retaining and incentivising its senior management and certain key employees, whose expertise and contacts in the construction and property sectors will be important to the fortunes of the Group going forward. The Group has endeavoured to ensure that the principal members of its management team are suitably incentivised, but the retention of such staff cannot be guaranteed.

The Group may need to recruit additional senior management and other staff in order to develop its business. There can be no guarantee that such individuals will be recruited in the Group's preferred timetable or at the cost levels anticipated by the Group.

The loss of key personnel and the inability to recruit further key personnel could have a material adverse effect on the future of the Group through the impairment of the day-to-day running of the Group and the inability to maintain existing client relationships.

##### *Exposure of the Group to UK economic conditions*

Demand for the Group's services may be significantly affected by the general level of economic activity and economic conditions in the regions and sectors in which the Group operates. Therefore, an actual or perceived economic downturn, especially in regions or sectors where the Group's operations are focused, could have a material adverse effect on the Group's business and financial results. In addition, there may be a delay between the occurrence of an actual or perceived threat of economic downturn and the impact this could have on the Group's financial results.

##### *Competition*

The Group is engaged in business activities where there are numerous competitors. Many of these competitors are larger than the relevant businesses carried on by the Group and have access to greater funds than the Company, which will potentially enable them to gain market share at the expense of the Group.



### ***Acquisitions***

The Company may make future acquisitions in circumstances where the Directors believe that those acquisitions would support the Company's business strategy. However, there is no guarantee that the Company will successfully be able to identify, attract and complete suitable acquisitions or that the acquired business will perform in line with expectations.

### ***Competition for Acquisitions***

The Group may face significant competition from both domestic and international competitors who have greater capital, greater resources and superior brand recognition than the Group and who may be able to provide better services, adopt more aggressive pricing policies or pay higher prices to acquire businesses. There is no assurance that the Group will be able to compete successfully in such an environment.

### ***Integration***

The success of the Group will be highly dependant on its ability to successfully integrate the Subsidiaries and any future acquisitions into the Group. The potential strategic risks include an inability to achieve a cultural fit and to manage the financial and operational transition of the acquired businesses into the Group. If the downside risks associated with this activity were to materialise they could lead to business disruption, loss of profits and reduced investor confidence. These potential risks are mitigated by an experienced Board to oversee the acquisition and integration process supported by internal and external specialists.

### ***Funding and working capital***

Maintaining a sufficient level of working capital is essential to enable the Group to meet its foreseeable obligations and achieve its strategy. Failure to manage working capital could impact upon the ability of the Group to grow.

### ***Management of growth***

The ability of the Group to implement its strategy in an expanding market requires effective planning and management control systems. The Directors anticipate that further expansion will be required to respond to market opportunities and the potential growth in its client base. The Group's growth plans may place a significant strain on the Group's management, operational, financial and personnel resources. The Group's future growth and prospects will, therefore, depend on its ability to manage the growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

### ***Market Developments***

Any failure to expand the Group's service offering in response to customer demand and/or industry developments may have an adverse effect on the Group's financial performance and prospects.

### ***Key customer relationships***

The Group will have a significant reliance on key customer relationships. In the event that these relationships are lost, through either competitor pressure or a key Group staff member leaving the business, the effect on the Group's revenues could be significant.

In particular the Directors recognise Connaught's reliance on ISG Plc. Whilst there is a risk that the relationship may breakdown the Directors believe this is unlikely and are taking measures to increase the diversification of their client base.

### ***Competitive Bidding***

Many of the Group's contracts, including renewals or extensions of previous contracts, are awarded through competitive bidding processes. The Group expects that much of the business it will seek in the foreseeable

future will continue to be awarded through competitive bidding. The competitive bidding processes present a number of 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.

#### ***Delayed Contract Completion***

Whilst certain companies within the Group have signed contracts with their 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***

Certain companies within the Group utilise subcontractors on a project-by-project basis to meet their 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-run of the Group's projects and reduce the value of the Group's returns.

The use of sub contractors in service industries is an area to which HM Revenue and Customs ("HMRC") has recently paid significant attention. In the event subcontractors used by the Group were deemed to be employees, this could potentially require it to account to HMRC for income tax and both employees' and employer's National Insurance contributions.

#### ***Legal and regulatory matters***

Through its clients, the Group is subject to a considerable degree of regulation and legislation. Changes in or extensions of laws and regulations affecting the industries in which the Group operates (or those in which its customers operate) and the rules of industry organisations could restrict or complicate the Group's business activities, with the potential to increase compliance / legal costs significantly.

#### ***Changes in taxation***

Any change in the Group's tax status or in taxation legislation could affect the Group's ability to provide returns to shareholders or alter post tax returns to shareholders. The taxation of an investment in the Company depends on the individual circumstances of investors.

#### ***Past Performance***

This document includes information about the historical financial performance of the Group. Past performance is not, however, a guarantee or guide as to the future financial performance of the Group.

### **Risk Factors specific to Mountfield Land**

#### ***Demand for Sites***

The Directors are aware that the company's business depends on there being demand from developers for sites on which residential developments may be built. They are also aware that the market is currently depressed and that a number of economists forecast that these conditions will last for up to two years. Although a number of housing associations and smaller developers are still purchasing land for present or future use an extended decline in the demand for new homes may well impact on the levels of demand from these potential purchasers.

## **INVESTMENT RISKS**

### ***Ability to Secure Future Financing***

The Company may need to raise funds in the future for the expansion of its existing operations or to finance the acquisition of complementary businesses. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same or higher price as the current market value of the Ordinary Shares.

### ***General Economic Conditions***

Market conditions may affect the ultimate value of the Company's share price regardless of operating performance of the Group. The Company could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks or changes in Governmental legislation or policy.

### ***Dividends***

It is the intention of the Directors to pay dividends in the future. However, as a matter of English law, the Company can pay dividends only to the extent that it has distributable reserves available which, as the Company is a group holding company, is dependent on the Company's ability to receive funds for such purposes, directly or indirectly, from operating subsidiaries in a manner which creates distributable reserves for the Company. The Company's ability to pay dividends to shareholders is therefore a function of existing Group distributable reserves, future Group profitability, the ability to distribute or dividend profits from subsidiaries up the Group structure to the Company and other factors that the Directors deem significant from time to time, such as capital requirements and general economic conditions. The Company's dividend policy is described in paragraph 8 of Part 1 of this document.

## **AIM Market Risks**

### ***Trading on AIM***

An investment in shares traded on AIM is generally perceived to involve a higher degree of risk and to be less liquid than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Consequently, it may be more difficult for an investor to sell his or her Ordinary Shares than it would be if the Ordinary Shares were listed on the Official List, and he or she may receive less than the amount paid. It is also possible that an active trading market may not develop and continue upon Admission. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Admission Price. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

### ***Share pricing risks***

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the quoted investment sector or investment or quoted companies generally and which are outside the Company's control. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes, general economic, political or regulatory conditions, or changes in market sentiment towards the Ordinary Shares. Any of these events could result in a material decline in the market price of the Ordinary Shares.

### ***Limited regulatory control***

Shareholders of the Company will not enjoy protections or rights other than those reflected in the Articles and those rights conferred by law. Although the Directors recognise the importance of good corporate governance, neither the Listing Rules of the United Kingdom Listing Authority nor the Combined Code will apply to the Company.

*Lack of liquidity of the Ordinary Shares*

Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, no assurance can be given that at any time after Admission that a liquid market for the Ordinary Shares will develop. Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the net asset value per share.

**Any investment opportunity in the Company may not be suitable for prospective investors. Prospective investors are therefore strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000, as amended, who specialises in advising on investments of this nature before making their decision to invest.**

## PART 3

### FINANCIAL INFORMATION ON THE GROUP

#### A. HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

##### (I) – ACCOUNTANT’S REPORT

The following is the full text of a report on Mountfield Group Plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Mountfield Group Plc.



The Directors  
Mountfield Group Plc  
3C Sopwith Crescent  
Wickford Business Park  
Wickford  
Essex  
SS11 8YU

27 October 2008

Dear Sirs

#### **MOUNTFIELD GROUP PLC (“the Company”)**

We report on the financial information set out in Part 3A, section II (“the Company’s Historical Financial Information”), which has been prepared for inclusion in the Admission Document dated 27 October 2008 (“Admission Document”) of the Company on the basis of the accounting policies set out in note 5.2.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 5.2.1 to the Company’s Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Company's Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and of its loss, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 5.2.1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 5.2.1.

### **Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Baker Tilly Corporate Finance LLP**

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

## (II) – HISTORICAL FINANCIAL INFORMATION

### 1. INCOME STATEMENT

		<i>Period ended 30 September 2008</i>
	<i>Notes</i>	<i>£</i>
<b>Continuing operations</b>		
Provision for impairment of loan receivables		(267,777)
<b>Loss from ordinary activities before income tax and finance costs</b>		<u>(267,777)</u>
Finance income	5.3	1,799
Finance charge		<u>(325,000)</u>
<b>Loss on ordinary activities before income tax</b>		(590,978)
Income tax expense	5.4	<u>(504)</u>
<b>Loss from continuing operations</b>		<u><u>(591,482)</u></u>

All losses for the above period are attributable to the equity holders of the Company.

## 2. BALANCE SHEET

		<i>As at</i>
		<i>30 September</i>
		<i>2008</i>
	<i>Notes</i>	<i>£</i>
<b>Current assets</b>		
Other receivables	5.5	32,238
Prepayments	5.5	58,904
Cash at bank	5.6	118
<b>TOTAL ASSETS</b>		<u>91,260</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	5.8	32,238
Retained losses		<u>(591,482)</u>
<b>TOTAL EQUITY</b>		<u>(559,244)</u>
<b>Current liabilities</b>		
Other payables	5.7	650,000
Corporation tax		504
<b>TOTAL LIABILITIES</b>		<u>650,504</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>91,260</u>

Equity is attributable to the equity holders of the Company.



### 3. CASH FLOW STATEMENT

	<i>Period ended</i>
	<i>30 September</i>
	<i>2008</i>
<i>Notes</i>	<i>£</i>
<b>Cash flows from operating activities</b>	
Loss from operations before interest and tax	(267,777)
Add:	
Provision for impairment of loans receivable	267,777
Adjusted for:	
Increase in receivables	(58,904)
<b>Cash used in operating activities</b>	<u>(58,904)</u>
Interest received	1,799
<b>Net cash outflow from operating activities</b>	<u>(57,105)</u>
<b>Cash flows from investing activities</b>	
Proceeds from issue of loan notes	325,000
Loans made to related parties	(100,000)
Other loans	(167,777)
Net cash inflow from financing activities	<u>57,223</u>
<b>Net increase in cash and cash equivalents</b>	118
Cash and cash equivalents brought forward	<u>–</u>
<b>Cash and cash equivalents carried forward</b>	5.6 <u>118</u>

#### 4. STATEMENT OF CHANGES IN EQUITY

	<i>Notes</i>	<i>Issued share capital</i> £	<i>Retained earnings</i> £	<i>Total equity</i> £
As at 18 September 2007	5.8	11,000	–	11,000
Shares issued during the period ended 30 September 2008		21,238	–	21,238
Loss for the period ended 30 September 2008 being total recognised income and expense		–	(591,482)	(591,482)
At 30 September 2008		<u>32,238</u>	<u>(591,482)</u>	<u>(559,244)</u>

## 5 NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 5.1 General Information

#### 5.1.1 Incorporation

Acre 1124 Limited was incorporated on 18 September 2007 in England and Wales.

On 9 September 2008, Acre 1124 Limited changed its name to Mountfield Group Limited.

On 23 October 2008 Mountfield Group Limited re-registered as a plc.

The Company is domiciled in the United Kingdom.

#### 5.1.2 Registered address

3c Sopwith Crescent  
Wickford Business Park  
Wickford  
SS11 8YU

#### 5.1.3 Principal activity

The principal activity of the Company is that of a holding company.

#### 5.1.4 Presentational and functional currency

This financial information is presented in pounds sterling, which is the Company's functional currency.

#### 5.1.5 Adoption of pronouncements by the IASB and IFRIC

A number of new standards and amendments to standards and interpretations have been issued by the IASB and IFRIC with an effective date after the date of this financial information. Those that are relevant to the Company are as follows:

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date</i>
IFRS 2	Share-based Payments (revised):	
Amendment	Vesting Conditions and Cancellations	1 Jan 2009
IFRS 3	Business Combinations (revised 2008)	1 Jul 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 Jul 2009
IFRS 8	Operating Segments	1 Jan 2009
IAS 1	Presentation of Financial Statements (revised 2007 and 2008)	1 Jan 2009
IAS 16	Property, Plant and Equipment (revised 2008)	1 Jan 2009
IAS 19	Employee benefits (revised 2008)	1 Jan 2009
IAS 20	Government Grants and Disclosure of Government Assistance (revised 2008)	1 Jan 2009
IAS 23	Borrowing Costs (revised 2007 and 2008)	1 Jan 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 Jan 2009
IAS 28	Investments in Associates (revised 2008)	1 Jan 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 Jan 2009
IAS 32	Financial Instruments: Presentation (revised 2008)	1 Jan 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised 2008)	1 Jan 2009

*International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes	1 Jul 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions	1 Jan 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

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

## 5.2 Accounting Policies

### 5.2.1 Basis of preparation

The Company's Historical Financial Information has been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"), as issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 30 September 2008. The entity has not availed itself of early adoption options in such standards and interpretations.

The financial information has been prepared under the historical cost convention. The principal accounting policies adopted are set out below:

### 5.2.2 Segmental reporting

The principal activity of the Company is that of a holding company, from which no revenues are derived. The Company therefore does not report by business or geographical segment.

### 5.2.3 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 are classified as equity.

### 5.2.4 Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

### 5.2.5 Other receivables

The directors consider the recoverability of receivables periodically. An estimate 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 the Company's financial assets is equivalent to their book values as set out in the financial information.

#### Financial Assets

Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method, less any impairment.

## Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

### 5.2.6 *Financial liabilities*

#### Convertible loan notes

These loan notes are interest bearing at 6 per cent. and will convert prior to the the Company's admission. The holders of the convertible loan notes have waived their right to the interest. The fair value of the Company's financial liabilities is equivalent to their book values as set out in the financial information.

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### 5.2.7 *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

### 5.2.8 *Deferred taxation*

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base. Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, 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. Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

## 5.3 **Net finance cost**

	<i>Period ended 30 September 2008 £</i>
Finance income	1,799
Finance costs	(325,000)
	<hr/> 323,201 <hr/>

#### 5.4 Income tax expense

	<i>As at 30 September 2008 £</i>
<b>Current tax</b>	
UK corporation tax charge on losses for the period	504
<b>Factors affecting the tax charge</b>	
Loss on ordinary activities before income tax	(590,978)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28 per cent.	(165,474)
Effect of:	
Expenses not deductible for tax purposes	165,978
	<u>504</u>

There are no trade losses to be carried forward for use against future taxable profits of the business. All losses borne by the Company relate to non-trade related loans. There are no deferred tax assets on the Company's losses.

#### 5.5 Current assets (excluding cash)

	<i>As at 30 September 2008 £</i>
Other loans receivable	267,777
Less provision for impairments	(267,777)
	<u>–</u>
Unpaid share capital	32,238
Prepayments	58,904
	<u>91,142</u>
Comprising:	
Loans and receivables at amortised cost	32,238
Prepayments	58,904
	<u>91,142</u>

During the months of May 2008, July 2008 and August 2008, the Company provided a working capital loan totalling £167,777 to Samtec (North West) Limited. The loan is repayable on demand and bears no interest. The directors have provided against the full amount of this loan as its recoverability is not certain.

On 12 June 2008, the Company loaned £50,000 to Neil Hobbs and an additional loan of £50,000 was issued to Chris Baron on 28 July 2008. Neil Hobbs and Chris Baron are the shareholders of Mountfield Land Limited, a company which the Company has entered into an agreement to acquire its entire issued ordinary share capital. These loans are unsecured, repayable on demand and bear no interest. The Directors have provided against the full amount of these loans as the recoverability is not certain.

Unpaid share capital of £32,238 has been fully paid up by the time of the Company's admission to AIM.

Included within prepayments is £20,000 in relation to prepaid costs of the admission of the Company and the acquisition of the entire issued share capital of Mountfield Building Group Limited, MBG Construction Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited.

## 5.6 Cash at bank

	<i>As at</i>
	<i>30 September</i>
	<i>2008</i>
	£
Cash at bank	<u>118</u>

The Company does not currently have a bank account. Cash at bank relates to monies held in the Company's solicitors client account.

## 5.7 Other payables

	<i>As at</i>
	<i>30 September</i>
	<i>2008</i>
	£
Convertible loan notes	<u>650,000</u>
	<u>650,000</u>

In May 2008, the Company issued £325,000 of 6 per cent convertible loan notes of £1 each. The convertible loan notes will be automatically converted into Ordinary Shares immediately prior to admission at a rate of 2 x (£1 of loan note/the price per ordinary share on admission).

All issued convertible loan notes are fully paid. The holders of the convertible loan notes have waived their right to interest.

Any convertible loan notes still outstanding on 31 July 2009 are redeemable by the Company, in multiples of not less than £5,000, together with all interest accrued, at any time on giving five business days' notice in writing to the holders of the convertible loan notes.

The convertible loan notes carry no voting rights at a general meeting of the Company.

The fair value of the convertible loan notes has been calculated based upon an admission price on 10 pence per ordinary share as £650,000. A finance charge of £325,000 has been charged to the income statement in respect of this fair value adjustment.

## 5.8 Issued share capital

Ordinary shares of £0.001 each

	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	£	<i>Number</i>	£
At 18 September 2007	1,000,000,000	1,000,000	1,100,000	1,100
Shares issued	–	–	31,138,520	31,138
At 30 September 2008	<u>1,000,000,000</u>	<u>1,000,000</u>	<u>32,238,520</u>	<u>32,238</u>

The Company was incorporated on 18 September 2007 with an authorised share capital of £1,000,000 comprising 100,000,000 Ordinary shares of £0.01. 110,000 of these shares were issued and fully paid on incorporation.

On 18 September 2007, the authorised and issued share capital were subdivided into 1,000,000,000 Ordinary Shares of £0.001 each.

On 6 May 2008 a further 220,000 Ordinary Shares of £0.001 were issued at par value.

On 28 May 2008 a further 30,918,520 Ordinary Shares of £0.001 were issued at par value.

#### 5.9 **Capital Commitments**

There were no capital commitments at 30 September 2008.

#### 5.10 **Contingent liabilities**

There are no contingent liabilities at the period end.

#### 5.11 **Key management personnel compensation**

There were no key management personnel expenses incurred in the period.

#### 5.12 **Post balance sheet events**

On 16 October 2008 the Company acquired the entire issued share capital of Mountfield Building Group Limited, MBG Construction Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited. The total consideration for the acquisitions was £18,582,000, split as follows:

- Mountfield Building Group Limited and MBG Construction Limited for a combined consideration of £7,622,000 payable by the issue of 51,220,000 Ordinary Shares of 0.1 pence each at a price of 10 pence per share and by the issue of £2,500,000 loan notes;
- Connaught Access Flooring Holdings Limited for a consideration of £9,460,000 payable by the issue of 64,600,000 Ordinary Shares of 0.1 pence each at a price of 10 pence per share and by the issue of £3,000,000 loan notes; and
- Mountfield Land Limited for an initial consideration of £1,500,000 payable by the issue of 15,000,000 Ordinary Shares of 0.1 pence each at a price of 10 pence per share.

The loan notes are interest bearing at 2 per cent. above Barclays Bank plc base rate and are redeemable by 30 June 2011.

On 23 October 2008, Mountfield Group Limited re-registered as a plc and changed its name to Mountfield Group Plc.

#### 5.13 **Related party disclosures**

On 12 June 2008, Mountfield Group loaned £50,000 to Neil Hobbs and an additional loan of £50,000 was issued to Chris Baron on 28 July 2008. Neil Hobbs and Chris Baron are the shareholders of Mountfield Land Limited, a company which Mountfield Group has entered into an agreement to acquire its entire issued ordinary share capital.

#### 5.14 **Financial instruments**

##### ***Capital risk management***

Mountfield 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 Mountfield Group comprises equity attributable to equity holders of Mountfield Group consisting of issued ordinary share capital and retained earnings as disclosed in Note 5.8 and cash and cash equivalents as disclosed in Note 5.6.

Mountfield Group maintains or adjusts its capital structure through the issue of new shares and equity reserves.



## Categories of financial instruments

	<i>As at 30 September 2008</i>
	£
<b>Financial assets</b>	
Loans and receivables at amortised cost including cash and cash equivalents:	32,238
Cash and cash equivalents	118
Total	<u>32,356</u>
<b>Financial liabilities</b>	
Financial liabilities at amortised cost:	
Liability component of convertible loan notes	650,000
Total	<u>650,000</u>
<b>Net</b>	<u>(617,644)</u>

### Cash and cash equivalents

This comprises monies held in the Company's solicitors' client account. The carrying amount of these assets approximates their fair value.

### General risk management principles

The directors have an overall responsibility for the establishment of the Company's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic operational and financial risks of the Company is in place to ensure appropriate risk management of its operations.

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

#### Interest rate risk

The Company is not exposed to significant interest rate risks as it does not have significant interest bearing liabilities (since the holders of convertible loan notes have waived their right to interest) and its only interest-bearing asset is cash invested on a short-term basis.

Interest rate risk also arises on the Company's cash and cash equivalents. A 50 basis point increase/decrease in the interest rate of interest bearing financial assets would lead to a £900 increase/decrease in the Company's retained losses.

#### Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations, resulting in financial loss. Credit risk arises from cash and cash equivalents and credit exposures on outstanding receivables and committed transactions.

For receivable loans, ongoing credit evaluation is performed on the financial condition of outstanding balances and also by discussions held with the management of the relevant entities. A provision is made where there is any uncertainty over the recoverability of amounts due.

There were no amounts past due at the balance sheet date.

The maximum exposure to credit risk in respect of the above at 30 September 2008 is the carrying value of financial assets recorded in the financial statements.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due.

Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of working capital. All the Company's financial liabilities relate to the convertible loan notes detailed in Note 5.7.

**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 Company's financial assets and liabilities.

## **B. HISTORICAL FINANCIAL INFORMATION ON MOUNTFIELD AND MBG**

### **(I) – ACCOUNTANT’S REPORT**

The following is the full text of a report on Mountfield Building Group Limited and MBG Construction Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Mountfield Group plc.



The Directors  
Mountfield Group plc  
3c Sopwith Crescent  
Wickford Business Park  
Wickford  
Essex  
SS11 8YU

27 October 2008

Dear Sirs

#### **MOUNTFIELD BUILDING GROUP LIMITED (“MOUNTFIELD”) AND MBG CONSTRUCTION LIMITED (“MBG”)**

We report on the financial information set out in Part 3B, sections II (Combined Historical Financial Information”) which has been prepared for inclusion in the Admission Document dated 27 October 2008 (“Admission Document”) of Mountfield Group plc on the basis of the accounting policies set out in note 5.2.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 5.2.1 to Combined Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Combined Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Mountfield and MBG as at the dates stated and of its profits and losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 5.2.1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 5.2.1.

### **Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Baker Tilly Corporate Finance LLP**

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

## (II) – HISTORICAL FINANCIAL INFORMATION

### 1. COMBINED INCOME STATEMENT

		<i>Year ended</i> <i>31 December</i> 2007	<i>Year ended</i> <i>31 December</i> 2006	<i>Year ended</i> <i>31 December</i> 2005
	<i>Notes</i>	£	£	£
<b>Continuing operations</b>				
<b>Revenue</b>	5.3	11,255,963	13,400,042	7,612,973
Cost of sales		(8,729,988)	(11,537,015)	(6,960,275)
<b>Gross profit</b>		2,525,975	1,863,027	652,698
Administrative expenses		(1,421,361)	(1,352,907)	(1,676,066)
Other income	5.5	–	9,884	–
Loss on sale of property		–	–	(355,319)
<b>Profit/(loss) from ordinary activities before income tax and finance costs</b>	5.4	1,104,614	520,004	(1,378,687)
Finance income	5.5	2,294	–	–
Finance costs	5.5	(11,556)	(42,855)	(207,454)
<b>Profit/(loss) before income tax</b>		1,095,352	477,149	(1,586,141)
Income tax expense	5.6	(1,360)	(9,462)	–
<b>Profit/(loss) from continuing operations</b>		1,093,992	467,687	(1,586,141)

All profits and losses for the above periods are attributable to equity holders of Mountfield and MBG.

## 2. COMBINED BALANCE SHEET

		<i>As at</i> <i>31 December</i> <i>2007</i> £	<i>As at</i> <i>31 December</i> <i>2006</i> £	<i>As at</i> <i>31 December</i> <i>2005</i> £
	<i>Notes</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5.7	112,387	97,125	103,521
Investments available for sale	5.8	–	–	15,316
		<u>112,387</u>	<u>97,125</u>	<u>118,837</u>
<b>Current assets</b>				
Trade and other receivables	5.9	2,494,894	2,062,238	2,097,227
Cash and cash equivalents	5.10	9,104	539,964	122,283
		<u>2,503,998</u>	<u>2,602,202</u>	<u>2,219,510</u>
<b>TOTAL ASSETS</b>		<u>2,616,385</u>	<u>2,699,327</u>	<u>2,338,347</u>
<b>EQUITY AND LIABILITIES</b>				
Issued capital	5.11	101	101	101
Retained earnings		167,940	(926,052)	(1,368,539)
<b>TOTAL EQUITY</b>		<u>168,041</u>	<u>(925,951)</u>	<u>(1,368,438)</u>
<b>Current liabilities</b>				
Trade and other payables	5.12	2,362,598	3,150,178	2,767,945
Bank loans and overdrafts	5.12	60,467	456,558	926,238
Finance lease liabilities	5.13	8,394	2,940	2,940
Income tax		1,360	9,462	–
		<u>2,432,819</u>	<u>3,619,138</u>	<u>3,697,168</u>
<b>Non-current liabilities</b>				
Finance lease liabilities	5.13	15,525	6,140	9,617
<b>TOTAL LIABILITIES</b>		<u>2,448,344</u>	<u>3,625,278</u>	<u>3,706,785</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,616,385</u>	<u>2,699,327</u>	<u>2,338,347</u>

Equity is attributable to equity holders of Mountfield and MBG.

### 3. COMBINED CASH FLOW STATEMENT

	<i>Year ended 31 December 2007</i>	<i>Year ended 31 December 2006</i>	<i>Year ended 31 December 2005</i>
<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Cash flows from operating activities</b>			
Profit from operations before tax,			
finance income and costs	1,104,614	520,024	(1,378,687)
Adjusted for:			
Depreciation of property, plant and equipment	12,767	7,954	7,494
Loss on disposal of assets	–	705	–
Profit on sale of investments available for sale	–	(9,884)	–
Decrease in inventory	–	–	3,100,000
Decrease /(increase) in receivables	(675,718)	(45,278)	1,130,543
(Decrease)/increase in payables	(544,518)	462,641	(474,300)
<b>Cash generated from operations</b>	<u>(102,855)</u>	<u>936,162</u>	<u>2,385,050</u>
Income tax paid	(9,462)	–	(221,679)
Interest received	2,294	–	–
Interest paid	(11,556)	(42,855)	(207,454)
<b>Net cash inflow from operating activities</b>	<u>(121,579)</u>	<u>893,307</u>	<u>1,955,917</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of equipment	–	–	50,881
Proceeds from sale of non current assets held for sale	–	25,200	–
Purchase of equipment	(28,029)	(2,425)	(22,569)
<b>Net cash inflow from investing activities</b>	<u>(28,029)</u>	<u>22,775</u>	<u>28,312</u>
<b>Cash flows from financing activities</b>			
Dividends paid	–	(25,200)	–
Finance lease rentals	14,839	(3,476)	(19,326)
Repayment of bank loan	(396,091)	(469,725)	(1,843,016)
<b>Net cash outflow from financing activities</b>	<u>(381,252)</u>	<u>(498,401)</u>	<u>(1,862,342)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>(530,860)</u>	<u>417,681</u>	<u>121,887</u>
Cash and cash equivalents at the beginning of the year	539,964	122,283	396
<b>Cash and cash equivalents carried forward</b> 5.10	<u>9,104</u>	<u>539,964</u>	<u>122,283</u>

#### 4. COMBINED STATEMENT OF CHANGES IN EQUITY

	<i>Notes</i>	<i>Issued shares</i> £	<i>Retained earnings</i> £	<i>Total equity</i> £
As at 1 January 2005		100	217,602	217,702
Loss for the year being total recognised income and expense		–	(1,586,141)	(1,586,141)
Shares issued in the year	5.11	1	–	1
As at 31 December 2005		101	(1,368,539)	(1368,438)
Profit for the year being total recognised income and expense		–	467,687	467,687
Dividends paid	5.15	–	(25,200)	(25,200)
At 31 December 2006		101	(926,052)	(925,951)
Profit for the year being total recognised income and expense		–	1,093,992	1,093,992
At 31 December 2007		101	167,940	168,041

All equity is attributable to the shareholders of Mountfield and MBG



## 5 NOTES TO THE COMBINED HISTORICAL FINANCIAL INFORMATION

### 5.1 General information

#### 5.1.1 Incorporation

Mountfield Building Group Limited was incorporated on 18 February 1987 in England and Wales. MBG Construction Limited was incorporated on 24 April 2005 in England and Wales.

Mountfield and MBG are domiciled in the United Kingdom.

#### 5.1.2 Registered address

MBG's registered address is:

3C Sopwith Crescent  
Wickford Business Park  
Wickford  
Essex  
SS11 8YU

#### 5.1.3 Principal activity

The principal activity of Mountfield and MBG is that of refurbishment and fitting out contracting services.

#### 5.1.4 Presentational and functional currency

The combined financial information is presented in pounds sterling, which is Mountfield and MBG's functional currency.

#### 5.1.5 Adoption of pronouncements by the IASB and IFRIC

A number of new Standards and amendments to Standards and Interpretations have been issued by the IASB and IFRIC with an effective date after the date of this financial information. Those that are relevant to MBG are as follows:

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date</i>
IFRS 2	Share-based Payments (revised):	
Amendment	Vesting Conditions and Cancellations	1 Jan 2009
IFRS 3	Business Combinations (revised 2008)	1 Jul 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 Jul 2009
IFRS 8	Operating Segments	1 Jan 2009
IAS 1	Presentation of Financial Statements (revised 2007 and 2008)	1 Jan 2009
IAS 16	Property, Plant and Equipment (revised 2008)	1 Jan 2009
IAS 19	Employee benefits (revised 2008)	1 Jan 2009
IAS 20	Government Grants and Disclosure of Government Assistance (revised 2008)	1 Jan 2009
IAS 23	Borrowing Costs (revised 2007 and 2008)	1 Jan 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 Jan 2009
IAS 28	Investments in Associates (revised 2008)	1 Jan 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 Jan 2009
IAS 32	Financial Instruments: Presentation (revised 2008)	1 Jan 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised 2008)	1 Jan 2009

*International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes	1 Jul 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions	1 Jan 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

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

## 5.2 Accounting policies

### 5.2.1 Basis of preparation

The Combined Historical Financial Information has been prepared in accordance with the requirements of the AIM rules and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") except as described below.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions does not result in material departures from IFRSs as adopted by the EU.

The Combined Historical Financial Information includes the financial information of Mountfield Building Group Limited which has a year end of 31 December and MBG Construction Limited which has a year end of 30 April. Both entities are directly controlled by Graham Read.

Inter-company sales and profits have been eliminated.

### 5.2.2 Revenue recognition

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

Revenue related 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 income statement on a stage of contract completion basis. The stage of completion is determined by reference to a survey of work performed. Professionally qualified Chartered Surveyors are used to ensure that the stage of completion is determined accurately. Any losses are recognised immediately in the income statement as soon as they are foreseen.

### 5.2.3 Segmental reporting

Segmental information is based on two divisions – trade contracting and direct contracting. Mountfield and MBG's internal reporting structure is based on the results from each of these 2 divisions. This is the primary reporting format adopted by Mountfield and MBG.

#### 5.2.4 *Property plant and equipment*

No depreciation is provided on freehold land, which is held at cost. All other Items of property plant and equipment are stated at cost less accumulated depreciation. Property plant and equipment are depreciated on a straight line basis over the estimated useful life of the asset as shown below:

Freehold buildings	Straight line over fifty years
Fixtures, fittings and equipment	10% reducing balance
Motor vehicles	25% reducing balance

#### 5.2.5 *Investments available for sale*

Investments classified as available-for-sale are non-derivatives that are designated as available-for-sale or not classified in any other category of financial asset. Investments classified as available-for-sale are initially recorded at fair value net of transaction costs. Such instruments are subsequently measured at fair value with gains and losses being recognised directly in equity until the instrument is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recycled to the income statement and recognised in profit or loss for the period. Impairment losses are recognised in the income statement when there is objective evidence of impairment.

#### 5.2.6 *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.

#### 5.2.7 *Amounts recoverable on long term contracts*

Amounts 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.

#### 5.2.8 *Financial instruments*

Financial assets and financial liabilities are recognised on Mountfield and MBG's balance sheet when Mountfield and MBG become a party to the contractual provisions of the instrument.

The financial instruments, excluding current receivables and payables comprise cash or overdraft and 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, Mountfield and MBG did not enter into derivative transactions and did not undertake trading in any financial instruments.

#### 5.2.9 *Trade & other receivables*

Trade receivables, which generally have 45-day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest method 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 Mountfield and MBG's trade and other receivables is equivalent to their book values as set out in the financial information.

#### 5.2.10 *Cash & cash equivalents*

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

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

#### 5.2.11 *Financial liabilities and equity*

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

#### 5.2.12 *Share capital*

Mountfield and MBG each have 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 Mountfield and MBG. All shares rank equally with regard to Mountfield and MBG's residual assets.

Ordinary shares are classified as equity.

#### 5.2.13 *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.

#### 5.2.14 *Trade and other payables*

Trade payables, which generally have 45-day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest method. The fair value of Mountfield Land's trade and other payables is equivalent to their book values as set out in the financial information.

#### 5.2.15 *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### 5.2.16 *Deferred taxation*

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of Mountfield and MBG's assets and liabilities and their tax base. Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, 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.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

#### 5.2.17 *Finance costs*

Finance costs of debt, including premiums payable on settlement and direct issue costs are charged to the income statement on an accruals basis over the term of the instrument, using the effective interest method. Interest bearing bank loans and overdrafts are initially recorded at fair value, net of transaction costs. Finance charges are added to the carrying amount of the loan or overdraft to the extent that these are not settled in the period in which they arise.

#### 5.2.18 *Pensions*

Mountfield and MBG operate a defined contribution pension scheme in respect of the directors and employee's. The pension costs charged in the financial statements represent the contribution payable by Mountfield and MBG during the period.

#### 5.2.19 *Interim dividend distribution*

Interim dividends are declared and distributed at the discretion of the Directors.

#### 5.2.20 *Critical accounting estimates and assumptions*

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. 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.

#### *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. Mountfield and MBG use the work of expert professional Chartered Surveyors to determine accurately the level of work that has been completed by the year-end. Mountfield and MBG also have appropriate control procedures to ensure that all estimates are determined on a consistent basis and are subject to appropriate review and authorisation.

### 5.3 **Construction contracts**

	<i>Year ended 31 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
Contract revenue recognised in relation to construction:			
Contract revenue recognised in relation to construction contracts in the year and retentions	11,255,963	13,400,042	7,612,973
For contracts in progress at the balance sheet date:			
Aggregate costs incurred to date	6,280,282	11,526,031	7,609,323
Recognised profits to date	1,334,172	2,021,801	577,806
Amounts received on account	341,585	415,098	326,600

#### 5.4 Profit before tax

	<i>Year ended</i> <i>31 December</i> 2007 £	<i>Year ended</i> <i>31 December</i> 2006 £	<i>Year ended</i> <i>31 December</i> 2005 £
Profit before tax is stated after charging:			
<i>Included within administrative expenses</i>			
Depreciation of property, plant and equipment owned:			
– owned by Mountfield and MBG	3,879	4,831	3,687
– held under finance leases	8,888	3,123	3,807
Loss on sale of property, plant and equipment	–	705	335,319
Staff costs	871,180	892,632	876,787
Auditor's remuneration			
Auditor's remuneration – audit services	7,500	7,500	7,500
<i>Included within cost of sales</i>			
Staff costs	1,439,204	1,414,507	1,471,674
	<i>No.</i>	<i>No.</i>	<i>No.</i>
The average number of employees (including executive directors) was	78	70	75
The split of employees within Mountfield and MBG is as follows:			
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Management	2	2	2
Administration	11	10	14
Cost of sales	65	58	59
	<u>78</u>	<u>70</u>	<u>75</u>
<i>Staff costs</i>			
Wages and salaries	2,091,942	2,099,298	2,122,267
Social security costs	218,442	207,841	226,194
	<u>2,310,384</u>	<u>2,307,139</u>	<u>2,348,461</u>
<i>Key management personnel compensation</i>			
Short-term employee benefits	197,824	146,358	–
Post-employment benefits	53,100	53,100	53,100
	<u>250,924</u>	<u>199,458</u>	<u>53,100</u>

During the year to 31 December 2007, dividends totalling £nil (2006: £25,200; 2005: £nil) were paid to directors. Further details of these dividends are detailed in Notes 5.15.

## 5.5 Finance income and finance charges

	<i>Year ended 31 December 2007 £</i>	<i>Year ended 31 December 2006 £</i>	<i>Year ended 31 December 2005 £</i>
<b>Net finance costs</b>			
Bank loan and overdraft interest	–	(32,408)	(105,975)
Other loan interest	(7,094)	(8,546)	(78,244)
Interest on finance leases	(486)	(1,901)	(2,125)
Interest on late payment of tax	(3,976)	–	(21,110)
Interest paid	<u>(11,556)</u>	<u>(42,855)</u>	<u>(207,454)</u>
Bank interest received	2,294	–	–
Profit on disposal of investments	–	9,884	–
Finance income	<u>2,294</u>	<u>9,884</u>	<u>–</u>
	<u>(9,262)</u>	<u>(32,971)</u>	<u>(207,454)</u>

## 5.6 Income tax expense

	<i>As at 31 December 2007 £</i>	<i>As at 31 December 2006 £</i>	<i>As at 31 December 2005 £</i>
<b>Current tax</b>			
UK corporation tax charge on profits for the year	<u>1,360</u>	<u>9,462</u>	<u>–</u>
<b>Factors affecting the tax charge</b>			
	<i>As at 31 December 2007 £</i>	<i>As at 31 December 2006 £</i>	<i>As at 31 December 2005 £</i>
Profit on ordinary activities before taxation	<u>1,095,342</u>	<u>477,149</u>	<u>(1,586,141)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK Corporation Tax of 30% (2006: 30%, 2005: 30%)	328,602	143,144	(475,842)
Effects of:			
Expenditure not allowable for tax purposes	36,394	31,833	30,035
Unrelieved tax losses and other deductions arising in the period	20,680	(5,553)	445,807
Relief of losses	(387,458)	(158,944)	–
Other tax adjustments	<u>3,142</u>	<u>(1,018)</u>	<u>–</u>
<b>Income tax expense recognised in the income statement</b>	<u>1,360</u>	<u>9,462</u>	<u>–</u>

The standard rate of UK corporation tax reduced from 30 per cent. to 28 per cent. from April 2008. This has no effect on the Combined Historical Financial Information.

## 5.7 Property, plant and equipment

	<i>Freehold property</i> £	<i>Plant and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
<b>Cost</b>				
At 1 January 2005	63,375	42,161	110,667	216,203
Additions	–	7,948	14,621	22,569
Disposals	–	–	(102,013)	(102,013)
At 31 December 2005	63,375	50,109	23,275	136,759
Additions	–	2,425	–	2,425
Disposals	–	–	(8,654)	(8,654)
At 31 December 2006	63,375	52,534	14,621	130,530
Additions	–	4,201	23,828	28,029
At 31 December 2007	63,375	56,735	38,449	158,559
<b>Depreciation</b>				
At 1 January 2005	6,975	15,088	54,815	76,878
Charge for the year	600	2,874	4,020	7,494
Eliminated on disposals	–	–	(51,134)	(51,134)
At 31 December 2005	7,575	17,962	7,701	33,238
Charge for the year	600	3,289	4,065	7,954
Eliminated on disposals	–	–	(7,787)	(7,787)
At 31 December 2006	8,175	21,251	3,979	33,405
Charge for the year	600	3,279	8,888	12,767
At 31 December 2007	8,775	24,530	12,867	46,172
<b>Net book value</b>				
At 31 December 2007	54,600	32,205	25,582	112,387
At 31 December 2006	55,200	31,283	10,642	97,125
At 31 December 2005	55,800	32,147	15,574	103,521
At 31 December 2004	56,400	27,073	55,852	139,325

### Finance leases

The net book value of plant and equipment and motor vehicles includes an amount of £25,582 (2006: £9,368, 2005: £12,491) in respect of assets held under finance leases.



## 5.8 Investments available for sale

	<i>Shares in unquoted investments £</i>
<b>2005</b>	
At 1 January 2005 & 31 December 2005	15,316
<b>2006</b>	
At 1 January 2006	15,316
Disposal	<u>(15,316)</u>
At 31 December 2006 and 31 December 2007	<u>–</u>

## 5.9 Trade and other receivables

	<i>As at 31 December 2007 £</i>	<i>As at 31 December 2006 £</i>	<i>As at 31 December 2005 £</i>
Trade receivables	533,691	964,247	774,060
Contract retentions	456,317	357,919	379,007
Other receivables	9,706	1	–
Prepayments	37,150	9,538	11,833
Amounts recoverable on long term contracts	1,458,030	730,533	932,327
	<u>2,494,894</u>	<u>2,062,238</u>	<u>2,097,227</u>
Comprising:			
Loans and receivables at amortised cost	2,457,744	2,052,700	2,085,394
Prepayments	37,150	9,538	11,833
	<u>2,494,894</u>	<u>2,062,238</u>	<u>2,097,227</u>

There was no provision of impairment of trade receivables at 31 December 2007 (31 December 2006: £nil; 31 December 2005: £nil).

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 given on sales is 45 days (2007: 45, 2006: 45). No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

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

	<i>As at</i> <i>31 December</i> 2007 £	<i>As at</i> <i>31 December</i> 2006 £	<i>As at</i> <i>31 December</i> 2005 £
Up to three months	101,520	–	36,552
Three to six months	6,355	4,428	14,010
Six to nine months	18,874	31,364	51,200
Nine to twelve months	12,015	853	–
More than twelve months	68,655	–	–
	<u>207,419</u>	<u>36,645</u>	<u>101,762</u>

#### 5.10 Cash and cash equivalents

	<i>As at</i> <i>31 December</i> 2007 £	<i>As at</i> <i>31 December</i> 2006 £	<i>As at</i> <i>31 December</i> 2005 £
Cash at bank and in hand	9,104	539,964	122,283

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

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2005, 2006 and 31 December 2007:

	<i>As at</i> <i>31 December</i> 2007 £	<i>As at</i> <i>31 December</i> 2006 £	<i>As at</i> <i>31 December</i> 2005 £
Cash at bank and in hand	9,104	539,964	122,283
Bank borrowings	–	(378,047)	(832,290)
Cash and cash equivalents	<u>9,104</u>	<u>161,917</u>	<u>(710,007)</u>

#### 5.11 Issued share capital

<i>Ordinary shares of £1 each</i>	<i>Authorised</i>		<i>Issued</i>	
	<i>Number</i>	£	<i>Number</i>	£
At 1 January 2005	1,000	1,000	100	100
Shares issued	–	–	1	1
At 31 December 2005	<u>1,000</u>	<u>1,000</u>	<u>101</u>	<u>101</u>
Shares issued	–	–	–	–
At 31 December 2006 and 2007	<u>1,000</u>	<u>1,000</u>	<u>101</u>	<u>101</u>

On incorporation Mountfield Building Group Limited issued 100 Ordinary Shares of £1 at par value. MBG Construction Limited issued 1 Ordinary Share of £1 at par value upon its incorporation on 24 April 2005. This has not been fully paid and has been included within other debtors.

## 5.12 Current liabilities

	<i>As at</i> <i>31 December</i> <i>2007</i> £	<i>As at</i> <i>31 December</i> <i>2006</i> £	<i>As at</i> <i>31 December</i> <i>2005</i> £
Trade payables	2,077,582	2,730,425	2,277,791
Other taxes and social security costs	190,488	329,795	322,343
Directors current accounts	–	1,904	112,907
Other payables	1,690	16,332	41,738
Accruals and deferred income	92,838	71,722	13,166
	<u>2,362,598</u>	<u>3,150,178</u>	<u>2,767,945</u>
Bank loans	60,467	78,511	93,993
Bank overdraft	–	378,047	832,290
	<u>60,467</u>	<u>456,558</u>	<u>926,283</u>
Net obligations under finance lease	8,394	2,940	2,940
	<u>2,431,459</u>	<u>3,609,676</u>	<u>3,697,168</u>
Other financial liabilities comprising:			
Trade and other payables at amortised cost	2,172,110	2,820,383	2,445,602
Secured borrowings at amortised cost			
– bank loans	60,467	78,511	93,993
– bank borrowings	–	378,047	832,290
– finance leases	8,394	2,940	2,940
	<u>68,861</u>	<u>459,498</u>	<u>929,223</u>
Other financial liabilities	2,240,971	3,279,881	3,374,825
Other taxes and social security costs	190,488	329,795	322,343
	<u>2,431,459</u>	<u>3,609,676</u>	<u>3,697,168</u>

Trade payables are normally settled on 45-day terms. The net of sales tax payable and sales tax receivable is remitted to the appropriate tax body on a quarterly basis.

As at 31 December 2007 Barclays Bank Plc provided Mountfield with an overdraft facility of £500,000. The interest on this facility was charged at 2.5 per cent. per annum above the bank's base rate. This facility was cancelled in the post balance sheet period.

Mountfield and MBG currently have no overdraft facility in place. A facility of £500,000 is currently being negotiated with Barclays Bank Plc.

## 5.13 Non-current liabilities

	<i>As at</i> <i>31 December</i> <i>2007</i> £	<i>As at</i> <i>31 December</i> <i>2006</i> £	<i>As at</i> <i>31 December</i> <i>2005</i> £
Net obligations under finance leases	15,525	6,140	9,617
<b>Analysis</b>			
Repayable within one year	8,394	2,940	2,940
Repayable between one and five years	15,525	6,140	9,617
	<u>23,919</u>	<u>9,080</u>	<u>12,557</u>
Included in liabilities falling due within one year	(8,394)	(2,940)	(2,940)
	<u>15,525</u>	<u>6,140</u>	<u>9,617</u>

#### 5.14 Deferred tax

Deferred tax, which has not been recognised in the accounts, is calculated at 30 per cent. (2006-30 per cent., 2005- 30 per cent.) analysed over the following timing differences:

	<i>As at</i> <i>31 December</i> <i>2007</i> £	<i>As at</i> <i>31 December</i> <i>2006</i> £	<i>As at</i> <i>31 December</i> <i>2005</i> £
<b>Unrecognised deferred tax analysis:</b>			
Deferred tax expense relating to origination and reversal of temporary differences	(123,533)	(512,409)	(648,010)
Accelerated capital allowances	6,922	5,777	6,535
Tax losses available	(130,455)	(518,186)	(654,545)
Unrecognised deferred tax asset	(123,533)	(512,409)	(648,010)

#### 5.15 Dividends

	<i>As at</i> <i>31 December</i> <i>2007</i> £	<i>As at</i> <i>31 December</i> <i>2006</i> £	<i>As at</i> <i>31 December</i> <i>2005</i> £
Interim dividends	–	25,200	–

Dividend per share equated to £nil in 2007 (2006: £252; 2005: £nil).

During the year to 31 December 2006, a dividend of £25,200 was paid on 31 December 2006.

#### 5.16 Pension costs

Mountfield and MBG operate a defined contribution pension scheme in respect of the directors and employees. The assets of the scheme are held separately from those of Mountfield and MBG in an independently administered fund. The pension cost charge represents contributions payable by Mountfield and MBG to the fund and amounted to £53,100 (2006: £53,100, 2005: £53,100). Contributions totalling £nil (2006: £nil, 2005: £nil) were payable to the fund at the year-end.

#### 5.17 Capital commitments

There were no capital commitments at the period ends.

#### 5.18 Post balance sheet events

On 16 October 2008 Mountfield Group Limited entered into an agreement with Mountfield pursuant to which Mountfield Group Limited would acquire the entire issued share capital of Mountfield and MBG.

In 2004, Mountfield guaranteed a third party lease. Under this guarantee Mountfield was liable for all outstanding and future costs relating to the rent, service charge, rates, light and heat. The Directors estimate this liability to be in excess of £1.2 million. As part of a compromise agreement dated 7 May 2008 the liability was settled by the payment of £200,000 and the issue of 3 million shares in Mountfield Group Plc.

#### 5.19 Related party disclosures

During the year, Mountfield Building Group Limited has received sales of £5,071,784 (2006: £6,082,978, 2005: £1,136,194) from MBG Construction Limited. Also, during the year ended 31 December 2005, Mountfield Building Group Limited charged MBG Construction £72,715 of

management charges. The outstanding balance due from MBG Construction Limited at 31 December 2007 was £34,944 (2006: £421,513, 2005: £124,743). These balances have been eliminated in the Combined Historical Financial Information.

At the year-end, included within trade creditors are amounts of £5,024 (2006: £136,926; 2005: £nil) owed to Connaught Access Flooring Limited. During the year, Mountfield purchased goods of £36,067 (2006: £226,502; £2005: £nil) from Connaught Access Flooring Limited.

G J Read is a director and holds a material interest in Connaught Access Flooring Limited.

During the year ended 31 December 2006, non current assets held for sale were sold to G J Read at a market value of £nil (2006: £25,200; £2005: £nil).

Read & Co are the accountants of MBG. Stephen Read is a partner of Read & Co and brother of Graham Read, director and major shareholder of Mountfield and MBG. During the year ended 31 December 2007, Read & Co provided accountancy and payroll services to Mountfield and MBG totalling £29,045 (2006: £7,590; 2005: £35,334). The balance outstanding at 31 December 2007 was £nil (2006: £3,288; 2005: £12,990).

## 5.20 Ultimate controlling party

Mountfield and MBG consider the ultimate controlling party to be G J Read.

## 5.21 Financial instruments

### *Capital risk management*

Mountfield and MBG manage their capital to ensure their ability to continue as going concerns and to maintain an optimal capital structure to reduce cost of capital. The capital structure of Mountfield and MBG comprises equity attributable to equity holders of Mountfield and MBG consisting of issued ordinary share capital and retained earnings as disclosed in Note 5.11 and cash and cash equivalents as disclosed in Note 5.10.

Mountfield and MBG maintain or adjust their capital structure through the payment of dividends to shareholders. Mountfield and MBG's policy is to carry no significant debt.

### Categories of financial instruments

	<i>As at</i> <i>31 December</i> <i>2007</i> <i>£</i>	<i>As at</i> <i>31 December</i> <i>2006</i> <i>£</i>	<i>As at</i> <i>31 December</i> <i>2005</i> <i>£</i>
<b>Financial assets</b>			
Loans and receivables at amortised cost including cash and cash equivalents:			
Cash and cash equivalents	9,104	539,964	122,283
Trade and other receivables	2,494,894	2,062,238	2,097,227
Total	<u>2,503,998</u>	<u>2,602,202</u>	<u>2,219,510</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	2,362,598	3,150,178	2,767,945
Secured borrowings	84,386	465,638	938,840
Total	<u>2,446,984</u>	<u>3,615,816</u>	<u>3,706,785</u>
Net	<u>57,014</u>	<u>(1,013,614)</u>	<u>(1,487,275)</u>

## Financial liabilities gross maturity

The maturity profile of Mountfield and MBG's financial liabilities at 31 December was as follows:

	<i>As at</i> <i>31 December</i> <i>2007</i> £	<i>As at</i> <i>31 December</i> <i>2006</i> £	<i>As at</i> <i>31 December</i> <i>2005</i> £
Due on demand or within one year			
– trade and other payables	2,362,698	3,150,178	2,767,945
– secured borrowings	68,861	459,498	929,223
	<u>2,431,459</u>	<u>3,609,676</u>	<u>3,697,168</u>
Due within one to five years			
– secured borrowings	15,525	6,140	9,617
Undiscounted financial liabilities	<u>2,448,344</u>	<u>3,625,278</u>	<u>3,706,785</u>

### *Cash and cash equivalents*

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

### *General risk management principles*

The directors have an overall responsibility for the establishment of Mountfield and MBG's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic operational and financial risks of Mountfield and MBG is in place to ensure appropriate risk management of its operations.

The following represent the key financial risks that Mountfield and MBG faces:

### *Market risk*

Mountfield and MBG's activities expose them primarily to the financial risk of changes in interest rates.

### *Interest rate risk*

Mountfield and MBG have a loan account and a bank overdraft facility. Both these facilities bear an interest rate of 2.5 per cent. per annum above the Bank of England base rate. A 50 basis point increase/decrease in the interest rate of interest bearing financial instruments would result in a £3,500 (31 December 2006: £20,500; 31 December 2005: £92,000) increase/decrease in Mountfield and MBG's investment income.

Interest rate risk also arises on Mountfield and MBG's cash and cash equivalents. A 50 basis point increase/decrease in the interest rate of interest bearing financial assets would lead to a £1,100 (31 March 2007: £nil; 31 March 2006: £nil) increase/decrease in Mountfield and MBG's investment income.

### *Credit risk*

Credit risk is the risk that the counterparty will default on its contractual obligations, resulting in financial loss. Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. Mountfield and MBG have a policy of assessing credit worthiness of potential customers before entering into transactions.

The credit rating of a financial institution will determine the amount and duration for which funds may be deposited under individual risk limits set by the directors of Mountfield and MBG. Management monitors the utilisation of these credit limits regularly. No credit limits were exceeded during the

reporting periods of the Combined Historical Financial Information and no losses are expected from non-performance by these counterparties.

For trade and other receivables ongoing credit evaluation is performed 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. Mountfield and MBG manage the collection of their receivables through their 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 2005, 31 December 2006 and 31 December 2007 is the carrying value of financial assets recorded in the financial statements.

#### *Liquidity risk*

Liquidity risk is the risk that Mountfield and MBG will not be able to meet their financial obligations as and when they fall due.

Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of working capital. Short-term liquidity is managed through short-term borrowing facilities and short-term deposits. The maturity profile of Mountfield and MBG's financial liabilities is set out above.

#### *Fair value of financial assets and liabilities*

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

### (III) – Unaudited Condensed Interim Financial Statements

For the six month period ended 30 June 2008

#### Combined Income Statement

For the six months ended 30 June 2008

	<i>Six months ended 30 June 2008 (Unaudited)</i>
	<i>£</i>
	<i>Notes</i>
<b>Revenue</b>	10,298,971
Cost of sales	(8,016,913)
<b>Gross profit</b>	2,282,058
Administrative expenses	(603,354)
Lease guarantee payment	(200,000)
<b>Profit from ordinary activities before income tax and finance costs</b>	1,478,704
Net finance income	16,414
<b>Profit before income tax</b>	1,495,118
Income tax on ordinary activities	3 (313,156)
<b>Net profit after income tax from ordinary activities</b>	<u>1,181,962</u>
Attributable to:	
Equity holders of the parent	1,181,962
Minority interest	–
	<u>1,181,962</u>

The income statement has been prepared on the basis that all operations are continuing operations.



## Combined Balance Sheet

As at 30 June 2008

	<i>Notes</i>	<i>As at 30 June 2008 (Unaudited) £</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant & equipment		114,417
<b>Current assets</b>		
Trade receivables	4	4,035,016
Cash and bank and in hand		1,572,529
		<u>5,607,545</u>
<b>Total assets</b>		<u>5,721,962</u>
<b>Equity and liabilities</b>		
<b>Share capital and reserves</b>		
Issued share capital		101
Retained earnings		1,349,902
Equity attributable to equity holders of the parent		1,350,003
Minority interest		—
<b>Total equity</b>		<u>1,350,003</u>
<b>Current liabilities</b>		
Trade & other payables	5	3,915,779
Corporation Tax		381,281
Bank loans		52,053
Finance lease liabilities		9,851
		<u>4,358,964</u>
<b>Non-current liabilities</b>		
Finance lease liabilities	6	12,995
<b>Total liabilities</b>		<u>4,371,959</u>
<b>Total equity and liabilities</b>		<u>5,721,962</u>

## Combined Cash Flow Statement

For the six months ended 30 June 2008

	<i>Notes</i>	<i>Six months ended 30 June 2008 (Unaudited) £</i>
<b>Cash flows from operating activities</b>		
Profit from operations for the year		1,478,704
Adjustments for:		
Depreciation		3,681
Increase in receivables		(1,918,679)
Increase in payables		1,931,737
Interest received		16,414
<b>Net cash inflow from operating activities</b>		<u>1,511,857</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of equipment		9,002
<b>Cash flows from financing activities</b>		
Capital repayment of finance lease rentals		(1,073)
Repayment of long term bank loans		(8,414)
<b>Net cash flows from financing activities</b>		<u>(9,487)</u>
<b>Net increase in cash and cash equivalents</b>		1,511,372
Cash and cash equivalents brought forward		9,104
<b>Cash and cash equivalents carried forward</b>		<u>1,520,476</u>
<b>Represented by:</b>		
Positive cash balances		1,572,529
Short term borrowings		(52,053)
	7	<u>1,520,476</u>

## Combined Statement of Changes in Shareholders' Equity

	<i>Issued share capital £</i>	<i>Retained earnings £</i>	<i>Total equity £</i>
At 31 December 2007	101	167,940	1,198,935
Profit for the period	–	1,181,962	718,465
At 30 June 2008	<u>101</u>	<u>1,349,902</u>	<u>1,350,003</u>

## Notes to the Interim Combined Financial Statements for the six months ended 30 June 2008

### 1. Basis of preparation

The condensed interim combined financial statements for the six months ended 30 June 2008 have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as endorsed by the EU, IFRIC interpretations, those parts of the Companies Act 1985 applicable to companies reporting under IFRS and with those accounting policies set out in Part 3A section II of the Company’s AIM Admission Document dated 27 October 2008, and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

IFRSs as adopted by the EU do not provide for the preparation of combined financial information and accordingly in preparing the combined financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions does not result in material departures from IFRSs as adopted by the EU.

Inter-company sales and profits have been eliminated.

### 2. Non-statutory accounts

The combined financial statements for the 6 months ended 30 June 2008 are neither audited nor reviewed by the auditors.

The combined financial information in Part 3B Section III not amount to full accounts within the meaning of the Companies Act 1985 (as amended).

### 3. Taxation

The tax charge is based on the profit for the period and represents:

	<i>As at 30 June 2008 £</i>
<b>Current tax</b>	
Current tax on combined income for the period	313,156
<b>Factors affecting the tax charge</b>	
Profit on ordinary activities before taxation	<u>1,495,118</u>
Profit on ordinary activities before taxation multiplied by the standard rate of UK Corporation Tax of 28%	418,633
Effects of:	
Expenditure not allowable for tax purposes	–
Utilisation of losses brought forward	(100,553)
Other tax adjustments	<u>(4,924)</u>
Current tax charge	<u>313,156</u>

**4. Trade and other receivables**

	<i>As at</i>
	<i>30 June</i>
	<i>2008</i>
	<i>£</i>
Trade receivables	4,035,016
	<u>4,035,116</u>

**5. Trade and other payables**

	<i>As at</i>
	<i>30 June</i>
	<i>2008</i>
	<i>£</i>
Trade and other payables	3,915,779
	<u>3,915,779</u>

**6. Non-current liabilities**

	<i>As at</i>
	<i>30 June</i>
	<i>2008</i>
	<i>£</i>
Finance lease liabilities	12,995
	<u>12,995</u>

**7. Cash and cash equivalents**

	<i>6 months</i>
	<i>to</i>
	<i>30 June</i>
	<i>2008</i>
	<i>£</i>
Cash and cash equivalents	1,520,476
	<u>1,520,476</u>

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 £1,520,476.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following as at 30 June 2008:

Cash at bank and in hand	1,572,529
Bank overdraft	(52,073)
	<u>1,520,476</u>

## **8. Related party disclosures**

Within amounts owed by the companies under common control are amounts due to Mountfield from MBG of £44,748. During the period, Moutfield has received sales of £3,625,703 from MBG. These amounts have been eliminated in the combined unaudited interim accounts.

At the period end, included within trade and other payables are amounts of £24,723 owed to Connaught Access Flooring.

Graham Read is a director and holds a material interest in Connaught Access Flooring.

Read & Co are the accountants of Moutfield and MBG. Stephen Read is a partner of Read & Co and brother of Graham Read, director and major shareholder of Moutfield and MBG. During the six month period ended 30 June 2008, Read & Co provided accountancy and payroll services to Moutfield and MBG totalling £17,000.

## **9. Post balance sheet events**

On 16 October 2008 Moutfield and MBG entered into an agreement with Moutfield Group Plc pursuant to which Moutfield Group Plc would acquire the entire issued share capital of Moutfield and MBG.

In 2004, the Moutfield guaranteed a third party lease. Under this guarantee Moutfield was liable for all outstanding and future costs relating to the rent, service charge, rates, light and heat. The Directors estimate this liability to be in excess of £1.2 million. As part of a compromise agreement dated 7 May 2008 the liability was settled by the payment of £200,000 and the issue of 3m shares in Moutfield Group Plc.

## C. HISTORICAL FINANCIAL INFORMATION ON CONNAUGHT ACCESS FLOORING

### (I) – ACCOUNTANT’S REPORT

The following is the full text of a report on Connaught Access Flooring Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Mountfield Group plc.



The Directors  
Mountfield Group plc  
3c Sopwith Crescent  
Wickford Business Park  
Wickford  
Essex  
SS11 8YU

27 October 2008

Dear Sirs

#### **CONNAUGHT ACCESS FLOORING LIMITED (“CONNAUGHT ACCESS FLOORING”)**

We report on the financial information set out in Part 3C, section II (“Connaught Access Flooring’s Historical Financial Information”) which has been prepared for inclusion in the Admission Document dated 27 October 2008 (“Admission Document”) of Mountfield Group plc on the basis of the accounting policies set out in note 5.2.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 5.2.1 to Connaught’s Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the

amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, Connaught Access Flooring's Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Connaught Access Flooring as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 5.2.1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 5.2.1.

### **Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Baker Tilly Corporate Finance LLP**

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

## (II) – HISTORICAL FINANCIAL INFORMATION

### 1. INCOME STATEMENT

		<i>Year ended</i> <i>31 March</i> <i>2008</i>	<i>Year ended</i> <i>31 March</i> <i>2007</i>	<i>Year ended</i> <i>31 March</i> <i>2006</i>
	<i>Notes</i>	£	£	£
<b>Continuing operations</b>				
<b>Revenue</b>		8,111,172	5,632,093	4,127,728
Cost of sales		(6,280,294)	(4,130,361)	(2,810,738)
<b>Gross profit</b>		<u>1,830,878</u>	<u>1,501,732</u>	<u>1,316,990</u>
Administrative expenses		(499,081)	(313,152)	(256,014)
<b>Profit from ordinary activities before income tax and finance costs</b>		<u>1,331,797</u>	<u>1,188,580</u>	<u>1,060,976</u>
Finance income	5.5	47,580	22,791	9,996
Finance costs	5.5	–	–	(3,682)
<b>Profit on ordinary activities before income tax</b>	5.4	<u>1,379,377</u>	<u>1,211,371</u>	<u>1,067,290</u>
Income tax expense	5.6	(429,766)	(388,635)	(325,719)
<b>Profit from continuing operations</b>		<u><u>949,611</u></u>	<u><u>822,736</u></u>	<u><u>741,571</u></u>

All profits for the above periods are attributable to the equity holders of Connaught Access Flooring.



## 2. BALANCE SHEET

		<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
	<i>Notes</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5.7	115,818	137,963	135,598
Trade and other receivables	5.9	–	4,087	9,977
		<u>115,818</u>	<u>142,050</u>	<u>145,575</u>
<b>Current assets</b>				
Inventories	5.8	133,581	92,328	106,779
Trade and other receivables	5.9	1,267,920	1,193,898	1,379,380
Cash and cash equivalents	5.10	1,801,023	964,535	541,557
		<u>3,202,524</u>	<u>2,250,761</u>	<u>2,027,716</u>
<b>TOTAL ASSETS</b>		<u><u>3,318,342</u></u>	<u><u>2,392,811</u></u>	<u><u>2,173,291</u></u>
<b>EQUITY AND LIABILITIES</b>				
Issued share capital	5.11	500	500	500
Capital redemption reserve	5.11	500	500	500
Retained earnings		1,755,103	1,457,062	1,039,308
<b>TOTAL EQUITY</b>		<u>1,756,103</u>	<u>1,458,062</u>	<u>1,040,308</u>
<b>Current liabilities</b>				
Trade and other payables	5.12	1,106,723	538,634	799,154
Income tax		435,872	370,365	326,348
<b>Non current liabilities</b>				
Deferred tax	5.13	19,644	25,750	7,481
<b>TOTAL LIABILITIES</b>		<u>1,562,239</u>	<u>934,749</u>	<u>1,132,983</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,318,342</u></u>	<u><u>2,392,811</u></u>	<u><u>2,173,291</u></u>

Equity is attributable to equity holders of Connaught Access Flooring.

### 3. CASH FLOW STATEMENT

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
<b>Cash flows from operating activities</b>			
Profit from operations before tax and finance costs	1,331,797	1,188,580	1,060,976
Adjusted for:			
Depreciation of property, plant and equipment	40,882	36,088	28,165
Loss on disposal of property, plant and equipment	–	–	2,808
(Increase)/decrease in inventory	(41,253)	14,451	23,779
(Increase)/decrease in receivables	(69,935)	191,372	(848,327)
Increase/(decrease) in payables	568,089	(260,520)	249,435
<b>Cash generated from operations</b>	<u>1,829,580</u>	<u>1,169,971</u>	<u>516,836</u>
Interest paid	–	–	(3,682)
Interest received	47,580	22,791	9,996
Income taxes paid	(370,365)	(326,349)	(84,501)
<b>Net cash inflow from operating activities</b>	<u>1,506,795</u>	<u>866,413</u>	<u>438,649</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of equipment	–	–	2,094
Purchase of property, plant and equipment	(18,737)	(38,453)	(27,289)
<b>Net cash outflow from investing activities</b>	<u>(18,737)</u>	<u>(38,453)</u>	<u>(25,195)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	(651,570)	(404,982)	(308,754)
<b>Net cash outflow from financing activities</b>	<u>(651,570)</u>	<u>(404,982)</u>	<u>(308,754)</u>
Net increase in cash and cash equivalents	836,488	422,978	104,700
Cash and cash equivalents brought forward	964,535	541,557	436,857
<b>Cash and cash equivalents carried forward</b>	5.10 <u>1,801,023</u>	<u>964,535</u>	<u>541,557</u>

#### 4. STATEMENT OF CHANGES IN EQUITY

	<i>Notes</i>	<i>Issued share capital £</i>	<i>Capital redemption reserve</i>	<i>Retained earnings £</i>	<i>Total equity £</i>
As at 1 April 2005		500	500	606,491	607,491
Profit for the year being total recognised income and expense		–	–	741,571	741,571
Dividends paid in the year	5.15	–	–	(308,754)	(308,754)
As at 31 March 2006		500	500	1,039,308	1,040,308
Profit for the year being total recognised income and expense		–	–	822,736	822,736
Dividends paid in the year	5.15	–	–	(404,982)	(404,982)
As at 31 March 2007		500	500	1,457,062	1,458,062
Profit for the year being total recognised income and expense		–	–	949,611	949,611
Dividends paid in the year	5.15	–	–	(651,570)	(651,570)
As at 31 March 2008		500	500	1,755,103	1,756,103

All equity is attributable to shareholders of Connaught Access Flooring.

## 5. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 5.1 General information

#### 5.1.1 Incorporation

Connaught Access Flooring was incorporated on 15 September 1992 in England and Wales.

Connaught Access Flooring is domiciled in the United Kingdom.

#### 5.1.2 Registered address

Connaught Access Flooring's registered address is:

Unit One, Hill House Farm

Church Lane

Ford End

Chelmsford

Essex

CM3 1LH

#### 5.1.3 Principal activity

The principal activity of Connaught Access Flooring is that of a specialist flooring contractor.

#### 5.1.4 Presentational and functional currency

These financial statements are presented in pounds sterling, which is Connaught Access Flooring's functional currency.

#### 5.1.5 Adoption of pronouncements by the IASB and IFRIC

A number of new Standards and amendments to Standards and Interpretations have been issued by the IASB and IFRIC with an effective date after the date of this financial information. Those that are relevant to Connaught Access Flooring are as follows:

<i>International Accounting Standards (IAS/IFRSs)</i>	<i>Effective date</i>
IFRS 2 Share-based Payments (revised): amendment Vesting Conditions and Cancellations	1 Jan 2009
IFRS 3 Business Combinations (revised 2008)	1 Jul 2009
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 Jul 2009
IFRS 8 Operating Segments	1 Jan 2009
IAS 1 Presentation of Financial Statements (revised 2007 and 2008)	1 Jan 2009
IAS 16 Property, Plant and Equipment (revised 2008)	1 Jan 2009
IAS 19 Employee benefits (revised 2008)	1 Jan 2009
IAS 20 Government Grants and Disclosure of Government Assistance (revised 2008)	1 Jan 2009
IAS 23 Borrowing Costs (revised 2007 and 2008)	1 Jan 2009
IAS 27 Consolidated and Separate Financial Statements (revised 2008)	1 Jan 2009
IAS 28 Investments in Associates (revised 2008)	1 Jan 2009
IAS 31 Interests in Joint Ventures (revised 2008)	1 Jan 2009
IAS 32 Financial Instruments: Presentation (revised 2008)	1 Jan 2009
IAS 39 Financial Instruments: Recognition and Measurement (revised 2008)	1 Jan 2009

*International Financial Reporting Interpretations Committee (IFRIC)*

IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes	1 Jul 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions	1 Jan 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

The Directors do not anticipate that the adoption of these Standards and Interpretations will have a material impact on Connaught Access Flooring's financial statements in the period of initial application. Connaught Access Flooring will apply relevant new Standards from their effective date subject to endorsement by the European Union.

## 5.2 Accounting policies

### 5.2.1 Basis of preparation

The Connaught Access Flooring's Historical Financial Information has been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"), as issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 31 March 2008. The entity has not availed itself of early adoption options in such standards and interpretations.

This financial information has been prepared under the historical cost convention. The principal accounting policies adopted are set out below:

### 5.2.2 Revenue recognition

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

Revenue related 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 income statement 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 income statement as soon as they are foreseen.

### 5.2.3 Segmental reporting

Revenue is derived from Connaught Access Flooring's principal activity and arises substantially in the United Kingdom. Connaught Access Flooring therefore does not report by business or geographical segment.

£13,737 or 0.2 per cent. of Connaught Access Flooring's revenue for the period ended 31 March 2008 was attributable to geographical markets outside the United Kingdom (31 March 2007: £19,187 or 0.3 per cent.; 31 March 2006: nil per cent.).

### 5.2.4 Amounts recoverable on long term contracts

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.

#### 5.2.5 *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

#### 5.2.6 *Property, plant and equipment*

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

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the item, as follows:

Leasehold improvements      10% straight line

Plant and Equipment          20% - 25% straight line

Motor vehicles                20% straight line

#### 5.2.7 *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.

#### 5.2.8 *Financial Instruments*

Financial assets and financial liabilities are recognised on Connaught Access Flooring's balance sheet when Connaught Access Flooring becomes a party to the contractual provisions of the instrument.

The financial instruments, excluding current receivables and payables comprise cash or overdraft and 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, Connaught Access Flooring did not enter into derivative transactions and did not undertaken trading in any financial instruments.

#### 5.2.9 *Trade & other receivables*

Trade receivables, which generally have 45-day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any provisions for impairments. 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 Connaught Access Flooring's trade and other receivables is equivalent to their book values as set out in the financial information

#### 5.2.10 *Cash and other equivalents*

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

#### 5.2.11 *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of Connaught Access Flooring after deducting all of its liabilities.

#### 5.2.12 *Share capital*

Connaught Access Flooring 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 Connaught Access Flooring. All shares rank equally with regard to Connaught Access Flooring's residual assets.

Ordinary shares are classified as equity.

#### 5.2.13 *Trade and other payables*

Trade payables, which generally have 45-day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest method. The fair value of Connaught Access Flooring's trade and other payables is equivalent to their book values as set out in the financial information.

#### 5.2.14 *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

#### 5.2.15 *Deferred taxation*

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of Connaught Access Flooring's assets and liabilities and their tax base. Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, 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. Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

#### 5.2.16 *Finance costs*

Finance costs of debt, including premiums payable on settlement and direct issue costs are charged to the income statement on an accruals basis over the term of the instrument, using the effective interest method. Interest bearing bank loans and overdrafts are initially recorded at fair value, net of transaction costs. Finance charges are added to the carrying amount of the loan or overdraft to the extent that these are not settled in the period in which they arise.

#### 5.2.17 *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease. Any rent-free periods received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### 5.2.18 *Interim dividend distribution*

Interim dividends are declared and distributed at the discretion of the Directors.

### 5.2.19 *Critical accounting estimates and assumptions*

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. 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.

#### *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. Connaught Access Flooring uses the work of expert professional Chartered Surveyors to determine accurately the level of work that has been completed by the year-end. Connaught Access Flooring also has appropriate control procedures to ensure that all estimates are determined on a consistent basis and are subject to appropriate review and authorisation.

### 5.3 **Construction contracts**

	<i>Year ended</i> <i>31 March</i> <i>2008</i> £	<i>Year ended</i> <i>31 March</i> <i>2007</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
Contract revenue recognised in relation to construction contracts in the year and retentions	8,111,172	5,632,093	4,127,728
For contracts in progress at the balance sheet date;			
Aggregate costs incurred to date	5,637,700	2,758,815	1,670,925
Recognised profits to date	2,234,614	1,297,004	1,263,146
Advances received	174,248	–	–
Retentions due	251,215	223,664	149,605

### 5.4 **Profit before tax**

	<i>Year ended</i> <i>31 March</i> <i>2008</i> £	<i>Year ended</i> <i>31 March</i> <i>2007</i> £	<i>Year ended</i> <i>31 March</i> <i>2006</i> £
Profit before tax is stated after charging:			
Included within administrative expenses			
Depreciation of property, plant and equipment owned by Connaught Access Flooring:	26,669	23,839	24,083
Loss on sale of property, plant and equipment	–	–	2,808
Foreign currency exchange loss	5	139	–
Operating lease rentals – other assets	29,582	27,023	26,412
Staff costs	151,600	84,256	54,772
Auditor’s remuneration			
Auditor’s remuneration – audit services	6,250	4,000	6,500
Auditor’s remuneration – non-audit services	29,277	17,127	26,799
Included within cost of sales			
Depreciation of property, plant and equipment owned by Connaught Access Flooring	14,183	12,249	4,082
Staff costs	295,571	262,489	202,253



Connaught Access Flooring has a stakeholder pension scheme to which contributions of £nil were made during the year ended 31 March 2008 (2006: £nil; 2005: £nil).

	<i>No.</i>	<i>No.</i>	<i>No.</i>
The average number of employees (including executive Directors) was	10	11	11
The split of employees within Connaught Access Flooring is as follows:			

	<i>No.</i>	<i>No.</i>	<i>No.</i>
Administration	3	3	3
Cost of sales	4	5	5
Management	3	3	3
	<u>10</u>	<u>11</u>	<u>11</u>

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
<i>Staff costs</i>			
Wages and salaries	466,331	346,745	257,025
Social security costs	54,012	39,688	30,380
	<u>520,343</u>	<u>386,433</u>	<u>287,405</u>

<i>Key management personnel compensation</i>			
Short-term employee benefits	<u>16,540</u>	<u>7,236</u>	<u>10,333</u>

During the year to 31 March 2008, dividends totalling £651,570 (2007: £404,982; 2006: £308,754) were paid to directors. Further details of these dividends are detailed in Notes 5.15 and 5.18.

## 5.5 Revenue and expenses

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Net finance income			
Finance income	47,580	22,791	9,996
Finance costs	<u>–</u>	<u>–</u>	<u>(3,682)</u>
	<u>47,580</u>	<u>22,791</u>	<u>6,314</u>

## 5.6 Analysis of tax charge in the year

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
<b>Current tax</b>			
UK corporation tax charge on profits for the year	435,189	370,366	326,977
Adjustment in respect of prior years	683	–	(1,258)
Total current tax	<u>435,872</u>	<u>370,366</u>	<u>325,719</u>
<b>Deferred tax</b>			
Deferred tax expense relating to the origination and reversal of temporary differences	(6,106)	18,269	–
<b>Income tax expense recognised in the income statement</b>	<u>429,766</u>	<u>388,635</u>	<u>325,719</u>
<b>Factors affecting the tax charge for the period</b>			
Profit on ordinary activities before taxation	1,379,377	1,211,371	1,067,290
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2007: 30%, 2006: 30%)	413,813	363,411	320,187
Effects of:			
Expenses not deductible for tax purposes	22,876	11,873	13,277
Adjustments to tax charge in respect of previous periods	683	–	(1,258)
Other tax adjustments	(7,606)	13,351	(7,027)
<b>Income tax expense recognised in the income statement</b>	<u>429,766</u>	<u>388,635</u>	<u>325,179</u>

The standard rate of UK corporation tax reduced from 30 per cent. to 28 per cent. from April 2008. The effect of this change gives rise to reduction in the deferred tax liability and therefore a benefit to the value of business in force at 31 March 2008 of £1,310.

## 5.7 Property, plant and equipment

	<i>Leasehold Improvements</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
<b>Cost</b>				
At 1 April 2005	109,478	178,002	27,779	315,259
Additions	–	10,976	16,313	27,289
Disposals	–	(899)	(17,697)	(18,596)
At 31 March 2006	<u>109,478</u>	<u>188,079</u>	<u>26,395</u>	<u>323,952</u>
Additions	–	9,454	28,999	38,453
At 31 March 2007	<u>109,478</u>	<u>197,533</u>	<u>55,394</u>	<u>362,405</u>
Additions	–	18,737	–	18,737
At 31 March 2008	<u>109,478</u>	<u>216,270</u>	<u>55,394</u>	<u>381,142</u>
<b>Depreciation</b>				
At 1 April 2005	45,616	110,902	17,365	173,883
Charge for the year	10,948	14,632	2,585	28,165
Eliminated on disposals	–	(477)	(13,217)	(13,694)
At 31 March 2006	<u>56,564</u>	<u>125,057</u>	<u>6,733</u>	<u>188,354</u>
Charge for the year	10,948	16,973	8,167	36,088
At 31 March 2007	<u>67,512</u>	<u>142,030</u>	<u>14,900</u>	<u>224,442</u>
Charge for the year	10,948	19,834	10,100	40,882
At 31 March 2008	<u>78,460</u>	<u>161,864</u>	<u>25,000</u>	<u>265,324</u>
<b>Net book value</b>				
At 31 March 2008	<u>31,018</u>	<u>54,406</u>	<u>30,394</u>	<u>115,818</u>
At 31 March 2007	<u>41,966</u>	<u>55,503</u>	<u>40,494</u>	<u>137,963</u>
At 31 March 2006	<u>52,914</u>	<u>63,022</u>	<u>19,662</u>	<u>135,598</u>
At 31 March 2005	<u>63,682</u>	<u>67,100</u>	<u>10,414</u>	<u>141,376</u>

## 5.8 Inventories

	<i>As at 31 March 2008</i>	<i>As at 31 March 2007</i>	<i>As at 31 March 2006</i>
	£	£	£
Inventories	<u>133,581</u>	<u>92,328</u>	<u>106,779</u>

Inventories totalling £425,459 were expensed to the income statement during the year (2007: £157,984; 2006: £234,923). No inventories were written off during the year (2007: £nil; 2006: £nil).

## 5.9 Trade and other receivables

	<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
<b>Current</b>			
Trade receivables	777,317	383,461	523,294
Less: Provision for impairment of trade receivables	(37,212)	–	–
	<u>740,105</u>	<u>383,461</u>	<u>523,294</u>
Contract retentions	251,215	219,577	139,628
Other receivables	17,886	43,757	10,052
Prepayments	17,556	16,111	25,597
Loans to related parties	–	2,471	4,214
Amounts recoverable on long term contracts	241,158	528,521	676,595
	<u>1,267,920</u>	<u>1,193,898</u>	<u>1,379,380</u>
<b>Non-current</b>			
Contract retentions	–	4,087	9,977
	<u>1,267,920</u>	<u>1,197,985</u>	<u>1,389,357</u>
Comprising:			
Loans and receivables at amortised cost	1,250,364	1,181,874	1,363,760
Prepayments	17,556	16,111	25,597
	<u>1,267,920</u>	<u>1,197,985</u>	<u>1,389,357</u>

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 given on sales is 45 days (2007: 45, 2006: 45). No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

Loans to related parties relate to overdrawn directors current accounts, as disclosed in note 5.18. There are no repayment terms or interest on directors current accounts and amounts were repaid within 9 months of the year end.

Amounts recoverable on long-term contracts are stated net of discounts allowed of £199,950 (2007: £nil, 2006: £nil).

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

Balance at 1 April 2005, 2006 and 2007	£
	–
Charged to the income statement	37,212
Balance at 31 March 2008	<u>37,212</u>

Connaught Access Flooring'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:

*Trade receivables*

	<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Up to three months	404,933	90,083	9,893
Three to six months	125	13,465	1,704
Six to nine months	61,930	19,963	26,000
Nine to twelve months	68	–	26,120
More than twelve months	8,088	1,971	–
	<u>475,144</u>	<u>125,482</u>	<u>63,717</u>

*Contract retentions*

	<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Up to three months	14,124	32,815	1,629
Three to six months	5,744	14,313	3,561
Six to nine months	–	6,888	1,092
Nine to twelve months	10,534	1,120	99
More than twelve months	3,108	2,662	245
	<u>33,510</u>	<u>57,798</u>	<u>6,626</u>

**5.10 Cash and cash equivalents**

	<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Cash at bank and in hand	1,801,023	964,535	541,557

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

Connaught currently has no overdraft facility in place.

**5.11 Issued share capital****Ordinary shares of £1 each**

	<i>Authorised</i>		<i>Issued</i>		<i>Capital redemption reserve</i>	
	<i>Number</i>	£	<i>Number</i>	£	<i>Number</i>	£
At 1 April 2005	1,000	1,000	500	500	500	500
Shares issued	–	–	–	–	–	–
At 31 March 2006, 2007 and 2008	<u>1,000</u>	<u>1,000</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

All issued ordinary shares are fully paid. They carry no right to fixed income, but each share carries the right to one vote at general meetings of Connaught Access Flooring.

On incorporation Connaught Access Flooring issued 2 Ordinary Shares of £1, at par value. On the same date, the Company issued a further 998 Ordinary Shares of £1, at par value.

On 10 December 2002, 500 £1 Ordinary shares were repurchased by Connaught Access Flooring, under section 162 of the Companies Act 1985, for a consideration of £110,000 resulting in a capital redemption reserve of £500. There have been no subsequent movements in this reserve. The shares were repurchased in order that a shareholder could realise their investment and to further the future business of Connaught Access Flooring.

## 5.12 Trade and other payables

	<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Trade payables	741,361	319,473	689,530
Other payables	2,300	4,832	9,227
Accruals	290,681	137,753	64,155
Other taxes and social security costs	72,381	76,576	36,242
	<u>1,106,723</u>	<u>538,634</u>	<u>799,154</u>
Other financial liabilities comprising:			
At amortised cost	1,034,342	462,058	762,912
Other taxes and social security costs	72,381	76,576	36,242
	<u>1,106,723</u>	<u>538,634</u>	<u>799,154</u>

Trade payables are normally settled on 45-day terms.

The net of sales tax payable and sales tax receivable is remitted to the appropriate tax body on a quarterly basis.

## 5.13 Deferred tax

	<i>As at</i> <i>31 March</i> <i>2008</i> £	<i>As at</i> <i>31 March</i> <i>2007</i> £	<i>As at</i> <i>31 March</i> <i>2006</i> £
Deferred tax analysis:			
Deferred tax expense relating to origination and reversal of temporary differences	19,644	25,750	7,481
Movement in deferred tax during the year:			
Deferred tax balance brought forward	25,750	7,481	7,481
(Credit)/charge for the year	(6,106)	18,269	–
Deferred tax balance carried forward	<u>19,644</u>	<u>25,750</u>	<u>7,481</u>

#### 5.14 Operating lease commitments

Connaught Access Flooring had the following annual commitments under non-cancellable operating leases:

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Expiry date:			
Between two and five years	28,431	27,132	26,494
	<u>28,431</u>	<u>27,132</u>	<u>26,494</u>

Lease payments are recognised in the income statement.

#### 5.15 Dividends

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
Interim dividends	651,570	404,982	308,754
	<u>651,570</u>	<u>404,982</u>	<u>308,754</u>

Dividend per share equated to £1,303 in 2008 (2007: £810, 2006: £618).

During the year to 31 March 2008, dividends totalling £651,570 were paid on 2 April 2007 (£22,842), 2 July 2007 (£22,842), 22 June 2007 (£300,000), 28 August 2007 (£200,000), 1 October 2007 (£34,386), 7 January 2008 (£31,500) and 7 February 2008 (£40,000).

During the year to 31 March 2007, dividends totalling £404,982 were paid on 21 April 2006 (£22,842), 3 July 2006 (£22,842), 2 October 2006 (£22,842), 8 January 2007 (£22,842), 1 June 2006 (£306,000) and 14 September 2006 (£7,614).

During the year to 31 March 2006 dividends totalling £308,754 were paid on 2 May 2005 (£7,614), 24 June 2005 (£7,614), 4 July 2005 (£7,614), 1 August 2005 (£7,614), 1 September 2005 (£7,614), 3 October 2005 (£7,614), 1 November 2005 (£7,614), 1 December 2005 (£7,614), 26 September 2005 (£225,000) and 9 January 2006 (£22,842).

#### 5.16 Finance leases

There were no assets on hire purchase or finance lease for any of the periods.

#### 5.17 Capital commitments

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

#### 5.18 Related party disclosures

During the period to 31 March 2008, Connaught Access Flooring made sales of £63,452 (31 March 2007: £275,324, 31 March 2006: £37,299) to Mountfield Building Group Limited, a company of which G Read is a director. At the period ended 31 March 2008, Mountfield Building Group Limited owed £51,791 (31 March 2007: £23,831, 31 March 2006: £41,323) to Connaught Access Flooring.

During the period Connaught Access Flooring also made sales of £67,068 (31 March 2007: £nil, 31 March 2006: £nil) and purchases of £184,642 (31 March 2007: £nil, 31 March 2006: £nil) to Corinthian Ceramics Limited, a company of which A J Collins is a director, during the period. At the

period ended 31 March 2008, £1,593 (31 March 2007: £nil, 31 March 2006: £nil) was owing from Corinthian Ceramics Limited in respect of these transactions.

During the year ended 31 March 2008, Connaught Access Flooring paid dividends of £351,570 to Andy Collins (2007: £200,982; 2006: £158,754), £100,000 to Colin Taylor (2007: £102,000; 2006: £75,000), and £200,000 to Graham Read (2007: £102,000; 2006: £75,000). Also during the year ended 31 March 2008, Connaught Access Flooring made payments to Andy Collins of £62 (2007: £nil; 2006: £5,950) and payments to Colin Taylor of £nil (2007: £nil; 2006: £145) in respect of reimbursement of staff expenses. During the year ended 31 March 2006, retention settlements of £1,333 were paid to Andy Collins, Colin Taylor and Graham Read.

As at 31 March 2008, the following amounts were owed to directors: A Collins - £195 (31 March 2007: £257, 31 March 2006: £1,743 owed to Connaught Access Flooring), G Read - £837 (31 March 2007: £837, 31 March 2006: £1,163 owed to Connaught Access Flooring ) and C Taylor £692 (31 March 2007: £692, 31 March 2006: £1,308 owed to Connaught Access Flooring). The loan balances of C Taylor and G Read were written off in full following their resignations as directors on 23 May 2008.

In the year ended 31 March 2008, accounting services were provided by Read & Co, a company owned by the brother of Graham Read, totalling £nil (2007: £nil, 2006: £2,033). At 31 March 2008 £nil was owed to Read & Co in respect of these services (31 March 2007: £nil; 31 March 2006: £nil).

#### **5.19 Post balance sheet events**

On 23 May 2008, the entire issued share capital of Connaught Access Flooring by was acquired by Connaught Access Flooring Holdings Limited in a share for share exchange with Andrew Collins and Graham Read.

On 16 October 2008 Connaught Access Flooring Holdings Limited entered into an agreement with Mountfield Group Limited pursuant to which Mountfield Group Limited would acquire the entire issued share capital of Connaught Access Flooring Holdings Limited.

#### **5.20 Ultimate controlling party**

As of 16 October 2008, Connaught Access Flooring's ultimate controlling party is Mountfield Group Plc.

From 23 May 2008 to 16 October 2008, Connaught Access Flooring was controlled by Connaught Access Flooring Holdings Limited. Prior to this, Connaught Access Flooring was controlled by its three directors: Andy Collins, Graham Read and Colin Taylor, who owned equal proportions of Connaught Access Flooring's entire issued share capital.

#### **5.21 Financial instruments**

##### **Capital risk management**

Connaught Access Flooring 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 Connaught Access Flooring comprises equity attributable to equity holders of Connaught Access Flooring consisting of issued ordinary share capital, reserves and retained earnings as disclosed in Note 5.11 and cash and cash equivalents as disclosed in Note 5.10.

Connaught Access Flooring maintains or adjusts its capital structure through the payment of dividends to shareholders, issue of new shares and buy-back of existing shares. Connaught Access Flooring's policy is to carry no significant debt.



## Categories of financial instruments

	<i>Year ended 31 March 2008 £</i>	<i>Year ended 31 March 2007 £</i>	<i>Year ended 31 March 2006 £</i>
<b>Financial assets</b>			
Loans and receivables at amortised cost including cash and cash equivalents:			
Cash and cash equivalents	1,801,023	964,535	541,557
Trade and other receivables	1,250,364	1,181,874	1,363,760
Total	<u>3,051,387</u>	<u>2,146,409</u>	<u>1,905,317</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	1,034,342	462,058	762,912
Total	<u>1,034,342</u>	<u>462,058</u>	<u>762,912</u>
Net	<u>2,017,045</u>	<u>1,684,351</u>	<u>1,142,405</u>

## Cash and cash equivalents

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

## General risk management principles

The directors have an overall responsibility for the establishment of Connaught Access Flooring's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic operational and financial risks of Connaught Access Flooring is in place to ensure appropriate risk management of its operations.

The following represent the key financial risks that Connaught Access Flooring faces:

### Market risk

Connaught Access Flooring's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates.

#### *Currency risk*

The majority of Connaught Access Flooring's revenue is generated within the United Kingdom. Connaught Access Flooring has an insignificant level of exposure to currency risk on sales and purchases.

#### *Interest rate risk*

Connaught Access Flooring is not exposed to significant interest rate risks as it does not have significant interest bearing liabilities and its only interest-bearing asset is cash invested on a short-term basis.

Interest rate risk also arises on Connaught Access Flooring's cash and cash equivalents. A 50 basis point increase/decrease in the interest rate of interest bearing financial assets would lead to a £23,500 (31 March 2007: £11,500; 31 March 2006: £500) increase/decrease in Connaught Access Flooring's investment income.

**Credit risk**

Credit risk is the risk that the counterparty will default on its contractual obligations, resulting in financial loss. Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. Connaught Access Flooring has a policy of assessing credit worthiness of potential customers before entering into transactions.

The credit rating of a financial institution will determine the amount and duration for which funds may be deposited under individual risk limits set by the directors of Connaught Access Flooring. Management monitors the utilisation of these credit limits regularly. No credit limits were exceeded during the reporting periods of the Historical Financial Information and no losses are expected from non-performance by these counterparties.

For trade and other receivables ongoing credit evaluation is performed 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. Connaught Access Flooring 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 March 2006, 31 March 2007 and 31 March 2008 is the carrying value of financial assets recorded in the financial statements.

**Liquidity risk**

Liquidity risk is the risk that Connaught Access Flooring will not be able to meet its financial obligations as and when they fall due.

Liquidity risk is managed through an assessment of short, medium and long-term cash flow forecasts to ensure the adequacy of working capital. Short-term liquidity is managed through short-term borrowing facilities and short-term deposits. All Connaught Access Flooring's financial liabilities are due on demand or within one year.

**Fair value of financial assets and liabilities**

The directors consider that there is no significant difference between the book value and fair value of Connaught Access Flooring's financial assets and liabilities.

## **D. HISTORICAL FINANCIAL INFORMATION ON MOUNTFIELD LAND**

### **(I) – ACCOUNTANT’S REPORT**

The following is the full text of a report on Mountfield Land Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Mountfield Group plc.



The Directors  
Mountfield Group plc  
3c Sopwith Crescent  
Wickford Business Park  
Wickford  
Essex  
SS11 8YU

27 October 2008

Dear Sirs

#### **MOUNTFIELD LAND LIMITED (“MOUNTFIELD LAND”)**

We report on the financial information set out in Part 3D, section II (“Mountfield Land’s Historical Financial Information”). This financial information has been prepared for inclusion in the Admission Document dated 27 October 2008 (“Admission Document”) of Mountfield Group plc on the basis of the accounting policies set out in note 2.2.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2.2, paragraph 2.2.1 to Mountfield Land’s Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the

amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, Mountfield Land's Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Mountfield Land as at the date stated in accordance with the basis of preparation set out in note 2.2.1. and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.2.1.

### **Declaration**

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

### **Baker Tilly Corporate Finance LLP**

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST

## (II) – HISTORICAL FINANCIAL INFORMATION

### 1. BALANCE SHEET

	<i>Notes</i>	<i>As at 30 June 2008 £</i>
<b>Current assets</b>		
Other receivables	2.3	<u>1</u>
<b>TOTAL ASSETS</b>		<u>1</u>
<b>EQUITY AND LIABILITIES</b>		
Issued share capital	2.4	<u>1</u>
<b>TOTAL EQUITY</b>		<u>1</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1</u>

Equity is attributable to the shareholders of Mountfield Land

No separate Income Statement, Cash Flow Statement or Statement of Changes of Equity has been presented as there have been no transactions during the period other than those dealt with in the Balance Sheet.

## 2 NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 2.1 General Information

#### 2.1.1 Incorporation

Mountfield Land Limited (“Mountfield Land”) was incorporated on 26 February 2008 in England and Wales with the name Bealaw (895) Limited and changed its name on 1 May 2008 to Mountfield Land.

Mountfield Land is domiciled in the United Kingdom.

#### 2.1.2 Registered address

Mountfield Land’s registered address is:  
100 Fetter Lane  
London  
EC4A 1BN

#### 2.1.3 Principal activity

The principal activity of Mountfield Land is to seek land for development of quality homes to suit homebuyers. Mountfield Land uses low cost options and sells the land to developers when planning permission has been obtained.

#### 2.1.4 Accounting period

Mountfield Land’s Historical Financial Information has been prepared for the period from incorporation of Mountfield Land on 26 February 2008 to 30 June 2008.

Mountfield Land will prepare financial statements for the year ended 31 December. The year-end is with the same as Mountfield Group Plc, the ultimate parent company.

#### 2.1.5 Presentational and functional currency

These financial statements are presented in pounds sterling, which is Mountfield Land’s functional currency.

#### 2.1.6 Adoption of pronouncements by the IASB and IFRIC

A number of new standards and amendments to standards and interpretations have been issued by the IASB and IFRIC with an effective date after the date of this financial information Those that are relevant to Mountfield Land are as follows:

<i>International Accounting Standards (IAS/IFRSs)</i>		<i>Effective date</i>
IFRS 2	Share-based Payments (revised):	
Amendment	Vesting Conditions and Cancellations	1 Jan 2009
IFRS 3	Business Combinations (revised 2008)	1 Jul 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)	1 Jul 2009
IFRS 8	Operating Segments	1 Jan 2009
IAS 1	Presentation of Financial Statements (revised 2007 and 2008)	1 Jan 2009
IAS 16	Property, Plant and Equipment (revised 2008)	1 Jan 2009
IAS 19	Employee benefits (revised 2008)	1 Jan 2009
IAS 20	Government Grants and Disclosure of Government Assistance (revised 2008)	1 Jan 2009
IAS 23	Borrowing Costs (revised 2007 and 2008)	1 Jan 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 Jan 2009
IAS 28	Investments in Associates (revised 2008)	1 Jan 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 Jan 2009

IAS 32	Financial Instruments: Presentation (revised 2008)	1 Jan 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised 2008)	1 Jan 2009
<i>International Financial Reporting Interpretations Committee (IFRIC)</i>		
IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes	1 Jul 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interactions	1 Jan 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008

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

## 2.2 Accounting Policies

### 2.2.1 Basis of preparation

Mountfield Land's Historical Financial Information has been prepared on a going concern basis and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU"), as issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 30 June 2008. The entity has not availed itself of early adoption options in such standards and interpretations.

The financial information has been prepared under the historical cost convention. The principal accounting policies adopted are set out below:

### 2.2.2 Share capital

Mountfield Land 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 Mountfield Land. All shares rank equally with regard to Mountfield Land's residual assets.

Ordinary shares are classified as equity.

### 2.2.3 Receivables

Receivables consist of share capital not fully paid.

## 2.3 Other receivables

	<i>As at</i>
	<i>30 June</i>
	<i>2008</i>
	£
Share capital not fully paid	<u>1</u>

## 2.4 Issued share capital

	<i>As at 30 June 2008 £</i>
Authorised share capital 100 ordinary shares of £1 each	100
Allotted, called up and fully paid: 1 ordinary share of £1 each	1

Mountfield Land was incorporated on 26 February 2008 with an authorised share capital of £100 comprising 100 ordinary shares of £1 each of which one £1 ordinary share has been allotted but not fully paid.

## 2.5 Capital Commitments

There were no capital commitments in the period.

## 2.6 Contingent liabilities

There are no contingent liabilities at the period end.

## 2.7 Key management personnel compensation

There were no key management personnel compensation expenses incurred in the period.

## 2.8 Post balance sheet events

On 16 October 2008 Mountfield Land entered into an agreement with Mountfield Group Limited pursuant to which Mountfield Group Limited would acquire the entire issued share capital of Mountfield Land.

On 1 July 2008, Mountfield Land increased the authorised share capital by £400 from £100 to £500 by creation of 400 shares of £1 each to rank *pari passu* with the existing ordinary shares of £1 each in the capital of Mountfield Land. On the same date, the entire authorised and issued share capital of Mountfield Land was sub-divided into 50,000 ordinary shares of 1 pence each, ranking *pari passu* with each other.

Also on 1 July 2008, Mountfield Land issued 16,915 ordinary shares of 1 pence each at par value to Chris Baron 17,015 ordinary shares of 1 pence each at par value to Neil Hobbs and 14,463 ordinary shares of 1 pence each at par value to Ian Aitken.

On 8 August 2008 Ian Aitken transferred his entire shareholding to Acre 1124 Limited, subsequently renamed Mountfield Group Limited.

Since 30 June 2008, Mountfield Land has entered into 10 options over the development of land sites, Mountfield Land has paid £5 cash consideration for each option held.

## 2.9 Ultimate controlling party

As of 16 October 2008, Mountfield Land's ultimate controlling party is Mountfield Group Plc.

After 1 July 2008, Mountfield Land was controlled by Neil Hobbs and Chris Baron who each owned 49.9% of the issued ordinary share capital of Mountfield Land.

Prior to this, Mountfield Land was controlled by Croft Nominees Limited.



## PART 4

### UNAUDITED PRO FORMA STATEMENT OF THE CONSOLIDATED NET ASSETS OF THE GROUP

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group which has been prepared, on the basis of the notes set out below, to show the effects of the Acquisition and the Pre-IPO conversion to equity on the net assets of the Enlarged Group, had the Acquisition and Pre-IPO conversion to equity occurred on 30 September 2008.

The pro forma statement of net assets has been prepared for illustrative purposes only, and because of its nature may not give a true reflection of the financial position of the Enlarged Group at Admission, following the Acquisition and the conversion of loan notes to equity on Admission. It has been prepared on the basis that the Acquisition, conversion of loan notes to equity and Admission were undertaken as at 30 September 2008 and on the basis set out in the notes:

	<i>Adjustments</i>							<i>Pro forma net assets of the Enlarged Group</i>
	<i>The Company (Note 1) As at 30 September 2008</i>	<i>Mountfield &amp; MBG (Note 2) As at 31 December 2008</i>	<i>Connaught</i>		<i>Acquisition adjustments (Note 5)</i>	<i>Conversion of loan notes to equity (Note 6)</i>	<i>Admission costs (Note 7)</i>	
			<i>Access Flooring (Note 3) As at 31 March 2008</i>	<i>Mountfield Land (Note 4) As at 30 June 2008</i>				
			<i>£</i>	<i>£</i>				
<b>Non-current assets</b>								
Goodwill	–	–	–	–	19,557,855	–	–	19,557,855
Property, plant and equipment	–	112,387	115,818	–	–	–	–	228,205
	–	112,387	115,818	–	19,557,855	–	–	19,786,060
<b>Current assets</b>								
Inventories	–	–	133,581	–	–	–	–	133,581
Trade and other receivables	91,142	2,494,894	1,267,920	1	–	–	–	3,853,956
Cash and cash equivalents	118	9,104	1,801,023	–	–	–	(765,000)	1,045,245
	91,260	2,503,998	3,202,524	1	–	–	(765,000)	5,032,782
<b>Total assets</b>	91,260	2,616,385	3,318,342	1	19,557,855	–	(765,000)	24,818,842
<b>Current liabilities</b>								
Trade and other payables	–	2,362,598	1,106,723	–	–	–	–	3,469,321
Bank loans and overdrafts	–	60,467	–	–	–	–	–	60,467
Finance lease liabilities	–	8,394	–	–	–	–	–	8,394
Loan notes	650,000	–	–	–	–	(650,000)	–	–
Income tax	504	1,360	435,872	–	–	–	–	437,736
	650,504	2,432,819	1,542,595	–	–	(650,000)	–	3,975,918
<b>Non-current liabilities</b>								
Loan notes	–	–	–	–	5,500,000	–	–	5,500,000
Deferred tax	–	–	19,644	–	–	–	–	19,644
Finance lease liabilities	–	15,525	–	–	–	–	–	15,525
	–	15,525	19,644	–	5,500,000	–	–	5,535,169
<b>Total liabilities</b>	650,504	2,448,344	1,562,239	–	5,500,000	(650,000)	–	9,511,087
<b>Net assets/(liabilities)</b>	(559,244)	168,041	1,756,103	1	14,057,855	650,000	(765,000)	15,307,755

**Notes:**

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Mountfield Group at 30 September 2008 have been extracted without material adjustment from the financial information set out in Part 3A of this Admission Document.

**Adjustments**

2. The net assets of Mountfield and MBG at 31 December 2007 have been extracted without material adjustment from the financial information set out in Part 3B of this Admission Document.
3. The net assets of Connaught Access Flooring at 31 March 2008 have been extracted without material adjustment from the financial information set out in Part 3C of this Admission Document.
4. The net assets of Mountfield Land at 30 June 2008 have been extracted without material adjustment from the financial information set out in Part 3D of this Admission Document.
5. The Company acquired Mountfield, Connaught and Mountfield Land on 16 October 2008 for a total consideration of £18,852,000, split as follows:
  - Mountfield for a consideration of £7,622,000 payable by the issue of 51,220,000 Ordinary Shares of 0.1 pence each at a price of 10 pence per share and by the issue of £2,500,000 of loan notes;
  - Connaught for a consideration of £9,460,000 payable by the issue of 64,600,000 Ordinary Shares of 0.1 pence each at a price of 10 pence per share and by the issue of £3,000,000 of loan notes; and
  - Mountfield Land for an initial consideration of £1,500,000 payable by the issue of 15,000,000 Ordinary Shares of 0.1 pence each at a price of 10 pence per share.

The goodwill arises from the cost of Acquisition (including consideration of £18,582,000 as set out above and introductory fees of £2,900,000, settled in ordinary shares, in relation to the Acquisition) less the net assets of Mountfield as at 31 December 2007, Connaught Access Flooring as at 31 March 2008 and Mountfield Land as at 30 June 2008. No adjustment has been made with regards to the Deferred Consideration under the Acquisition Agreement, and no fair value adjustment has been made to the net assets at Acquisition of Mountfield, Connaught or Mountfield Land.

6. On Admission, loan notes in an amount of £650,000 issued by Mountfield Group will convert into 6,500,000 Ordinary Shares of 0.1 pence each at a price of 5 pence per share.
7. Costs of £765,000, net of VAT, are estimated to be payable in relation to the Admission. It has been assumed that the Group will be able to reclaim VAT paid on admission costs.
8. No adjustments have been made to reflect the trading results of the Company since 30 September 2008, Mountfield and MBG since 31 December 2007, Connaught Access Flooring since 31 March 2008 and Mountfield Land since 30 June 2008.

## PART 5

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY STATEMENTS

The Directors, whose names appear on page 3 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

In connection with this document, no person is authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised.

#### 2. THE COMPANY

2.1 The Company was incorporated and registered in England and Wales, where it remains domiciled, on 18 September 2007 under the Act as a private company limited by shares with the name 'Acre 1124 Limited' and with registered number 06374598. On 9 September 2008, the Company changed its name to 'Mountfield Group Limited'. On 23 October 2008, the Company re-registered as a public company limited by shares with the name 'Mountfield Group plc'.

2.2 The liability of the members of the Company is limited.

2.3 The Company's principal activity is that of a holding company with a focus on building a group which provides a range of specialist property related services to both the private and public sectors of the industry.

2.4 On Admission, the Company's principal activity will be that of a holding company whilst the principal activities of its wholly owned subsidiaries will be as follows:

<i>Company</i>	<i>Principal activity</i>
Mountfield	Commercial construction services
MBG	Commercial construction services
Connaught	Holding company
Connaught Access Flooring	Provider of flooring systems
Mountfield Land	Assembly of residential and commercial development sites

2.5 The principal legislation under which the Company operates is the Act, the 2006 Act and the regulations made thereunder.

2.6 The Company's registered office is at 3C Sopwith Crescent, Wickford Business Park, Wickford, Essex SS11 8YU.

2.7 The accounting reference date of the Company is 31 December and will remain so on Admission.

#### 3. SHARE CAPITAL

3.1 The Company's shares are in registered form and are capable of transfer in both certificated form and uncertificated form. The register of members for the Company will be maintained by the Company's registrars, Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

3.2 The Company has an authorised share capital of £1,000,000 made up of 1,000,000,000 Ordinary Shares. The Company has an issued share capital of £163,058.52 made up of 163,058,520 Ordinary Shares each fully paid up.

- 3.3 At the date of incorporation, the Company had an authorised share capital of £1,000,000 made up of 100,000,000 ordinary shares of 1 pence each of which 110,000 ordinary shares of 1 pence each were issued to the subscribers, Anthony Frearson (100,000 ordinary shares) and Peter Jay (10,000 ordinary shares).
- 3.4 On 18 September 2007 Anthony Frearson transferred 90,000 Ordinary Shares to Peter Jay. On the same day, the following written resolutions were passed:
- 3.4.1 The 100,000,000 ordinary shares of 1 pence each in the authorised share capital of the Company were sub-divided into 1,000,000,000 ordinary shares of 0.1 pence each.
- 3.4.2 The 110,000 ordinary shares of 1 pence each in the issued share capital of the Company were sub-divided into 1,100,000 ordinary shares of 0.1 pence each as follows: Anthony Frearson (100,000 ordinary shares of 0.1 pence each) and Peter Jay (1,000,000 ordinary shares of 0.1 pence each).
- 3.5 On 6 May 2008, the Company allotted and issued 165,000 Ordinary Shares to Peter Jay, 30,000 Ordinary Shares to Alvin Lindley and 25,000 Ordinary Shares to Gary Miller.
- 3.6 On 28 May 2008, the Company allotted and issued 20,735,730 Ordinary Shares to Peter Jay, 2,411,050 Ordinary Shares to Acre Nominees Limited, 4,801,740 Ordinary Shares to Worldwide Nominees Limited and 2,970,000 Ordinary Shares to Alvin Lindley.
- 3.7 On 18 September 2008, Anthony Frearson transferred his 100,000 Ordinary Shares to Worldwide Nominees Limited.
- 3.8 On 24 September 2008, Gary Miller transferred his 25,000 Ordinary Shares to Acre Nominees Limited.
- 3.9 On 24 October 2008, Worldwide Nominees Limited transferred 1,599,270 Ordinary Shares to Peter Jay.
- 3.10 On 27 October 2008, Worldwide Nominees Limited made the following transfers:
- 3.10.1 1,563,950 Ordinary Shares to Acre Nominees Limited; and
- 3.10.2 500,000 Ordinary Shares to Rakesh Patel.
- 3.11 On 15 October 2008 the following resolutions were passed:
- 3.11.1 That for the purposes of Section 80 of the Companies Act 1985 as amended (the “Act”) (and so that the expressions used in this resolution shall bear the same meanings as in the said Section 80) the Directors of the Company be and are hereby generally and unconditionally authorised to allot relevant securities (within the meaning of Section 80(2) of the Act):
- (a) up to a maximum nominal amount of £153,320 (in pursuance of acquisitions proposed by the Company but for no other purpose);
  - (b) up to a maximum nominal amount of £43,000 (in connection with an issue of shares in respect of any fundraising on or before 31 March 2009 but for no other purpose);
  - (c) up to a maximum nominal amount of £4,500 (in pursuance of warrants to be granted by the Company but for no other purpose);
  - (d) up to a maximum nominal amount of £6,500 (in pursuance of convertible loan notes issued by the Company but for no other purpose);
  - (e) up to an aggregate nominal amount of £50,868 in addition to the authorities conferred in sub-paragraphs (a) to (d) above;

provided that these authorities, unless duly renewed, varied or revoked prior to their expiry date, shall expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authorities shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authorities expire and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authorities conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.

3.11.2 That, conditional on the passing of resolution 1, the Directors be hereby empowered pursuant to Section 95 of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authorities conferred by the previous resolution as if Section 89(1) of the Act did not apply to the allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue in favour of or other offer to shareholders and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all the shareholders and such other persons are proportionate (as nearly as may be) to the number of ordinary shares held by them (or, as appropriate, to the number of ordinary shares which such other persons are for such purposes deemed to hold) (but subject to such exclusions and other arrangements and any legal or practical difficulties under the laws of any overseas territory or the requirements of any regulatory body or stock exchange);
- (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities pursuant to acquisitions proposed by the Company;
- (c) the allotment (otherwise than pursuant to paragraphs (a) and (b) above) of equity securities in connection with an issue of shares in respect of any fundraising on or before 31 March 2009;
- (d) the allotment (otherwise than pursuant to paragraphs (a) to (c) above) of equity securities in pursuance of warrants to be granted by the Company;
- (e) the allotment (otherwise than pursuant to paragraphs (a) to (d) above) of equity securities in pursuance of the convertible loan notes issued by the Company;
- (f) the allotment (otherwise than pursuant to paragraphs (a) to (e) above) of equity securities up to an aggregate nominal amount of £50,868 representing approximately 30 per cent. of the Company's current issued share capital;

provided that these authorities, unless duly renewed, varied or revoked prior to their expiry date, shall expire on the date being fifteen months from the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authorities shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authorities expire and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authorities conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.

3.12 On 16 October 2008, the Company allotted and issued 130,820,000 Ordinary Shares as follows:

3.12.1 the Mountfield Consideration Shares (51,220,000 Ordinary shares to Graham Read) at an issue price of 10 pence per share;

3.12.2 the Connaught Consideration Shares (32,300,000 Ordinary shares to Graham Read and 32,300,000 Ordinary shares to Andrew Collins) at an issue price of 10 pence per share; and

3.12.3 the Mountfield Land Consideration Shares (7,500,000 Ordinary shares to Chris Baron and 7,500,000 Ordinary Shares to Neil Hobbs) at an issue price of 10 pence per share.

3.13 On 23 October 2008 (the last practicable date prior to the date of this document), the authorised, issued and fully paid share capital of the Company was as follows:

	<i>Number</i>	<i>Nominal Value £</i>
<b>Authorised</b>		
Ordinary Shares	<u>1,000,000,000</u>	<u>1,000,000</u>
<b>Issued and Fully Paid</b>		
Ordinary Shares	<u>163,058,520</u>	<u>163,058</u>

3.14 Save as set out in paragraph 15.1.15 of this Part 5, the Company has not issued any convertible loan notes.

3.15 On Admission, the Company will allot 6,500,000 Ordinary Shares to the holders of the Pre-IPO Loan Notes at a price of 5 pence per share.

3.16 The authorised and issued share capital of the Company following Admission will be as follows:

	<i>Number</i>	<i>Nominal Value £</i>
<b>Authorised</b>		
Ordinary Shares	<u>1,000,000,000</u>	<u>1,000,000</u>
<b>Issued and Fully Paid</b>		
Ordinary Shares	<u>169,558,520</u>	<u>169,558</u>

3.17 Save as disclosed in paragraph 4 of this Part 5, as at 23 October 2008 (being the last practicable date prior to the date of this document) there were no other outstanding warrants or options over shares in the capital of the Company. As at the date of this document, the Directors intend to grant the Warrants, being the right to subscribe for up to 10,000,000 Ordinary Shares (further details of which are set out in paragraphs 15.1.11 to 15.1.15 in Part 5 of this document) representing approximately 5.9 per cent. of the Fully Diluted Share Capital.

3.18 On Admission the Company will have issued and allotted 130,820,000 Ordinary Shares as consideration for the purchase of assets other than cash since its incorporation, further details of which are set out in paragraphs 15.1.3 to 15.1.5 in this Part 5.

3.19 Save as disclosed in this document, there are no Ordinary Shares which are held by, or on behalf of, the Company.

3.20 Save as disclosed in this document, including without limitation the Mountfield Land Deferred Consideration Shares (if any), the Warrants and the Pre-IPO Loan Notes;

3.20.1 no share or loan capital of the Company or any of its subsidiaries has been issued or been agreed to be issued fully or partly paid, either for cash or for a consideration other than cash and no such issue is now proposed;

3.20.2 neither the Company nor any of its subsidiaries has granted any options, warrants or convertible loan notes over its shares or loan capital which remain outstanding or has agreed, conditionally or unconditionally, to grant any such options, warrants or convertible loan notes; and

- 3.20.3 there is no present intention to issue any of the authorised but unissued share capital of the Company and there are no agreements of undertakings pursuant to which the Company has agreed to issue Ordinary Shares.
- 3.21 The conditions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) will apply to the authorised but unissued share capital of the Company to the extent not disapplied by resolution of the Company.
- 3.22 Any Ordinary Shares will, on issue, rank for all dividends and other distributions (if any) declared made or paid in respect of Ordinary Shares after the date of issue and will otherwise rank *pari passu* in all respects with the Ordinary Shares.
- 3.23 The International Security Identification Number for the Ordinary Shares to be admitted to trading on AIM is GB00B3CQW227.
- 3.24 Save as disclosed in paragraph 3.20 above, no person has any rights to acquire the authorised but unissued share capital of the Company and no person has been given an undertaking by the Company to increase its authorised capital.
- 3.25 On Admission, the issued ordinary share capital of the Company shall be increased by 6,500,000 Ordinary Shares (being the Ordinary Shares to be allotted on conversion of the Pre-IPO Loan Notes) resulting in an immediate dilution of 3.83 per cent. in aggregate excluding for this purpose the future issue of the Mountfield Land Deferred Consideration Shares (if any), and the Warrants.
- 3.26 All Ordinary Shares rank *pari passu* and no shareholders in the Company enjoy different or enhanced voting rights.

#### 4. WARRANTS

- 4.1 Conditional upon Admission, the Company proposes to grant the following Warrants:

<i>Name</i>	<i>Number of Ordinary Shares under warrant</i>	<i>Conversion price</i>
Rakesh Patel	2,500,000	10 pence
Peter Shea	1,000,000	10 pence
Sir Jeremy Hanley	500,000	10 pence
Gary Miller	4,500,000	5 pence
Wills & Co. Stockbrokers Limited	1,500,000	5 pence

- 4.2 Details of the terms on which the Warrants will be granted are set out in paragraphs 15.1.11 to 15.1.15 of this Part 5.

#### 5. CONVERTIBLE LOAN NOTES

- 5.1 In April 2008, the Company issued the following Pre-IPO Loan Notes:

<i>Name</i>	<i>Amount of Pre-IPO Loan Notes held</i>	<i>Number of Ordinary Shares to be allotted on conversion</i>
Stephen Harragan	£200,000	4,000,000
WDFS Limited	£50,000	1,000,000
Duvecha Ward RNDB Scheme	£50,000	1,000,000
TM Trustees Limited	£25,000	500,000

- 5.2 The Pre-IPO Loan Notes will automatically convert on Admission.
- 5.3 Further details of the terms on which the Pre-IPO Loan Notes were issued are set out in paragraph 15.1.16 of this Part 5.

## 6. SUBSIDIARY UNDERTAKINGS

The Company currently has five subsidiary undertakings, the details of which are as follows:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Shareholder</i>	<i>Percentage of ownership interest</i>	<i>Percentage of voting power</i>
Mountfield	England and Wales	The Company	100	100
MBG	England and Wales	Mountfield	100	100
Connaught	England and Wales	The Company	100	100
Connaught Access Flooring	England and Wales	Connaught	100	100
Mountfield Land	England and Wales	The Company	100	100

## 7. MEMORANDUM AND ARTICLES OF ASSOCIATION

### 7.1 *Memorandum of Association*

The memorandum of association of the Company provides that its principal object is to carry on business as a general commercial company. The objects of the Company are fully set out in clause 4 of the memorandum of association.

### 7.2 *Articles of Association*

The Articles contain provisions, *inter alia*, to the following effect:

#### 7.2.1 *General meetings*

- (a) An annual general meeting shall be called by not less than 21 clear days' notice in writing and a meeting of the Company other than an annual general meeting shall be called by not less than 14 clear days' notice in writing (or on shorter notice if so agreed by certain thresholds depending on the type of general meeting and the nature of the resolutions to be proposed, but in no circumstances to be less than 95 per cent. in nominal value of the shares giving a right to attend and vote).
- (b) The accidental omission to give notice of a meeting or of a resolution intended to be moved at a meeting, or to send a form of proxy with a notice where required by the articles, or the accidental omission to send any document relating to the meeting, to any one or more persons entitled to receive the notice or document, or the non-receipt of notice of a meeting or such a resolution or document or form of proxy by any such persons, shall not invalidate the proceedings at that meeting.
- (c) The directors or the chairman of the meeting or any person authorised by the directors may direct that members, corporate representatives or proxies wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the directors or the chairman of the meeting or such person authorised by the directors shall consider appropriate in the circumstances and shall be entitled in their or his absolute discretion to refuse entry to, or to eject from, such general meeting any member or proxy who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.
- (d) A quorum at any general meeting shall be two persons present in person or by proxy and entitled to vote.
- (e) The chairman, if any, of the board of directors (or, in his absence, any deputy chairman) shall preside as chairman at every general meeting of the Company. If there is no chairman or deputy chairman, or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the directors present shall select one of their number to be chairman; or if no



director is present and willing to take the chair the members present and entitled to vote shall choose one of their number to be chairman of the meeting.

- (f) The chairman shall, at any meeting, take such action as he considers appropriate to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting and the chairman's decision, made in good-faith, on matters of procedure or matters arising incidentally from the business of the meeting shall be final, as shall be his determination as to whether any matter is of such a nature.
- (g) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded, by (i) the chairman, (ii) at least 5 members present in person or by proxy and entitled to vote at the meeting, (iii) a member or members present in person or by proxy and entitled to vote at the meeting and representing not less than one tenth of the total voting of all the members having the right to vote at the meeting, and (iv) a member or members present in person or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares representing that right.
- (h) In the case of equality of votes at a general meeting, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional or casting vote.
- (i) Each director shall be entitled to attend and speak at any general meeting of the Company.

#### 7.2.2 *Voting Rights*

Subject to any special rights or restrictions for the time being attached to any class or classes of shares and to any other provisions of the articles, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative or proxy not being himself a member, shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.

#### 7.2.3 *Alteration of Capital*

- (a) The Company may from time to time by ordinary resolution increase its share capital by such sum, to be divided into shares of such amount, as prescribed in the resolution. All new shares shall be subject to the provisions of these Articles with reference to allotment, payment of calls, forfeiture, lien, transfer and transmission and otherwise. Unless otherwise provided in accordance with the powers contained in these Articles, the new shares shall be ordinary shares.

Consolidation, sub-division and cancellation:

- (b) The Company may by ordinary resolution:
  - (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
  - (ii) subject to the Statutes, sub-divide its existing shares, or any of them, into shares of smaller amount, provided that:
    - (A) in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
    - (B) the resolution sub-dividing any share may determine that as between the resulting shares one or more of such shares may be given a preference or

advantage or may be subject to any restriction as regards dividend, capital, voting or otherwise over the others or any other of such shares; and

- (iii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- (c) Subject to the provisions of the Statutes (defined in the articles as the Act, the Company Act 1989, 2006 Act, the Uncertificated Securities Regulations 2001 and every statute or subordinate legislation for the time being in force concerning companies and affecting the Company), the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or any other undistributable reserve in any way.
- (d) Subject to any direction by the Company in general meeting, whenever as the result of any consolidation or sub-division of shares members of the Company are entitled to any issued shares of the Company in fractions, the directors may deal with such fractions as they choose and in particular may sell the shares to which members are so entitled in fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Statutes, the Company) and pay and distribute to and amongst the members entitled to such shares in due proportions the net proceeds of the sales of such shares.

#### *7.2.4 Variation of Rights*

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may, subject to the provisions of the Statutes, whether or not the Company is being wound up, be modified, abrogated or varied with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class, (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

#### *7.2.5 Classes of Share*

The share capital of the Company is made up of Ordinary Shares. The Ordinary Shares are voting shares and benefit from all the rights attaching to shares contained within the articles.

#### *7.2.6 Redemption and purchase of own shares:*

Subject to the provisions of the Statutes and to the rights attaching to existing shares:

- (a) any shares may be issued which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholder on such terms and in such manner as may be provided by the articles save that the date on or by which, or dates between which, any such shares are to be redeemed may, before the shares are issued, be fixed by the Directors;
- (b) the Company may purchase any of its own shares (including any redeemable shares) which do not need to be cancelled immediately but may be held in treasury as treasury shares for subsequent sale, transfer or cancellation.

#### *7.2.7 Transfer of Shares*

- (a) All transfers of certificated shares shall be effected by an instrument in writing in the usual or common form or any other form which the directors may approve, but need not be under seal.
- (b) The Directors may decline to register any transfer of a certificated share unless:

- (i) the instrument of transfer is left at the Office, or at such other place as the Directors may from time to time determine, accompanied by the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
  - (ii) the instrument of transfer is in respect of only one class of share; and
  - (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.
- (c) The directors may, in their absolute discretion and without assigning any reason refuse to register any transfer of any share which is not a fully paid share. The directors may likewise refuse to register any transfer of any share, whether fully paid or not, in favour of more than four persons jointly. The directors shall also refuse to register any transfer of a share, whether fully paid or not, made in breach of the provisions on the transmission on death.

#### 7.2.8 *Dividends and other distributions*

- (a) Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors.
- (b) Subject to the provisions of the Statutes, the directors:
  - (i) may from time to time pay such interim dividends as appear to the directors to be justified by the financial position of the Company;
  - (ii) may also pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates whenever the financial position of the Company, in the opinion of the directors, justifies its payment.
- (c) All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly.
- (d) All dividends unclaimed for a period of 12 years or more after being declared or becoming due for payment shall be forfeited and shall revert to the Company.
- (e) Any general meeting declaring a dividend may, upon the recommendation of the directors, direct payment of such dividend wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other body corporate, and the Directors shall give effect to such direction.

#### 7.2.9 *Restrictions on Shares*

- (a) The directors may, subject to the terms of allotment of relevant shares, from time to time make such calls upon the Members as they may determine in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and each member shall (subject to the Company serving on him at least 14 clear days notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares.
- (b) If a member fails to pay any call following the directors serving a notice on him to pay such monies, any shares which are subject to the notice may be forfeited.

- (c) The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share.

#### 7.2.10 *Unissued Shares*

Except as otherwise provided in the Statutes or in the articles, all unissued shares (whether forming part of the original or any increased capital) shall be at the disposal of the directors who may (subject to the provisions of the Statutes) allot (with or without conferring a right of renunciation), grant options over, offer or otherwise deal with or dispose of them to such persons, at such times, and generally on such terms and conditions as they may determine, but so that no shares shall be issued at a discount and, except in accordance with the Statutes, no shares shall be issued except as paid up at least as to one quarter of their nominal value and the whole of any premium thereon.

#### 7.2.11 *Directors*

- (a) At the annual general meeting in every year one-third of the directors for the time being or, if their number is not three or a multiple thereof, the number nearest to (being at least) one-third shall retire from office. A director retiring at a meeting shall retain office until the close or adjournment of the meeting. The directors to retire in every year shall be those who have been longest in office since their last election or appointment, but as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring director shall be eligible for re-election.
- (b) Subject to the provisions of the Statutes, a director may hold any other office or place of profit under the Company, except that of auditor, in conjunction with the office of director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the directors may arrange. Any such remuneration shall be in addition to any remuneration provided for by any other article. No director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any such other office or place of profit or any such acting in a professional capacity or as a vendor, purchaser or otherwise. Subject to the provisions of the Statutes, and save as therein provided no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, but he shall declare the nature of his interest in accordance with the Statutes.
- (c) Except as provided in the articles or authorised by the directors in accordance with the articles, a director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him within the meaning of Section 252 of the 2006 Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (d) A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely: (i) any arrangement in which the

directors' interest cannot reasonably be regarded as likely to give rise to a conflict of interest; (ii) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; (iii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; (iv) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; (v) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he or any person connected with him (within the meaning of Section 252 of the 2006 Act) is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons so connected with him does not to his knowledge hold an interest (within the meaning of Sections 820 to 825 of the 2006 Act) in one per cent. or more of any class of the equity share capital of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of the relevant body corporate; (vi) any contract, arrangement, transaction or other proposal for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the scheme relates; and (vii) any proposal concerning any insurance which the Company is to purchase and/or maintain for or for the benefit of any directors or for the benefit of persons who include directors.

- (e) The salary or remuneration of any executive director of the Company shall, subject as provided in any contract, be such as the directors may from time to time determine. The directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors, or any committee of the directors, or general meetings of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.
- (f) Unless and until the Company in general meeting shall otherwise determine, the number of directors shall be not less than two or more than ten.
- (g) The business of the Company shall be managed by the directors, who may exercise all the powers of the Company subject, nevertheless, to the provisions of these Articles and of the Statutes and to such directions as may be given by the Company in general meeting by special resolution PROVIDED ALWAYS that no alteration of the memorandum of association or the articles and no such direction shall invalidate any prior act of the directors which would have been valid if such alteration had not been made or such direction had not been given.
- (h) The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings as they may choose, including, without limitation, all or any of the directors or of the members of any committee of the directors may participate in a meeting of the directors or of that committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in the quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting is then present, save for where a meeting at which one or more of the directors attends by way

of conference telephone or any communication equipment, it is deemed to be held at such place as the directors resolve at the said meeting.

- (i) Questions arising at any meeting shall be decided by a majority of votes. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors. It shall not be necessary to give notice of a meeting of Directors to a Director who is not within the United Kingdom. Any Director may waive notice of any meeting and any such waiver may be retrospective.
- (j) The directors may determine the quorum necessary for the transaction of business. Until otherwise determined, two directors shall constitute a quorum.

#### *7.2.12 Borrower Powers*

- (a) Subject to the provisions of the Act, the memorandum of association of the Company and the articles and to any directions given by special resolution, the business of the Company shall be managed by the directors who may exercise all the powers of the Company.
- (b) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, and all or any part of its property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for debt, liability or obligation of the Company or of any third party.

#### *7.2.13 Distribution of Assets on a Winding Up*

Save as provided otherwise in the articles and subject to the rights attached to any shares issued on any special terms and conditions, on a return of assets or winding up or otherwise, the surplus assets of the Company, after discharge of its liabilities shall belong to and be distributed amongst the holders of shares in proportion to the number of such shares held by them respectively after deducting in respect of any share not fully paid up the amount remaining unpaid thereon (whether or not then payable). If the Company shall be wound up the liquidator may, subject to the Statutes with the sanction of a special resolution of the Company and any other sanction required by the Statutes, divide amongst the members (excluding any member holding shares as treasury shares) *in specie* or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

#### **7.3 Pre-emption rights**

Pursuant to section 89 of the Act, the consent of the Company's shareholders must be obtained by means of a special resolution before the Company may issue equity securities for cash other than pro-rata to equity shareholders' existing shareholdings.

- 7.4 Save as referred to above there is nothing in the Articles that would have an effect of delaying, deferring or preventing a change in control of the Company.
- 7.5 There is nothing contained in the Articles which governs the ownership threshold above which shareholder ownership must be declared.
- 7.6 There are no conditions in the Articles governing changes in capital which are more stringent than are required by law.
- 7.7 Save as set out in the Admission Document with respect to the holders of Ordinary Shares there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.

- 7.8 There are no conversion rights attached to any shares in the Company pursuant to the Articles or otherwise.
- 7.9 Save as provided in the Act, under applicable legislation and save as disclosed in this document with respect to the Ordinary Shares, there are no specific restrictions relating to shares in the Company.

## 8. INTERESTS OF DIRECTORS AND OTHERS

- 8.1 The interests of each of the Directors in the ordinary share capital of the Company (all of which are beneficial) which have been or will be required to be notified to the Company pursuant to Section 5.1 of the FSA's Disclosure and Transparency Rules or which will be required to be maintained under the provisions of Section 808 of the 2006 Act, or which are interests of a person connected with any of the Directors (within the meaning of Section 252 of the 2006 Act), which interests would be required to be disclosed pursuant to the FSA's Disclosure and Transparency Rules, and the existence of which is known to the Directors or could with reasonable diligence be ascertained by them as at 23 October 2008 (being the last date practicable prior to the publication of this document) are as set out below:

	<i>No. of Ordinary Shares as at the date of the document</i>	<i>%</i>	<i>No. of Ordinary Shares on Admission</i>	<i>%</i>	<i>No. of Warrants</i>
Peter Jay	23,500,000	14.41	23,500,000	13.86	Nil
Graham Read	83,520,000	51.22	83,520,000	49.26	Nil
Andrew Collins	32,300,000	19.81	32,300,000	19.05	Nil
Sir Jeremy Hanley	Nil	Nil	Nil	Nil	500,000
Rakesh Patel	500,000	0.31	500,000	0.29	2,500,000
Total	<u>139,820,000</u>	<u>85.75</u>	<u>139,820,000</u>	<u>82.46</u>	<u>3,000,000</u>

- 8.2 Save as disclosed in this document, none of the Directors has or will have any interest in the ordinary share capital or loan capital of the Company following Admission nor does any person connected with the Directors (within the meaning of Section 252 of the 2006 Act) have any such interest whether beneficial or non-beneficial.
- 8.3 Save as disclosed in this document, none of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- 8.4 There are no outstanding loans made or guarantees granted or provided by the Company to or for the benefit of any of the Directors.
- 8.5 There is no Director nor member of a Director's family who has a related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares.

## 9. SUBSTANTIAL SHAREHOLDERS

- 9.1 As at 23 October 2008 (being the last practicable date prior to the date of this document) and save as set out below or disclosed in paragraph 8.1 above, the Company was not aware of any person, who, directly or indirectly, had an interest representing 3 per cent. or more of the issued ordinary share capital (being the threshold at or above which, in accordance with the provisions of section 5 of the DTR, any interest must be disclosed by the Company).

	<i>No. of Ordinary Shares as at the date of the document</i>	<i>%</i>	<i>No. of Ordinary Shares on Admission</i>	<i>%</i>
Christopher Baron	7,500,000	4.6	7,500,000	4.42
Neil Hobbs	7,500,000	4.6	7,500,000	4.42
<b>Total</b>	<u>15,000,000</u>	<u>9.2</u>	<u>14,616,300</u>	<u>8.84</u>

9.2 Save as disclosed above, the Directors are not aware of any person who directly, or indirectly, jointly or severally, exercises or could exercise control over the Company.

9.3 The Company's shareholders listed in paragraphs 8.1 and 9.1 of this Part 5 do not have voting rights preferential to other holders of Ordinary Shares.

9.4 The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

## 10. ADDITIONAL INFORMATION OF THE BOARD

10.1 Other than directorships of the Company, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Peter Jay	Beach Secretaries Limited Croft Nominees Limited Interactive Publishing plc Meze LLP Mountfield Land Limited O'Brien Contracting Services Limited YCO Deuxmil plc	Beachcroft LLP Distinctive Leisure plc Finlaw 279 Limited Global Corporate Finance Limited Griffin Two Limited Lundy Properties Limited Omega Diagnostics Group plc Yellow Cat Uranium plc
Graham Read	Connaught Access Flooring Limited Connaught Access Flooring Holdings Limited MBG Construction Limited Mountfield Building Group Limited	BCM Capital Group plc BCM Steel Construction Limited GKC Communications Limited Maypole Banbury Limited Maypole Country Hotels Limited Maypole Group plc Maypole Hotels Limited Mountfield Marketing Services Limited Meades Construction Limited Ring Me Limited W.M. Steel Structures Limited
Andrew Collins	Connaught Access Flooring Limited Connaught Access Flooring Holdings Limited Corinthian Ceramics Limited	None



<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Sir Jeremy Hanley	Joint Arab-British Chamber of Commerce (The) Nymex London Limited Syracuse University (USA) London Program Willis Limited	CSS-Stellar plc Falcon Fund Management Limited ITE Group plc Nymex Europe Limited The Peters Fraser & Dunlop Group Limited
Rakesh Patel	Adler Shine LLP Dhobiwala LLP Dominion Pacific plc Gracemoor Holdings Limited Microcap Equities plc Saya Enterprises Limited Shayona Restaurants Limited The Clothes Spa Limited The Niche Group plc	Academy Day Nurseries & Childcare Limited Academy Property & Development Limited CEC Properties Limited Consulta Veritas Limited Equity Portfolio Limited Headstart (LB) Ltd Headstart MK Ltd Headstart (NT) Limited Headstart (PE) Limited Leisure Activity Limited Leisure Perspectives Limited Medical Engineering Investments Limited Naughton-Green and Associates Limited London & Newcastle (Holdings) Limited RRP Financial Consulting Ltd SP Etail Limited The Creative Education Corporation plc Yoyo Direct Limited

10.2 Save as disclosed in paragraphs 10.3 and 10.6, none of the Directors has:

10.2.1 any unspent convictions in relation to indictable offences;

10.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

10.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

10.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

10.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

10.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

- 10.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 10.3 Peter Jay was a director of Balcombes Limited from June 1981 resigning in November 1983. The company went into administrative receivership in March 1984.
- Peter Jay became a director of Top Ten Holdings plc on 15 June 2001 and resigned on 27 March 2002. In June 2001 the company entered into a voluntary arrangement. Previously on 1 December 2000 a receiver had been appointed to the company who ceased to act on 20 February 2002.
- Peter Jay became a director of Subhost Limited on 2 July 1992 and resigned on 13 December 1994. On 27 February 1995 a receiver was appointed to the company who ceased to act on 24 March 2006. The company was dissolved on 28 November 2006.
- 10.4 Graham Read resigned as a director of GKC Communications Limited on 15 July 2004 approximately 9 months before the company when into administration on 7 April 2005. GKC Communications Limited was dissolved on 30 July 2007.
- Graham Read was a director of Mountfield Marketing Services Limited at the time that the company passed an extraordinary resolution on 15 June 2005 to put the company into creditors voluntary liquidation and appoint a liquidator. Mountfield marketing Services Limited was dissolved on 21 November 2006.
- Graham Read resigned as a director of BCM Steel Construction Limited on 2 February 2005 approximately 9 months before the company when into administration on 25 November 2005. BCM Steel Construction Limited was dissolved on 4 December 2007.
- 10.5 Rakesh Patel was a director of Academy Day Nurseries & Childcare Limited when in October 2003 the company entered into a voluntary arrangement. The notice of completion was filed in April 2004. He resigned as a director on 11 October 2005. The company subsequently went into administration on 17 August 2007. Academy Day Nurseries & Childcare Limited was dissolved on 13 May 2008.
- 10.6 Sir Jeremy Hanley resigned as a director of Christchurch Holdings plc on 2 June 1998 the same month that the company appointed a receiver/manager. On 2 September 1998 the High Court of Justice, Chancery Division, Companies Court passed an order that Christchurch Holdings plc be wound-up by the court under the provisions of the Insolvency Act 1986. The company was dissolved on 6 December 2002.
- Sir Jeremy Hanley resigned as a director of International Trade & Investment Missions Limited on 15 May 2002 approximately a month before the company entered into a voluntary arrangement. On 3 September 2003 the company passed an extraordinary resolution to put the company into creditors voluntary liquidation. The company was dissolved on 9 April 2007.
- 10.7 Save as disclosed in this document, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.
- 10.8 Save as disclosed in this document, none of the Directors has or has had any interest in any transaction which is or was significant in relation to the business of the Company and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

## **11. DIRECTORS AND OTHERS SHARE DEALINGS**

Save as disclosed elsewhere in this document, no Director or recent director has dealt in the shares, warrants or any other securities in the Company.

## **12. DIRECTORS' SERVICE CONTRACTS AND REMUNERATION**

12.1 Save as disclosed below, there are no service agreements or letters of appointment, existing or proposed between any of the Directors and the Company that have been entered into or varied within six months prior to the date of this document. There are no existing or proposed service agreements or letters of appointment between the Company and any of the Directors which do not expire or are not determinable by the Company without payment of compensation within 12 months immediately preceding the date of this document.

### **12.1.1 *Peter Jay***

On 27 October 2008, Peter Jay entered into a service agreement with the Company pursuant to which, conditional upon Admission, his appointment as Executive Chairman was confirmed. The service agreement, which takes effect on Admission, is for a fixed term of 12 months' and terminable thereafter on not less than 12 months' written notice given by either party to the other. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by an employee. The basic salary payable to Peter Jay is £75,000 per annum. Peter Jay is required to work 3 days per week. This is to be reviewed annually without any obligation to increase the same. He is also entitled to a fuel allowance of 40 pence per mile. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment.

### **12.1.2 *Rakesh Patel***

On 27 October 2008, Rakesh Patel and Adler Shine LLP entered into a service agreement with the Company pursuant to which, conditional upon Admission, Rakesh's appointment as Finance Director was confirmed. The service agreement, which takes effect on Admission, shall continue until terminated by either party giving to the other not less than 3 months notice in writing. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the executive. The basic salary payable to Adler Shine LLP is £36,000 per annum. Rakesh Patel is required to work for the equivalent of up to one day per week or as necessary for the proper performance of his duties. This is to be reviewed annually without any obligation to increase the same. The service agreement contains restrictive covenants for a period of 12 months following termination of Rakesh's appointment.

### **12.1.3 *Graham Read***

On 27 October 2008, Graham Read entered into a service agreement with the Company pursuant to which, conditional upon Admission, his appointment as Group Chief Executive was confirmed. The service agreement, which takes effect on Admission, is for a fixed term of 12 months' and terminable thereafter on not less than 12 months' written notice given by either party to the other. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by an employee. The basic salary payable to Graham Read is £180,000 per annum. This is to be reviewed annually without any obligation to increase the same. He is also entitled to a fuel allowance of 40 pence per mile, a contribution to his personal pension scheme of £4,425 per month and a maximum contribution to a private health insurance premium of £2,153.52 per annum. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment.

### **12.1.4 *Andrew Collins***

On 27 October 2008, Andrew Collins entered into a service agreement with the Company pursuant to which, conditional upon Admission, his appointment as an Executive Director was confirmed. The service agreement, which takes effect on Admission, is for a fixed term of 12 months' and terminable thereafter on not less than 12 months' written notice given by either party to the other. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by an employee. The basic salary payable to Andrew Collins is £150,000 per annum. This is to be reviewed annually without any obligation to increase the

same. He is also entitled to a fuel allowance of 40 pence per mile and a maximum contribution to a private health insurance premium of £248.47 per month. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment.

#### 12.1.5 *Sir Jeremy Hanley*

On 27 October 2008 Sir Jeremy Hanley entered into a non-executive letter of appointment with the Company pursuant to which his appointment as a Non-Executive Director of the Company was confirmed. His appointment is for a fixed term of 12 months terminable thereafter by and at the discretion of either party upon six months' notice in writing. On or before the expiry of the fixed term, Sir Jeremy Hanley's appointment is open to renewal by mutual agreement. The fee payable to Sir Jeremy Hanley is £25,000 per annum. His removal, cessation or retirement in accordance with the Company's articles of association will not give him any right to compensation or damages and no fee is payable to him for any period after such removal, cessation or retirement.

- 12.2 No senior manager of the Group is currently entitled to a bonus payment.
- 12.3 Under the arrangements currently in force, the aggregate remuneration paid and value of the benefits provided by the Company to the Directors since incorporation of the Company was nil.
- 12.4 The amounts payable to the Directors by the Company under the arrangements in force at the date of this document in respect of the financial year ending 31 December 2008 are estimated to be in aggregate £77,700.

### 13. EMPLOYEES

Save for the Directors, as at the date of this document the Company has no employees.

Mountfield employs approximately 14 permanent staff in a number of capacities including administration, construction managers, project managers and a senior buyer and approximately 43 casual workers in a number of capacities including labourers, handymen, plasterers and supervisors. Connaught and Connaught Access Flooring Limited employs approximately 10 staff in a number of capacities including managers and accounting. Mountfield Land employs 4 employees in a number of capacities including managers, a land manager and a secretary and a self employed contractor as a researcher.

It is anticipated that following Admission the Group will retain its current employee levels and will look to increase the level of employees in line with the anticipated growth of the Group.

### 14. PRINCIPAL ESTABLISHMENTS

- 14.1 The Company's registered office is at 3C Sopwith Crescent, Wickford Business Park, Wickford, Essex SS11 8YU and its telephone number is 01268 573736.
- 14.2 The principal establishments of the Group following Admission will be as follows:
  - 14.2.1 Units 8 and 9 Hurricane Close, Hurricane Way, Wickford Business Park, Wickford, Essex SS11 8YU which are used as an office and workshop from which Mountfield trades;
  - 14.2.2 Unit 1, Hill Farm, Church Lane, Ford End, Chelmsford, Essex CM3 1LH which is used as an office and premises from which Connaught Access Flooring Limited trades; and
  - 14.2.3 First Floor Offices, 6 Cantelupe Mews, Cantelupe Road, East Grinstead, RH19 3BG which is used as the office and premises from which Mountfield Land trades.
- 14.3 The registered offices of the Group companies are at 3C Sopwith Crescent, Wickford Business Park, Wickford, Essex SS11 8YU.

## 15. MATERIAL CONTRACTS

15.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be, material:

15.1.1 Lock-in deeds dated 16 October 2008 and 27 October 2008 entered into between, the Company (1), Daniel Stewart (2) and each of the Directors (3) pursuant to which the Directors have agreed with Daniel Stewart, conditional upon Admission, not to dispose of Ordinary Shares the Company held by them for a period of 12 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules for Companies. The deeds also contain certain orderly market provisions which apply for a further 12 month period after the expiry of the lock in period.

15.1.2 Lock-in deeds dated 16 October 2008 entered into between, the Company (1), Daniel Stewart (2) and the Mountfield Land Vendors (3) pursuant to which the Mountfield Land Vendors have agreed with the Company and Daniel Stewart, conditional upon Admission, not to dispose of Ordinary Shares held by them for a period of 12 months from the date of Admission except in certain limited circumstances permitted by the AIM Rules for Companies. The deeds also contain certain orderly market provisions which apply for a further 12 month period after the expiry of the lock in period. The lock-in deeds entered into exclude from the 12 month hard lock-in only the sale of Ordinary Shares to the value of £375,000 for each Mountfield Land Vendor (based on the market value of the Ordinary Shares from time to time).

15.1.3 The Mountfield Acquisition Agreement pursuant to which the Company agreed to acquire the entire issued share capital of Mountfield. The principal terms of the Mountfield Acquisition Agreement are as follows:

- (a) The purchase price was £7,622,000 split as follows:
  - (i) cash consideration of £2,500,000 payable in Loan Notes; and
  - (ii) the Mountfield Consideration Shares to the value of £5,122,000 allotted to the Mountfield Vendors at Completion.

15.1.4 The Connaught Acquisition Agreement pursuant to which the Company agreed to acquire the entire issued share capital of Connaught. The principal terms of the Connaught Acquisition Agreement are as follows:

- (a) The purchase price was £9,460,000 split as follows:
  - (i) cash consideration of £3,000,000 payable in Loan Notes; and
  - (ii) the Connaught Consideration Shares to the value of £6,460,000 allotted to the Connaught Vendors at Completion.

15.1.5 The Mountfield Land Acquisition Agreement pursuant to which the Company agreed to acquire the remaining issued share capital of Mountfield Land not already owned. The principal terms of the Mountfield Land Acquisition Agreement are as follows:

- (a) The purchase price was an initial £1,500,000 satisfied by the allotment of the Mountfield Land Consideration Shares to the Mountfield Land Vendors at Completion.
- (b) The agreement included an earn out formula pursuant to which the consideration for the acquisition of Mountfield Land could be increased by up to £2.25 million based on a multiple of 4 times the average of the post tax profits of Mountfield Land in the two financial years beginning on 1 January 2009 and after deducting the initial

consideration. Any deferred consideration would be settled by the allotment of the Mountfield Land Deferred Consideration Shares.

- 15.1.6 A loan note instrument entered into by the Company on 16 October 2008 creating £2,500,000 of the Loan Notes. The principal amount was drawn down by the Company from Graham Read and Janet Read on 16 October 2008. The loan notes are non-transferable, contain standard warranties given by the Company and are redeemable at such time as the Company may decide, taking into account its present and anticipated financial needs but in any event not later than 30 June 2011. The Loan Notes carry interest at a rate of 2 per cent. above the base rate of Barclays Bank plc per annum.
- 15.1.7 A loan note instrument entered into by the Company on 16 October 2008 creating £3,000,000 of the Loan Notes. The principal amount was drawn down by the Company from Graham Read and Andrew Collins on 16 October 2008. The Loan Notes are non-transferable, contain standard warranties given by the Company and are redeemable at such time as the Company may decide, taking into account its present and anticipated financial needs but in any event not later than 30 June 2011. The Loan Notes carry interest at a rate of 2 per cent. above the base rate of Barclays Bank plc per annum.
- 15.1.8 Nominated adviser and broker agreement dated 27 October 2008 between the Company (1) and Daniel Stewart (2) pursuant to which the Company appointed Daniel Stewart to act as nominated adviser and broker to the Company following Admission. The Company agreed to pay Daniel Stewart an annual retainer fee of £40,000 plus VAT for services as nominated adviser, and a commission of 5 per cent. on funds raised for the Company by Daniel Stewart as broker. The agreement contained standard warranties and indemnities and it is terminable by either party on giving to the other not less than three months' notice in writing.
- 15.1.9 An admission agreement dated 27 October 2008 between the Company (1), Daniel Stewart (2) and the Directors (3) pursuant to which, and conditional upon Admission taking place on or before 30 November 2008, Daniel Stewart has agreed to give all reasonable assistance to the Company in procuring the admission of the Ordinary Shares to AIM. The admission agreement contains indemnities and warranties from the Company and the Directors in favour of Daniel Stewart, together with provisions which enable Daniel Stewart to terminate the agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors under the admission agreement is limited.

Under the admission agreement, the Company agreed to pay Daniel Stewart a success fee of £125,000 plus VAT as applicable, where Admission is after 31 August 2008, unless Daniel Stewart is the cause of a delay in which case the fee will become £100,000.

- 15.1.10 Letter of engagement dated 14 August 2008 entered into between Daniel Stewart (1) and the Company (2) pursuant to which the Company has appointed Daniel Stewart as the Company's nominated advisor and joint broker following Admission. The letter of engagement sets out the role of Daniel Stewart in relation to Admission.

The Company has agreed to pay Daniel Stewart upon Admission:

- a success fee of £150,000 plus VAT as applicable, where Admission is on or before 31 August 2008; or
- a success fee of £125,000 plus VAT as applicable, where Admission is after 31 August 2008, unless Daniel Stewart is the cause of a delay in which case the fee will become £100,000;
- an annual retainer fee of £40,000 plus VAT as applicable, per annum following Admission; and
- commission of 5 per cent. on funds raised by Daniel Stewart, if any.

The Company has also agreed to pay any expenses and disbursements reasonably incurred by Daniel Stewart which shall not exceed £5,000 without the prior written consent of the Company. In addition to this the Company has agreed to bear the cost of Kroll Capital Intelligence searches on any new directors, which is estimated to be (but not capped at) £1,600 per director.

The letter of engagement also provides for an abort fee of £25,000 plus VAT as applicable should the transaction abort for reasons unconnected to Daniel Stewart.

The engagement letter includes various obligations of the Company along with an indemnity in favour of Daniel Stewart.

The letter of engagement provides that each party may terminate the arrangements upon the giving of not less than three months' notice in writing, such notice not to be given prior to the date nine months after Admission, in writing at any time. Either party may terminate the letter of engagement immediately by serving notice in writing in the event of any material breach of the terms.

- 15.1.11 A warrant deed dated 27 October 2008 pursuant to which, conditional upon Admission, Rakesh Patel was issued with warrants over 2,500,000 Ordinary Shares. The warrants are exercisable, in whole or in part, at any time between the first anniversary of Admission and 5 years thereafter. The exercise price is the Admission Price.
- 15.1.12 A warrant deed dated 27 October 2008 pursuant to which, conditional upon Admission, Peter Shea was issued with warrants over 1,000,000 Ordinary Shares. The warrants are exercisable, in whole or in part, at any time between the first anniversary of Admission and 5 years thereafter. The exercise price is the Admission Price.
- 15.1.13 A warrant deed dated 27 October 2008 pursuant to which, conditional upon Admission, Sir Jeremy Hanley was issued with warrants over 500,000 Ordinary Shares. The warrants are exercisable, in whole or in part, at any time between the first anniversary of Admission and 5 years thereafter. The exercise price is the Admission Price.
- 15.1.14 A warrant deed dated 27 October 2008 pursuant to which, conditional upon Admission, Gary Miller was issued with warrants over 4,500,000 Ordinary Shares. The warrants are exercisable, in whole or in part, at any time between the first anniversary of Admission and 5 years thereafter. The exercise price is 5 pence per Ordinary Share.
- 15.1.15 A warrant deed dated 27 October 2008 pursuant to which, conditional upon Admission, Wills & Co Stockbrokers Limited were issued with warrants over 1,500,000 Ordinary Shares. The warrants are exercisable, in whole or in part, at any time between the first anniversary of Admission and 5 years thereafter. The exercise price is 5 pence per Ordinary Share.
- 15.1.16 Around April 2008, the Company made an offer of the Pre-IPO Loan Notes. The offer was accepted by four parties in the following proportions: £200,000 on 28 April 2008 and £50,000, £50,000 and £25,000 on 30 April 2008. The Pre-IPO Loan Notes are redeemable on 31 July 2009 unless and to the extent that the loan notes have previously been converted or repaid, and carry an interest rate of 6 per cent. per annum accruing from 1 May 2008. The Pre-IPO Loan Notes automatically convert into Ordinary Shares immediately prior to Admission. The conversion price is 2x (£1 of loan note)/the price per Ordinary Shares on Admission). The Company provides a number of undertakings to the Pre-IPO Loan Notes while the loan notes remain capable of conversion or redemption.

Between 13 October 2008 and 15 October 2008, the Pre-IPO Loan Note holders each waived their rights to receive the interest payments due to them under the Pre-IPO Loan Notes, conditional upon Admission occurring on or before 30 November 2008.

- 15.1.17 Deed of assignment dated 22 October 2008 pursuant to which the Company assigned to Mountfield all of its rights, title and interest in and to, and all of its rights and benefits under and in respect of the loans totalling £100,000 made to Christopher Baron and Neil Hobbs on 12 June 2008 and 28 July 2008. The consideration for the assignment was the payment of £100,000 on demand. The Company gave certain undertakings to Mountfield in respect of the assignment. Further details of the loans made are set out in paragraph 20.1.1 below.
- 15.1.18 Deed of assignment dated 22 October 2008 pursuant to which the Company assigned to Mountfield all of its rights, title and interest in and to, and all of its rights and benefits under and in respect of the loans totalling £167,777 made to Samtec (North West) Limited between 30 May 2008 and 29 August 2008. The consideration for the assignment was the payment of £167,777 on demand. The Company gave certain undertakings to Mountfield in respect of the assignment. Further details of the loans made are set out in paragraph 20.1.2 below.
- 15.2 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Mountfield within the two years immediately preceding the date of this document and are, or may be, material:
- An agreement dated 7 May 2008 made between Mountfield (1), Graham Read (2) and Alvin Lindley (3) pursuant to which Alvin Lindley agreed to release Mountfield and Graham Read from any liabilities presently due or which may become due under a guarantee previously provided by Mountfield in favour of Alvin Lindley in relation to a lease dated 6 May 2005 and granted to BCM Construction Group Limited.
- 15.3 There are no contracts, not being contracts entered into in the ordinary course of business, that have been entered into by MBG within the two years immediately preceding the date of this document and are, or may be, material.
- 15.4 There are no contracts, not being contracts entered into in the ordinary course of business, that have been entered into by Connaught and Connaught Access Flooring within the two years immediately preceding the date of this document and are, or may be, material.
- 15.5 There are no contracts, not being contracts entered into in the ordinary course of business, that have been entered into by Mountfield Land within the two years immediately preceding the date of this document and are, or may be, material.

## **16. SIGNIFICANT CONTRACTS ENTERED INTO IN THE ORDINARY COURSE OF BUSINESS OF THE GROUP**

None of the Companies within the Group has entered into any significant contracts in the ordinary course of their business.

## **17. RELATED PARTY TRANSACTIONS**

- 17.1 Save as referred to below, there were no other nor are there contemplated any related party transactions to which the Company was or will be a party:
- 17.1.1 On 18 September 2007 the Company allotted 10,000 ordinary shares of 1 pence each to Peter Jay (a Director), further details of which are set out in paragraph 3.3 above.
- 17.1.2 On 6 May 2008, the Company allotted and issued 165,000 Ordinary Shares to Peter Jay (a Director), further details of which are set out in paragraph 3.5 above.
- 17.1.3 On 28 May 2008, the Company allotted and issued 20,735,730 Ordinary Shares to Peter Jay (a Director), further details of which are set out in paragraph 3.6 above.



Proposed transactions:

17.1.4 Subject to Completion, the Company is intending to:

- (a) grant a warrant to Rakesh Patel, a Director of the Company to subscribe for 2,500,000 Ordinary Shares; and
- (b) grant a warrant to Sir Jeremy Hanley, a Director of the Company to subscribe for 500,000 Ordinary Shares.

## **18. TAKEOVER OFFERS BY THIRD PARTIES FOR THE COMPANY'S SHARES**

Since its incorporation on 19 September 2007 there has not been a takeover offer (within the meaning of Part XIII A of the Act or Part 28 of the 2006 Act) for any Ordinary Shares.

## **19. WORKING CAPITAL**

The Directors are of the opinion that, having made due and careful enquiry the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **20. PRINCIPAL INVESTMENTS**

20.1 The principal investments made by the Company since its incorporation include:

- 20.1.1 loans made to the Mountfield Land Vendors of £50,000 on 12 June 2008 and a further £50,000 on 28 July 2008. The loans are repayable on reasonable notice. No interest is due on the loans. On 22 October 2008, the Company assigned the loans to Mountfield;
- 20.1.2 loans totalling £167,777 made by the Company to Samtec (North West) Limited as follows: £41,000 on 30 May 2008; £50,000 on 30 July 2008; £36,777 on 31 July 2008; and £40,000 on 29 August 2008. No interest is due on the principal amount of the loan and the loan is repayable by Samtec (North West) Limited to the Company on reasonable notice. On 22 October 2008, the Company assigned the loans to Mountfield;
- 20.1.3 the acquisition of 14,463 ordinary shares of 1 pence each in Mountfield Land on 8 August 2008. These shares were held on trust by the Company for third parties prior to the completion of the Acquisitions;
- 20.1.4 the acquisition of Mountfield on 16 October 2008, further details of which are set out in paragraph 15.1.3 of this Part 5;
- 20.1.5 the acquisition of Connaught on 16 October 2008, further details of which are set out in paragraph 15.1.4 of this Part 5; and
- 20.1.6 the acquisition of Mountfield Land on 16 October 2008, further details of which are set out in paragraph 15.1.5 of this Part 5.

20.2 There are no principal investments of the Company that are in progress or on which the Company has made any firm commitments.

## **21. INTELLECTUAL PROPERTY**

21.1 Save as disclosed below, the Company does not own or otherwise have any interest in any intellectual property rights and there are no Intellectual property rights which are material to the Company's business.

21.2 The Company owns the following domain name: [www.mountfieldgroupplc.com](http://www.mountfieldgroupplc.com)

21.3 Mountfield Building Group Limited owns the following domain name: [www.mountfieldbg.com](http://www.mountfieldbg.com)

21.4 Connaught Access Flooring Limited owns the following domain names: www.connaughtfloors.com and www.flortrain.com

## **22. LEGAL AND ARBITRATION PROCEEDINGS**

22.1 There are no Governmental, legal or arbitration proceedings in which the Company is involved or of which the Company is aware, pending or threatened by or against the Company which may have or have had in the twelve months preceding the date of this document a significant effect on the Company's financial position.

22.2 There are no Governmental, legal or arbitration proceedings in which Mountfield, MBG, Connaught, Connaught Access Flooring or Mountfield Land are involved or of which Mountfield, MBG, Connaught, Connaught Access Flooring or Mountfield Land are aware, pending or threatened by or against Mountfield, MBG, Connaught, Connaught Access Flooring or Mountfield Land which may have or have had in the twelve months preceding the date of this document a significant effect on the financial position of Mountfield, MBG, Connaught, Connaught Access Flooring or Mountfield Land.

## **23. TAXATION**

**The following paragraphs are intended as a general guide only and are based on current UK legislation and HM Revenue & Customs (the "Revenue") practice as at the date of this document. Except where the position of non-UK resident shareholders is expressly referred to, these comments deal only with the position of shareholders who are resident in the UK for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of shareholders, such as dealers in securities. The following paragraphs are not exhaustive and are intended as a general guide only.**

**Tax treatment depends on the individual circumstances of the investor and may be subject to change in the future.**

**Any person who is in any doubt as to his or her own tax position, or is subject to taxation in a jurisdiction other than the UK, is strongly recommended to consult their professional tax adviser.**

### *Dividends and other distributions*

23.1 Under current UK tax legislation, the Company is not required to withhold tax at source from dividend payments it makes.

23.2 Individual shareholders of the Company resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual shareholder's liability to UK tax is calculated on the sum of the dividend and the associated tax credit (the "gross dividend") which, with certain other investment income, will be regarded as the top part of the individual's income and which will be subject to UK income tax at rates of tax described below. The tax credit therefore equals 10 per cent. of the gross dividend. The tax credit will be available to offset such shareholder's liability (if any) to income tax on the gross dividend.

23.3 Individual shareholders of the Company liable to tax at the basic rate will be liable to tax on dividend income received from the Company at the rate of 10 per cent. This means that the tax credit will satisfy the income tax liability of such shareholders.

23.4 Individual shareholders of the Company who are liable to income tax at the higher rate will be liable to tax on dividend income at the rate of 32.5 per cent. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend. The effect of this is that for such higher rate taxpayers, the effective rate of tax on dividends is 25 per cent. of the actual dividend received.

23.5 Individuals, tax-exempt pension funds and charity shareholders of the Company who are resident in the UK cannot claim re-payment of the tax credit from HM Revenue and Customs.

- 23.6 Corporate shareholders of the Company resident for tax purposes in the UK will not normally be liable to corporation tax on any dividend received from the Company.
- 23.7 Shareholders of the Company who are resident for tax purposes in countries other than the UK should consult their own tax advisers concerning their liabilities on dividends received. They should note that following the reduction in the rate of UK tax credit to 10 per cent, with effect from 6 April 1999, they are unlikely to be entitled to any payment from HM Revenue and Customs.

#### ***Chargeable Gains***

- 23.9 In relation to any disposals by UK resident individuals and non-charitable trusts post 5 April 2008, there is a flat rate of 18 per cent. of Capital Gains Tax on capital gains and they no longer have any entitlement to taper relief or indexation. Generally all shares in the Company are treated as one tax pool so the capital gains are calculated by reference to the average cost of the holding.
- 23.10 Shareholders who have been employees of the Company for one year or more at the time of disposal and throughout that time have held 5 per cent. of the voting share capital may qualify for Entrepreneurs' Relief, reducing the effective tax rate on gains of up to £1 million from 18 per cent. to 10 per cent.
- 23.11 The above information on chargeable gains does not apply to UK resident corporate shareholders, to which share 'pooling' and indexation rules continue to apply.

#### ***Stamp duty and stamp duty reserve tax:***

- 23.12 The following comments are intended as a guide to the general position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons concerned with depository arrangements or clearance services to which special rules apply.
- 23.13 The issue of the Ordinary Shares by the Company will not give rise to a charge to stamp duty or stamp duty reserve tax ("SDRT").
- 23.14 Transfers of the Ordinary Shares for value will generally be subject to UK *ad valorem* stamp duty, normally at 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration given for the transfer. Where consideration is less than £1,000, no stamp duty is payable.

#### **24. THE CODE AND SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES**

- 24.1 The Code applies to the Company. Under the Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would, be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.
- 24.2 Under the 2006 Act, if an offeror were to acquire or had unconditionally and for value agreed to acquire 90 per cent. in value of the Ordinary Shares and not less than 90 per cent. of the voting rights carried by those Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. of the ordinary share capital. The consideration offered to the shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

## 25. GENERAL

- 25.1 Save as disclosed in this document, there has been no significant change in the trading or financial position of:
- the Company since 30 September 2008;
  - Mountfield since 30 June 2008;
  - Connaught Access Flooring since 31 March 2008; and
  - Mountfield Land since 30 June 2008.
- 25.2 The total expenses payable by the Company in connection with Admission (including those fees and commissions referred to in paragraph 15 of this Part 5) are estimated to amount to approximately £765,000 (excluding VAT).
- 25.3 Daniel Stewart has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear. Daniel Stewart is acting exclusively for the Company in connection with Admission and not for any other persons. Daniel Stewart will not be responsible to any persons other than the Company for providing the protections afforded to customers of the Company or for advising any such person in connection with Admission.
- 25.4 Daniel Stewart is registered in England and Wales under number 02354159 and its registered office is at Becket House, 36 Old Jewry, London EC2R 8DD.
- 25.5 The financial information set out in this document relating to the Company for the period ended 30 September 2008 does not constitute statutory accounts within the meaning of section 240 of the Act. The accounts for the Company contain an auditor's report by Baker Tilly Corporate Finance LLP within the meaning of section 235 of the Act. The report was not qualified within the meaning of section 262 of the Act nor contained a statement in the form referred to in section 237(2) or 237(3) of the Act. No other information contained in this document has been audited by Baker Tilly Corporate Finance LLP.
- 25.6 Baker Tilly Corporate Finance LLP has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Part 3.
- 25.7 Brett Adams, which is a member of the Institute of Chartered Accountants in England and Wales, and whose registered office is at 25 Manchester Square, London, W1V 3PY were appointed auditors to the Company on 17 October 2008.
- 25.8 Save as set out in this document, there are no patents or intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of material importance to the Company's business or profitability.
- 25.9 Save as set out in this document, so far as the Directors are aware there are no environmental issues that may affect the issuer's utilisation of its tangible fixed assets.
- 25.10 Save as disclosed in this document, the Company has no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the board has made a firm commitment.
- 25.11 The Company is not aware of the existence of any takeover bid pursuant to the rules of the Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares.
- 25.12 Save for the Warrants, there are no employee incentive arrangements involving a share in the capital of the Company in place at the date of this document.

- 25.13 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 25.13.1 received, directly or indirectly from the Company within the 12 months preceding the date of this document; or
  - 25.13.2 entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Company on or after Re-Admission any of the following;
  - 25.13.3 fees totalling £10,000 or more;
  - 25.13.4 securities of the Company where these have a value of £10,000 or more calculated by reference to the Admission Price; or
  - 25.13.5 any other benefit with the value of £10,000 or more at the date of this document.
- 25.14 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in connection with the application for Admission.
- 25.15 Save as disclosed in the Document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.

## **26. AVAILABILITY OF ADMISSION DOCUMENT**

Copies of this document will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered office of the Company and at the offices of Daniel Stewart at 36 Old Jewry, London EC2R 8DD.

Dated 27 October 2008





