MOUNTFIELD GROUP PLC

Company Registration No. 06374598 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Mountfield Group Plc

CONTENTS	PAGE

Mountfield Group Plc

COMPANY INFORMATION

Directors	P H Jay	Executive Chairman
	A J Collins	Chief Executive
	G J Read	Executive Director
	A J Sainsbury	Non-Executive Director
Secretary	P H Jay	
Company number	06374598 (England and Wales)	
Registered office	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU	
Auditor	**Adler Shine LLP** Chartered Accountants and Statutory Auditor Aston House Cornwall Avenue London N3 1LF	
Solicitors	**DAC Beachcroft LLP** 100 Fetter Lane London EC4A 1BN	
Registrars	**SLC Registrars** Thames House Portsmouth Road Esher Surrey KT10 9AD	
Nominated Adviser & Broker	**WH Ireland Ltd** 24 Martin Lane London EC4R ODR	

Mountfield Group Plc

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

CHAIRMAN'S REPORT

Group Highlights

2014 was a year during which the Group's results disappointed, primarily due to the poor results from Mountfield Building Group Limited ("**MBG**") which lost £587,211 in that year. The Board has responded by undertaking a major Strategic Review of the structure and businesses of the Group which has produced a business that is considerably stronger, less exposed to contractual risk, better focused and more profitable.

In summary, as a result of the Review MBG will now concentrate primarily on construction contracts where its contractual relationship is made directly with the client and the Board is satisfied that the risk profile and margins are satisfactorily robust. The Board is satisfied that it was the collapse of margins on three particular subcontract contracts that were undertaken in 2014 coupled with the high level of overhead costs that MBG had taken on in order to service them that caused the substantial decline in MBG's profitability in that year.

The Strategic Review (which was led by Adrian Sainsbury and on which he worked with Conor O'Mahony, the Group's CFO) highlighted the areas in which MBG had performed most successfully, the excessive overhead it had carried and the impact it had had on its operating margins. As a result of the Review the types of contracts that MBG now takes on has been changed and its annual overhead costs are being reduced by approximately 40%.

The Board is pleased to note that the recent work that MBG has secured and is in the process of negotiating accords entirely with the recommendations of the Review.

The performance of Connaught Access Flooring Limited ("**Connaught**") has remained strong and its business continues to expand with the highlight of 2014 being the winning of a £5m contract to supply and install flooring for a major new office HQ in the City of London. The greater part of the work for that contract will be undertaken in 2015. The Review concluded that little change was needed to Connaught's overhead structure and its manner of business. However, the wider debate as to the range of services that the Group should be able to offer has resulted in Chief Executive, Andy Collins, (now Group Chief Executive) beginning the approaches and discussions that, it is hoped will lead to Connaught being awarded contracts in new areas of business in 2015.

The Group's overall performance in 2014 was badly affected by the poor performance of MBG, which was the primary cause of the drop in operating profit – before impairment to £74,385 (2013: £844,512). **Revenue** fell from £12.3m in 2013 to £11.8m (4%). This was reflected in the reduction of **operating margin** from 6.9% in 2013 to only 0.6%. **Earnings per share** fell from 0.22p in 2013 to (1.53p) in 2014.

Trade and other receivables rose by £0.19m, **trade and other payables** fell by £0.30m. **Cash generated in operations** fell from £0.98m to an outflow of £0.15m and cash flow deteriorated £0.72m to a deficit of £0.5m.

As a result of the overall poor performance of MBG when viewed over the last four years the Board has impaired the value placed upon the goodwill of the Company in the balance sheet of the Group by £3.9m from £5.9m to £2m. This exceptional item has resulted in the net profit before tax of the Group in 2014 of £50,244 becoming a net loss of £3.9m.

The Board has confirmed that it remains a medium term objective to begin paying dividends to shareholders and this will be assisted by the Board's announcement announced on 24 April that following on from the Strategic Review it had decided to restructure the Group's balance sheet by cancelling approximately £3m worth of the loan notes that were issued to Graham Read and his wife and to Andy Collins at the time of the Group's admission to AIM in October 2008.

We are grateful for the hard work and expertise of the Group's Directors, senior management and staff and I would like to thank them all on behalf of the Board. I would also like to thank Graham Read for all his work on behalf of the Group during the six years that he held the position of Group Chief Executive.

Finally, I am pleased to report that 2015 has started well. Demand for the Group's services remains high and as a result of the operational changes that have been implemented we now have an operation that has a substantially improved focus and a more efficient and low cost operating base. The Board views the future with optimism and thanks its shareholders for their continued support.

Peter Jay
Executive Chairman

12 June 2015

Mountfield Group Plc

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

CEO's REPORT

Summary of results for 2014

- **Turnover**: £11.802m. (2013: £12.312m)
- **Operating profit before impairment**: £74,385. (2013: £844,512)
- **Operating margin before impairment**: 0.6% (2013: 6.9%)
- **EBITDA before impairment**: £89,557 (2013: £862,554)
- **PBT after impairment**: Loss £3.864m. (2013: Profit £765,339)
- **Earnings per share**: (1.53p) (2013: 0.22p)

The **Group Board** is currently comprised of:

Peter Jay - Executive Chairman - in addition to being Group Chairman Peter also manages Mountfield's relationships with its nomad, brokers and professional advisers. Peter was formerly a corporate lawyer and a partner in DAC Beachcroft.

Andrew Collins – Group Chief Executive – Andrew is responsible for managing the business of the Group but also that of its subsidiary, Connaught, a specialist supplier and installer of raised access flooring for data centres and offices. Before joining the Group, Andrew was a divisional finance director at ISG Plc.

Graham Read – Managing Director of MBG – Graham founded the business of MBG in 1986 and has had over 20 years experience in the design, project management and construction of data centres.

Adrian Sainsbury - Non-Executive Director – Adrian (who joined the Board on 17 April 2014) is a senior banker in the City of London and had previously worked for a number of leading banks in various capacities.

The Board is supported by the Chief Financial Officer, Conor O'Mahony, who has had extensive experience in the construction industry. Conor is responsible for overseeing the accounting and financial functions of the Group and attends all meetings of the Board.

Mountfield Group Companies

The Group is comprised of two principal trading companies, **MBG,** and **Connaught.**

MBG carries out work as a main contractor with end user clients and has since 1996, specialised in the installation of data centres on a nationwide basis. Over the past 18 years Mountfield has successfully completed more than forty data centres throughout the UK for clients including Vodafone, Cable and Wireless, Energis, Planet Online, ARK Continuity, DataCity Exchange, Level 3 Communications, Kingston Telecom and Colt Communications.

In addition to performing data centre works MBG is also active in both building fabric repair and maintenance works on a nationwide basis for a large proportion of the property portfolio of a leading telecoms operator.

Using the benefit of its experience, MBG has also offered a specialist service in fitting out and refurbishment projects for selected clients and also partner architects and building consultants..

The business of **Connaught**, a provider of access flooring solutions to main contractors and corporate end users has, since it was acquired by the Group in 2004, supplied and installed in excess of 10 million square feet of flooring to commercial offices and data centre installations. It specialises in and has developed a strong reputation for providing and installing raised access flooring solutions designed to accommodate varying depths of floor void and finish specifications.

The increased confidence in the construction sector since 2012 has not only seen the rebirth of the fit out market, but also the return of the two-stage tender process which plays to Connaught's strengths as it enables the Company to present its professionalism and credentials and compete on quality of service, expertise and experience, rather than simply on price.

Efforts made to source work from new areas are proving successful and new relationships, particularly in the transport and leisure sectors are providing a regular stream of business, with work being gained at both Heathrow and Gatwick Airports.

In addition, Connaught has established itself as one of the few recognised specialists for the flooring elements of fitting out contracts in commercial office space for new build and refurbishment projects for corporate end users such as BP, HP, Linklaters, Merrill Lynch, Reed Smith, BBC, Standard Chartered Bank, UBS, Henderson Global, Lockton, Multiplex and Unilever. Currently Connaught in engaged on the installation of 70,000m2 of flooring in a major new headquarters that is being built in the City of London.

Finance

The Group is financed from the cash it generates from its operations, with the support of a bank overdraft facility of £600,000.

The construction market

The Group is now experiencing extremely strong levels of activity in terms of work in hand, enquiries and tenders and the Board is confident as to the strength and sustainability of the current strong demand for construction services.

The data centre market

The data centre construction market in the UK has experienced rapid growth in demand over the last 15 years. Although the requirement for new major data centres has lessened, the overall demand for construction services for the data center market remains strong as continued expansion creates demand for enhancements and additions to existing structures and for smaller centres.

However, an important recent development in the data centre construction market has been the demand for new centres (often of a substantial size) in European countries where climatic conditions help reduce the otherwise significant costs of cooling the centres. Following the construction of a large centre in Finland (for which Connaught supplied and installed the raised access flooring), further centres are now being planned in other European countries.

The increased emphasis that will be placed on expanding the capacity of, and upgrading, existing centres means that the prospects for the data centre sector in terms of demand for specialist construction services (including raised access flooring) remains extremely good for the medium to long term.

Group's strategy

A key part of the Board's strategy is the decision that the Group's profitability is not predominantly dependent on the demand from the data centre sector. It is for this reason that it has sought to widen the scope of the Group's activities by seeking to ensure that the Group has a strong presence in other areas where there is demand for high quality construction services and project management skills. The Directors are pleased to report that around half of the Group's revenue is now earned from non-data centre related activities.

Mountfield Group Plc

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The Board intends that the Group becomes a highly profitable, mid-sized operation that provides specialist construction services in a number of diverse but related areas. The Group's reputation has been built on its ability to undertake and to manage specialist construction services to a high level of quality and to deliver the completed project to the client on time. This will remain at the core of its strategy.

Future prospects

Despite the drop in profitability in 2014 the Board is extremely optimistic about the Group's future because the changes recommended by Strategic Review are already creating a Group that is focused on growing its business whilst substantially improving its profitability by reducing its operating costs and a more focused approach to the selection of contracts.

Andrew Collins
Chief Executive Officer

12 June 2015

Mountfield Group Plc

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their annual report and audited financial statements for the year ended 31 December 2014.

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

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

Results
The Group made a pre-tax operating loss from continuing operations of £3,839,828 (2013: profit - £844,512) for the year ended 31 December 2014 on turnover of £11,802,018 (2013: £12,312,140).

At 31 December 2014 the Group had net assets of £1,984,408 (2013: £5,853,656).

Dividends
The Directors do not propose payment of any dividends for the year ended 31 December 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments
Details of the Group's financial risk management objectives and policies are included in note 19 to the financial statements.

Directors
The Directors who served during the year were:

P H Jay
G J Read
A J Collins
A J Sainsbury (appointed 17 April 2014)

Charitable Donations
During the year the Group made charitable donations totalling £5,510 (2013: £2,643)

Mountfield Group Plc

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

Substantial Shareholdings
So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the company's share capital at 5 June 2015 are as follows:

	Number of shares issued	% Ordinary share capital
Peter Jay	24,738,520	9.7%
Graham Read	84,552,148	33.3%
Andy Collins	32,300,000	12.7%
Commerzbank AG	14,271,999	5.61%

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

At the year end trade creditors represented 98 days' expenses.

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

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

Auditors
A resolution proposing the re-appointing of Adler Shine LLP as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board

Andrew Collins
Director
12 June 2015

Mountfield Group Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

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

Mountfield Group Plc

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

We have audited the financial statements of Mountfield Group plc for the year ended 31 December 2014 which comprise the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern. The conditions explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Christopher Taylor FCA (Senior statutory auditor)
for and on behalf of Adler Shine LLP
Chartered Accountants
Statutory Auditor

Aston House, Cornwall Avenue
London N3 1LF
12 June 2015

Mountfield Group Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Revenue	3	**11,802,018**	12,312,140
Cost of sales	4	**(10,005,744)**	(9,865,759)
Gross profit		**1,796,274**	2,446,381
Administrative expenses	5	**(1,721,889)**	(1,601,869)
Operating profit – before impairment		**74,385**	844,512
Impairment of Goodwill	8	**(3,914,213)**	-
Operating (loss)/profit		**(3,839,828)**	844,512
Net finance (costs)/income	5	**(24,141)**	(79,173)
(Loss)/profit before income tax		**(3,863,969)**	765,339
Income tax expense	6	**(35,605)**	(262,579)
(Loss)/profit for the year and total comprehensive income		**(3,899,574)**	502,760
Earnings per share	7		
Basic (loss)/earnings per share		**(1.534p)**	0.22p
Diluted (loss)/earnings per share		**(1.534p)**	0.18p

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

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of Mountfield Group Plc. Its loss for the year ended 31 December 2014 was £5,793,810 (2013: profit - £313,577).

The notes on pages 19 to 40 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 £	2013 £
ASSETS			
Non-current assets			
Intangible assets	8	**6,874,308**	10,788,521
Property plant and equipment	9	**108,966**	114,384
Deferred income tax assets	16	**407,032**	428,756
		7,390,306	11,331,661
Current assets			
Inventories	10	**82,299**	80,489
Trade and other receivables	11	**3,435,142**	3,243,910
Cash and cash equivalents	12	**185,064**	313,675
		3,702,505	3,638,074
TOTAL ASSETS		**11,092,811**	14,969,735
EQUITY AND LIABILITIES			
Issued share capital	13	**254,244**	254,244
Share premium		**1,490,682**	1,490,682
Share based payments reserve		**66,084**	329,781
Capital redemption reserve		**7,500**	7,500
Merger reserve		**12,951,180**	12,951,180
Reverse acquisition reserve		**(2,856,756)**	(2,856,756)
Retained earnings		**(9,928,527)**	(6,322,975)
TOTAL EQUITY		**1,984,407**	5,853,656
Current liabilities			
Trade and other payables	14	**4,252,826**	4,557,389
Short-term borrowings	15	**1,783,833**	1,087,665
Finance lease liabilities	15	**6,635**	6,917
Income tax		**13,882**	91,350
		6,057,176	5,743,321
Non-current liabilities			
Loan notes	15	**3,046,947**	3,363,029
Finance lease liabilities	15	**4,281**	9,729
Provision for deferred taxation	16	**-**	-
		9,108,404	9,116,079
TOTAL EQUITY AND LIABILITIES		**11,092,811**	14,969,735

The financial statements were approved by the board on 12 June 2015

Andrew Collins
Director

The notes on pages 19 to 40 form part of these financial statements.

COMPANY REGISTRATION NO. 06374598

Mountfield Group Plc

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Cash flows from operating activities			
Operating profit		**74,385**	844,512
Adjusted for:			
Depreciation		**15,172**	18,042
Loss on disposal of property, plant and equipment		**-**	-
Share-based payment charge		**30,325**	15,335
(Increase)/decrease in inventories		**(1,811)**	1,517
Increase in trade and other receivables		**(191,229)**	(1,015,430)
(Decrease)/increase in trade and other payables		**(79,564)**	1,114,529
Cash generated in operations		**(152,722)**	978,505
Finance costs		**(31,145)**	(86,393)
Finance income		**7,004**	7,220
Taxation paid		**(91,349)**	(6,692)
Net cash inflow from operating activities		**(268,212)**	892,640
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,753)**	(15,994)
Proceeds from sale of fixed assets		**-**	-
Net cash used in investing activities		**(9,753)**	(15,994)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	450,000
Costs of shares issued		**-**	(34,750)
Finance lease rentals		**(5,730)**	816
Repayment of non-convertible loan notes		**(325,582)**	(351,392)
(Repayment)/proceeds from short-term loans		**(107,469)**	30,904
Net cash flows (used in)/generated from financing activities		**(438,781)**	95,578
Net cash (decrease)/increase in cash and cash equivalents		**(716,746)**	972,224
Cash and cash equivalents brought forward		**214,006**	(758,218)
Cash and cash equivalents carried forward	12	**(502,740)**	214,006

The notes on pages 19 to 40 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
At 1 January 2013	216,744	1,120,432	320,961	-	12,951,180	(2,856,756)	(6,832,250)	4,920,311
Total comprehensive income for the year	-	-	-	-	-	-	502,760	502,760
Shares issued in period	45,000	405,000	-	-	-	-	-	450,000
Cost of shares issued	-	(34,750)	-	-	-	-	-	(34,750)
Shares cancelled in period	(7,500)	-	-	7,500	-	-	-	-
Share based payment charge	-	-	15,335	-	-	-	-	15,335
Cancelled share options	-	-	(6,515)	-	-	-	6,515	-
At 31 December 2013	254,244	1,490,682	329,781	7,500	12,951,180	(2,856,756)	(6,322,975)	5,853,656
Total comprehensive income for the year	-	-	-	-	-	-	(3,899,574)	(3,899,574)
Share based payment charge	-	-	30,325	-	-	-	-	30,325
Lapsed Warrants	-	-	(294,022)	-	-	-	294,022	-
At 31 December 2014	**254,244**	**1,490,682**	**66,084**	**7,500**	**12,951,180**	**(2,856,756)**	**(9,928,527)**	**1,984,407**

Merger Reserve

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

Reverse Acquisition Reserve

The reverse acquisition reserve exists as a result of the method of accounting for the acquisition of Mountfield Building Group Limited and MBG Construction Ltd (note 1.5).

The notes on pages 19 to 40 form part of these financial statements.

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

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

1.1 General information

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

1.2 Going concern

At 31 December 2014, the Group had an overdraft balance of £502,750. The overdraft facility is due to be reviewed by the bank on an annual basis with the next review due in August 2015. Based on the current working capital forecast, the Group is unlikely to need additional funds within twelve months of the date of approval of these financial statements in order to maintain its proposed work levels of expenditure providing contracts progress as planned, new contracts are secured and the Group is able to continue successfully managing its cash resources. After making enquiries and considering the assumptions upon which the forecasts have been based, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 IFRS compliance and adoption

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

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

The financial statements have been prepared under the historical cost.

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

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

Goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Company to estimate future cashflows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was impaired to £6.9 million. Details regarding the goodwill carrying value and assumptions used in carrying out the impairment reviews are provided in note 8.

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies (continued)
1.3 IFRS compliance and adoption (continued)
Receivables
The Group reviews the net recoverable value of its accounts receivables on a periodic basis to provide assurance that recorded accounts receivables are stated net of any required provision for impairment. Factors that could impact recoverability include the financial propriety of customers and related economic trends. Changes in these factors that differ from managements estimates can result in an adjustment to the carrying value and amounts charged to income in specific periods. More details on gross balances and provisions made are included in note 11.

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

Significant judgements

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

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

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

1.4 Standards and interpretations
At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective date (period beginning on or after)
IFRS 2,3,8, IAS 16,24,38	Amendments resulting from Annual Improvements 2010-2012 Cycle	1 February 2015, earlier adoption is permitted
IFRS 3,13, IAS 40	Amendments resulting from Annual Improvements 2011-2013 Cycle	1 January 2015, earlier adoption is permitted
IFRS 5,7, IAS19,34	Amendments resulting from September 2014 Annual improvements to IFRSs	1 January 2016
IFRS 7	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2015
IFRS 9	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2015
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition	1 January 2018
IFRS 10	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 10	Amendments regarding the application of the consolidation exception	1 January 2016

1 Accounting policies (continued)

1.4 Standards and interpretations (continued)

IFRS 11	Amendments regarding the accounting of acquisition of an interest in a joint operation	1 January 2016
IFRS 12	Amendments regarding the application of the consolidation exception	1 January 2016
IFRS 15	Revenue and contracts with customers	1 January 2017
IAS 1	Amendments resulting from the disclosure initiative	1 January 2016
IAS 16	Amendments regarding the classification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16	Amendments bring bearer plants into scope of IAS 16	1 January 2016
IAS 19	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1 February 2015, earlier application is permitted
IAS 27	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associated in an entity's separate financial statements	1 January 2016
IAS 28	Amendments regarding the sale or contribution of assets between an investor and its associate joint venture	1 January 2016
IAS 28	Amendments regarding the application of the consolidation exception	1 January 2016
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 41	Amendments bring bearer plants into scope of IAS 16	1 January 2016

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Group's financial statements.

1.5 Basis of consolidation

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

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

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

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

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

1 Accounting policies (continued)

1.5 Basis of consolidation (continued)

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

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

1.6 Revenue recognition

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

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

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

1.7 Contract work in progress

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

1.8 Amounts recoverable on long term contracts

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

1.9 Share-based payments

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

1.10 Retirement benefits: Defined contribution schemes

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

1 Accounting policies (continued)

1.11 Impairment

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

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

1.12 Property, plant and equipment

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

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

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

1.13 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 payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

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

1.14 Inventories

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

1.15 Financial instruments

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

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

1 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

2 Segmental reporting
Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31 December 2014.

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

2 Segmental reporting (continued)

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

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

The Group comprises the following segments:

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

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

Segmental operating performance

	2014		2013	
	Revenue	**Profit /(loss) before tax**	Revenue	Profit /(loss) before tax
	£'000	**£'000**	£'000	£'000
Construction	**6,809**	**(4,490)**	6,681	(15)
Fit-out	**5,374**	**241**	5,791	365
	12,183	**(4,249)**	12,472	350
Inter-segmental revenue and unallocated	**(381)**	**385**	(160)	415
	11,802	**(3,864)**	12,312	765

Business segments assets and liabilities

	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Construction	**2,652**	**4,651**	2,388	4,195
Fit-out	**1,560**	**887**	1,764	1,059
	4,212	**5,538**	4,152	5,254
Goodwill – Construction	**2,000**	**-**	5,914	-
Goodwill – Fit-out	**4,874**	**-**	4,874	-
Other unallocated assets & liabilities	**7**	**3,570**	30	3,862
	11,093	**9,108**	14,970	9,116

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

2 Segmental reporting (continued)

Other segment information

	2014 £'000	2013 £'000
Depreciation included in segment results		
Construction	**7**	8
Fit-out	**8**	10
	15	18

Revenue by geographical destination
Revenue is attributable to the United Kingdom and other EU markets.

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

3 Construction contracts

	2014 £	2013 £
Contract revenue recognised in relation to construction contracts in the year and retentions	**11,802,018**	12,312,140
For contracts in progress at the balance sheet date:		
Aggregate cost incurred to date	**6,377,341**	7,405,951
Recognised profit to date	**1,027,629**	2,397,783
Retentions due	**160,101**	310,427

Major customers

Total group revenue to four customers all relating to construction and fit-out, totalled £7,720,427, split as follows:

Construction	2014 £	2013 £
Customer 1	**1,904,986**	2,916,021
Customer 2	**1,144,580**	1,140,600
	3,049,566	4,056,620

Fit-out	2014 £	2013 £
Customer 1	**4,281,525**	3,608,997
Customer 2	**389,336**	692,541
	4,670,861	4,301,538

4 Cost of sales

	2014 £	2013 £
Direct costs	**10,005,744**	9,865,759
Adjustment to amount receivable on long term contracts	**-**	-
Total cost of sales	**10,005,744**	9,865,759

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

5 Other income and expenses

	2014	2013
	£	£
Finance income/(expense)		
Loan interest	-	(16,000)
Interest on finance leases	(784)	(1,888)
Other interest	(3,072)	(21,381)
Bank interest	(27,289)	(47,124)
Interest paid	(31,145)	(86,393)
Finance income		
Bank interest received	-	-
Other interest received	7,004	7,220
Net finance (costs)/income	(24,141)	(79,173)

Administrative expenses include:

	2014	2013
	£	£
Depreciation of property, plant and equipment		
- owned by the Group	11,066	13,474
- held under finance leases	4,106	4,568
Operating lease rentals - other	47,934	48,997
Auditors remuneration		
Fees payable to the company's auditor for the audits of the parent company, consolidated financial statements and the subsidiaries	35,750	35,000

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

	2014	2013
	No.	No.
Administration	8	8
Cost of sales	18	22
Management	12	11
	38	41

Wages and salaries

	2014	2013
	£	£
Wages and salaries	1,786,948	1,561,007
Social security costs	194,030	177,666
Post employment benefits	58,775	53,100
	2,039,753	1,791,773

5 Other income and expenses (continued)

Key management personnel compensation

	2014	2013
	£	£
Short-term employee benefits	**13,060**	16,437
Post-employment benefits	**58,775**	53,100
	71,835	69,537

Directors' remuneration

				2014	2013
	Salaries and fees	**Benefits in kind**	**Post employment benefit**	**Total**	Total
	£	£	£	**£**	£
G Read	-	2,552	13,275	**15,827**	55,333
A Collins	7,586	3,128	45,500	**56,214**	14,204
P Jay	50,000	-	-	**50,000**	30,500
A Sainsbury	8,000	-	-	**8,000**	-
	65,586	5,680	58,775	**130,041**	100,037

The remuneration as disclosed for G Read includes £4,350 (2013: £17,400) of pension contributions paid for his wife, J Read. The number of Directors for whom retirement benefits are accruing under money purchase pension schemes was 2 (2013:1)

6 Income tax expense

	2014	2013
	£	£
Current tax		
UK corporation tax	**13,881**	91,350
Total current tax	**13,881**	91,350
Deferred tax		
Deferred tax debit/(credit) - continuing operations	**21,724**	171,229
Income tax expense/(credit)	**35,605**	262,579
Factors affecting tax charge		
(Loss)/profit before income tax –continuing operations	**(3,863,969)**	765,339
Profit before income tax multiplied by effective rate of UK corporation tax of 21.49% (2013: 23.25%)	**(830,366)**	177,963
Effects of:		
Expenses not deductible for tax purposes	**867,143**	24,991
Depreciation for period in excess of capital allowances	**283**	(597)
Tax losses not utilised and carried forward	**(18,721)**	(111,007)
Other adjustments	**(4,458)**	-
Current tax charge	**13,881**	91,350

It has been announced that the UK tax rate will reduce by 1% per annum to 20% for the tax year commencing 1st April 2016. The impact of these reductions will be reflected if the relevant legislation is enacted.

7 Earnings per share

The basic earnings per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of shares in issue. The diluted earnings per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of shares in issue plus the number of warrants and share options.

	2014	2013
Basic earnings per share	**£**	£
(Loss)/profit for the financial year	**(3,899,574)**	502,760
Weighted average number of shares	**254,244,454**	231,169,112

	2014	2013
Diluted earnings per share	**£**	£
(Loss)/profit for the financial year	**(3,899,574)**	502,760
Number of shares	**254,244,454**	272,669,106

8 Intangible assets

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

	Goodwill
	£
Cost	
At 1 January 2013	10,788,521
Additions	-
At 31 December 2013	10,788,521
Additions	-
At 31 December 2014	**10,788,521**
Amortisation and impairment	
At 1 January 2013 – 31 December 2013	-
Impairment loss – Construction CGU	3,914,213
Balance at 31 December 2014	**3,914,213**
Net book value	
At 31 December 2014	**6,874,308**
At 31 December 2013	10,788,521

8 Intangible assets (continued)

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

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

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

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

- Terminal value based on between 2% future growth in cash flows
- Discount rate of 7.37%

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

Although the business is expected to deliver significant profits, forecast growth has been reduced to reflect current market conditions, thereby reducing projected future cash flows. A provision has therefore been made against the Construction CGU.

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9 Property, plant and equipment

	Freehold and leasehold £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2013	183,418	45,789	43,460	66,267	338,934
Additions	-	1,916	468	13,610	15,994
Disposals	-	-	-	(16,312)	(16,312)
At 31 December 2013	183,418	47,705	43,928	63,565	338,616
Additions	-	2,367	7,386	-	9,753
Written back on disposals	-	-	-	-	-
At 31 December 2014	**183,418**	**50,072**	**51,314**	**63,565**	**348,369**
Depreciation					
At 1 January 2013	125,013	36,689	20,406	40,394	222,502
Charge for the year	1,657	4,984	2,337	9,064	18,042
Written back on disposals	-	-	-	(16,312)	(16,312)
At 31 December 2013	126,670	41,673	22,743	33,146	224,232
Charge for the year	1,657	3,345	2,442	7,729	15,173
Written back on disposals	-	-	-	-	-
At 31 December 2014	**128,327**	**45,018**	**25,185**	**40,875**	**239,405**
Net book value					
At 31 December 2014	**55,091**	**5,054**	**26,129**	**22,690**	**108,964**
At 31 December 2013	56,748	6,032	21,185	30,419	114,384

The net book value of property, plant and equipment includes an amount of £12,319 (2013: £16,425) in respect of assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £4,693 (2013: £5,749) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

10 Inventories

	2014	2013
	£	£
Materials and finished goods	**82,299**	80,489

The amount of inventories recognised as expense during the year was £80,489 (2013 - £82,005).

11 Trade and other receivables

	2014	2013
	£	£
Trade receivables	**635,118**	610,159
Contract retentions	**590,790**	569,235
Other receivables	**147,171**	140,464
Prepayments	**54,776**	51,064
Amounts recoverable on long term contracts	**2,007,287**	1,872,988
Total trade and other receivables	**3,435,142**	3,243,910

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

The average credit period taken on sales is 16 days. No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

Amounts recoverable on long-term contracts are stated net of discounts allowed of £23,481 (2013: £9,567).

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

	2014	2013
	£	£
Balance at 1 January	**12,000**	12,000
Charge/(credit) to the statement of comprehensive income	**-**	-
Balance at 31 December	**12,000**	12,000

11 Trade and other receivables (continued)

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

	2014	2013
	£	£
Trade receivables		
Three to six months	**21,358**	3,870
Six to nine months	**-**	2,443
Nine to twelve months	**181**	330
More than twelve months	**22,407**	15,582
	43,946	22,225
Contract retentions		
Three to six months	**10,934**	22,726
Six to nine months	**9,775**	4,383
Nine to twelve months	**5,435**	5,046
More than twelve months	**55,023**	94,150
	81,167	126,305

12 Cash and cash equivalents

	2014	2013
	£	£
Cash at bank and in hand	**185,064**	313,675

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

At the balance sheet date the Group had a bank overdraft facility of £600,000 with Barclays Bank Plc, secured by a fixed charge over the book debts and property of the Group and a floating charge over all other assets of the Group. The directors have provided limited guarantees. Please see Note 21 for further details.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2014:

	2014	2013
	£	£
Cash at bank and in hand	**185,064**	313,675
Bank overdraft	**(687,804)**	(99,669)
	(502,740)	214,006

13 Share capital

	2014		2013	
	Number	£	Number	£
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**254,244,454**	**254,244**	254,244,454	254,244

13 Share capital (continued)

Warrants

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

	Weighted average remaining contractual life (years)	Number	Weighted average exercise price £
At 1 January 2013		10,000,000	0.07
Granted	-	-	-
Lapsed	-	-	-
At 31 December 2013	1.8	10,000,000	0.07
Granted	-	-	-
Lapsed	-	(10,000,000)	(0.07)
At 31 December 2014	**-**	**-**	**-**

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

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

The charge to the statement of comprehensive income for share based payments for warrants during the year ended 31 December 2014 was £nil (2013: £nil).

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13 Share capital (continued)

Share Options

At 31 December 2014, outstanding awards to subscribe for ordinary shares of 0.10p each in the Company granted in accordance with the rules of the Mountfield EMI share option scheme were as follows:

	Number	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	31,499,994	2.61	3.00
Granted	2,000,000		
Cancelled	-		
Carried forward	33,499,994	1.51	3.00

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

Grant Date	22 May 2012	11 June 2012	10 Dec 2013	17 Dec 2013	1 June 2014
Exercise period	May 2013 - May 2016	June 2013 - June 2016	Dec 2014– Dec 2017	Dec 2015 – Dec 2018	June 2015 – June 2018
Share price at date of grant	1.5p	1.5p	2.7p	2.5p	2.7p
Exercise price	3.0p	3.0p	3.0p	3.0p	3.0p
Shares under option	16,666,663	10,833,331	2,000,000	2,000,000	2,000,000
Expected volatility	57%	57%	70%	70%	69%
Expected life (years)	2.5	2.5	2.5	2.5	2.5
Risk free rate	1.02%	1.02%	1.02%	1.02%	1.02%
Expected dividend yield	0%	0%	0%	0%	0%
Fair value per option	0.13p	0.13p	0.65p	0.56p	0.84p

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of monthly share prices over a 3 year period to grant date. All of the above options are equity settled and the charge for the year is £30,325 (2013: £15,335).

14 Trade and other payables (current)

	2014	2013
	£	£
Trade payables	**3,378,199**	3,059,705
Other payables	**61,265**	43,704
Accruals	**418,333**	927,721
Other taxes and social security costs	**395,029**	526,259
	4,252,826	4,557,389

The average credit taken for trade purchases is 98 days. The directors consider that the carrying amount of trade payables approximate their fair value.

15 Borrowings

	2014	2013
	£	£
Current		
Bank overdrafts	**687,804**	99,669
Net obligations under finance leases	**6,635**	6,917
Short-term unsecured loan	**225,000**	-
Short-term unsecured loan from Director	**529,137**	636,604
Unsecured non-convertible loan notes	**341,892**	351,392
	1,790,468	1,094,582
Non - current		
Unsecured non-convertible loan notes	**3,046,947**	3,363,029
Net obligations under finance leases	**4,281**	9,729
	3,051,228	3,372,758
Total borrowings	**4,841,696**	4,467,340

On 16 October 2008 the Company issued £2,500,000 unsecured non-convertible loan notes to the vendors of Mountfield Building Group Limited and £3,000,000 unsecured non-convertible loan notes to the vendors of Connaught Access Flooring Holdings Limited as part of the consideration for the acquisition of the entire share capital of each company. Repayments of £325,582 (2013: £351,392) were made against the loan notes in the period.

The loan notes are non-transferrable and carry interest at a rate of 2 per cent above the base rate of Barclays Bank plc per annum. The non–current portion of the unsecured loan notes is redeemable on 30 June 2016. The current portion of the unsecured loan notes is due for repayment during 2015.

During the year, interest of £88,557 on the loan notes was waived.

The short-term unsecured loan from a Director accrues interest at 6% pa but all interest to 31 December 2014 was waived.

15 Borrowings (continued)

	2014 £	2013 £
Non-current borrowings		
Analysis		
Repayable between one and two years	**325,582**	351,392
Repayable between two and five years	**2,721,365**	3,011,637
	3,046,947	3,363,029

	2014 £	2013 £
Net obligations under finance leases		
Analysis		
Repayable within one year	**6,635**	6,917
Repayable between one and five years	**4,281**	9,729
	10,916	16,646
Included in current liabilities	**(6,635)**	(6,917)
	4,281	9,729

16 Deferred taxation

	2014 £	2013 £
Deferred tax analysis:		
Deferred tax losses	**(407,032)**	(428,756)
Deferred tax expense relating to origination and reversal of temporary differences	**-**	-
	(407,032)	(428,756)

	2014 £	2013 £
Movement in deferred tax during the year		
At 1 January	**(428,756)**	(599,986)
Debit for the year	**21,724**	171,230
At 31 December	**(407,032)**	(428,756)

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

17 Capital commitments

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

18 Operating lease commitments

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

	2014	2013
	£	£
Less than one year	**4,400**	4,400
Between two and five years	**36,159**	36,159
	40,559	40,559

19 Financial instruments

Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce cost of capital. The capital structure of the Group comprises equity attributable to equity holders of the Company consisting of issued ordinary share capital, reserves and retained earnings as disclosed in Consolidated Statement of Changes in Equity and cash and cash equivalents as disclosed in Note 12.

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

Categories of financial instruments

	2014	2013
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	**185,064**	313,675
Trade and other receivables	**3,435,142**	3,243,910
Total	**3,620,206**	3,557,585
Financial liabilities		
Trade and other payables	**5,020,844**	5,285,343
Unsecured non-convertible loan notes	**3,388,839**	3,714,421
Secured borrowings	**698,720**	116,315
	9,108,403	9,116,079
Net	**(5,488,197)**	(5,558,494)

Cash and cash equivalents

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

General risk management principles

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

19 Financial instruments (continued)

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

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

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

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

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

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

The maximum exposure to credit risk in respect of the above at 31 December 2014 is the carrying value of financial assets recorded in the financial statements.

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

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

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

20 Pension costs

The Group operates a defined contribution pension scheme in respect of the directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £58,775 (2013: £53,100).

21 Directors' guarantees

Andrew Collins and Graham Read have given a guarantee limited to £100,000 in respect of the overdraft facility for Connaught Access Flooring Limited. Andrew Collins, Graham Read and Peter Jay have given a guarantee limited to £800,000 in respect of Mountfield Group Plc's overdraft facility.

22 Related party transactions

The Company made a loan of £5,000 (2013: £395,227) to Mountfield Building Group Limited, a subsidiary undertaking. The Company made sales of £328,386 (2013: £273,655) to Mountfield Building Group Limited. At 31 December 2014, £1,405,734 (2013: £1,398,001) was owed to Mountfield Building Group Limited in respect of these transactions and expenses of £341,119 (2013; £323,228) paid on behalf of the Company by Mountfield Building

22 Related party transactions (continued)

Group Limited.

During the year Connaught Access Flooring Limited, a subsidiary undertaking, paid expenses of £200,737 (2013: £247,841) on behalf of the Company. The Company made sales of £326,408 (2013: £428,988) to Connaught Access Flooring Limited. At 31 December 2014, £1,029,137 (2013: £1,154,808) was owed to Connaught Access Flooring Limited.

During the year the Company received advances totalling £nil (2013: £450) from MBG Construction Limited, a subsidiary undertaking. At 31 December 2014, the Company owed £34,200 (2013: £34,200) to MBG Construction Limited.

As at 31 December 2014, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £2,730,182 (2013: £2,893,872) and £658,657 (2013: £820,549) respectively. Interest for the year of £70,244 and £18,317 respectively has been waived and interest in respect of prior periods has also been waived.

During the year, Zeme Limited invoiced £50,620 (2013: £30,500) for the services of Peter Jay as a director of Mountfield Group Plc. As at 31 December 2014 £25,859 (2013: £12,917) was due to Zeme Limited.

During the year, the Group was invoiced £6,784 (2013: £33,276) for accountancy and bookkeeping services by Read & Co, a Chartered accountancy practice controlled by Graham Read’s brother. The group made sales of £3,720 (2013: £5,670) to them during the year. As at 31 December 2014 the balance owed by Read & Co was £7,548 (2013: £3,678 owed to them).

During the year the Group was repaid £107,467 by Graham Read (2013: advanced £205,904). The balance outstanding at 31 December was £529,137 (2013: £636,604). Interest is chargeable at 6% per annum on this loan but has been waived for 2014.

During the year ended 31 December 2014 Connaught Access Flooring Limited made sales of £9,006 *(2013 - £12,213)* to and purchases of £26,958 *(2013 - £7,474)* from Corinthian Ceramics Limited, a company of which Andrew Collins is a director. At 31 December 2014, £2,702 *(2013 - £2,720)* was owed by Corinthian Ceramics Limited in respect of these transactions.

23 Control

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

24 Post Balance Sheet Event

In April 2015, the loan note holders, the director’s Graham Read and Andrew Collins agreed to cancel a portion of their non-convertible loan notes amounting to £2,430,182 and £358,657 respectively.

Mountfield Group Plc

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

Company no. 06374598

	Note	2014 £	2013 £
ASSETS			
Non-current assets			
Investments	2	**6,874,000**	13,021,629
Deferred income tax assets	8	**-**	17,383
		6,874,000	13,039,012
Current assets			
Other receivables	3	**6,404**	13,038
Cash and cash equivalents	4	**-**	-
		6,404	13,038
TOTAL ASSETS		**6,880,404**	13,052,050
EQUITY AND LIABILITIES			
Issued share capital	5	**254,244**	254,244
Share premium		**1,490,682**	1,490,682
Share based payments reserve		**66,084**	329,781
Capital redemption reserve		**7,500**	7,500
Merger reserve		**12,951,180**	12,951,180
Retained losses		**(13,911,088)**	(8,411,299)
TOTAL EQUITY		**858,602**	6,622,088
Current liabilities			
Trade and other payables	6	**2,609,633**	2,711,966
Short-term borrowings	7	**9,448**	3,576
Loan notes	7	**341,892**	351,392
Income tax		**13,881**	-
		2,974,854	3,066,934
Non-current liabilities			
Loan notes	7	**3,046,948**	3,363,029
		6,021,802	6,429,963
TOTAL EQUITY AND LIABILITIES		**6,880,404**	13,052,050

The financial statements were approved by the board on 12 June 2015

Andrew Collins
Director

Mountfield Group Plc

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Operating (loss)/profit		**(5,793,811)**	415,269
Adjusted for:			
Impairment of investment in subsidiaries		**6,147,629**	-
Share-based payment charge		**30,325**	15,335
Decrease in trade and other receivables		**24,018**	42,553
Decrease/(increase) in trade and other payables		**27,986**	(12,136)
Net cash inflow/(outflow) from operating activities		**437,647**	461,021
Cash flows from financing activities			
Proceeds from issue of shares		**-**	450,000
Cost of shares issued		**-**	(34,750)
Loans (repaid)/received from subsidiary undertakings		**(117,937)**	(526,351)
Repayment of non-convertible loan notes		**(325,582)**	(351,392)
Net cash flows (used in)/generated from financing activities		**(443,519)**	(462,493)
Net cash (decrease)/increase in cash and cash equivalents		**(5,872)**	(1,472)
Cash and cash equivalents brought forward		**(3,576)**	(2,104)
Cash and cash equivalents carried forward	4	**(9,448)**	(3,576)

Mountfield Group Plc

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2013	216,744	1,120,432	320,961	-	12,951,180	(8,731,391)	5,877,926
Total comprehensive income for the year	-	-	-	-	-	313,577	313,577
Shares issued in period	45,000	405,000	-	-	-	-	450,000
Shares cancelled in period	(7,500)	-	-	7,500	-	-	-
Cost of shares issued	-	(34,750)	-	-	-	-	(34,750)
Share based payment charge	-	-	15,335	-	-	-	15,335
Cancelled share options	-	-	(6,515)	-	-	6,515	-
At 31 December 2013	254,244	1,490,682	329,781	7,500	12,951,180	(8,411,299)	6,622,088
Total comprehensive income for the year	-	-	-	-	-	(5,793,811)	(5,793,811)
Cost of shares issued	-	-	30,325	-	-	-	30,325
Lapsed Warrants	-	-	(294,022)	-	-	294,022	-
At 31 December 2014	**254,244**	**1,490,682**	**66,084**	**7,500**	**12,951,180**	**(13,911,088)**	**858,602**

Merger reserve

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

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 19 to 40.

1.1 Investment in subsidiaries

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

2 Investment in subsidiary undertakings

	Shares in subsidiary undertakings
Cost	£
At 1 January 2013	19,365,817
Additions	-
At 31 December 2013	19,365,817
Additions	-
At 31 December 2014	**19,365,817**
Accumulated Impairment provisions	
At 1 January 2013	6,344,188
Impairment provision	-
At 31 December 2013	6,344,188
Impairment provision	6,147,629
Balance at 31 December 2014	**12,491,817**
Net book value	
At 31 December 2014	**6,874,000**
At 31 December 2013	13,021,629

The following companies are the principal subsidiary undertakings at 31 December 2014 and are all consolidated:

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

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

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

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

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

2 Investment in subsidiary undertakings (continued)

The following was an associate of the group at the year end and its results for the year ended 31 May 2014 are shown below.

Associates	**Country of incorporation**	**Class of share**	**Percentage of shares held**
Hub (UK) Limited	England and Wales	Ordinary	20%

The principal activity of Hub (UK) Limited is general construction consultant and contractor.

Associates

	Aggregate of capitalised reserves £	**Loss for the Year** £
Hub (UK) Limited	**(27,883)**	**(1,997)**

3 Trade and other receivables

	2014 £	2013 £
Prepayments	**6,404**	13,088

4 Cash and cash equivalents

	2014 £	2013 £
Cash at bank	**-**	-

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £nil (2013: £nil).

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2014:

	2014 £	2013 £
Bank overdraft	**(9,448)**	(3,576)

5 Share capital

	2014		2013	
	Number	**£**	Number	£
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**254,244,454**	**254,244**	254,244,454	254,244

Details of changes in share capital are included at note 13 to the Consolidated Financial Statements.

6 Trade and other payables

	2014	2013
	£	£
Trade payables	**113,131**	78,400
Amounts owed to subsidiary undertakings	**2,469,072**	2,587,010
Other payables	**25,150**	48,373
Other tax and social security costs	**2,281**	1,817
	2,609,634	2,711,966

7 Borrowings

	2014	2013
	£	£
Current liabilities		
Bank overdraft	**9,448**	3,576
Unsecured non-convertible loan notes	**341,892**	351,392
	351,340	354,968
Non-current liabilities		
Unsecured non-convertible loan notes	**3,046,947**	3,363,029
	3,398,287	3,717,997

Details of the loan notes are included at Note 15 to the Consolidated Financial Statements.

8 Deferred taxation

	2014	2013
	£	£
Deferred tax analysis:		
Deferred tax losses	**-**	(17,383)
Movement in deferred tax during the year:		
At 1 January 2014	**(17,383)**	(119,075)
Charge for the year	**-**	101,692
At 31 December 2014	**-**	(17,383)

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9 Capital Commitments
There were no capital commitments at the year end.

10 Contingent liabilities
Under the terms of the Group's banking facilities, the Company has provided a cross guarantee to the Group's bankers. At the year end, the net balance due to the Group's bankers in respect of the guarantee was £502,740 (2013: net balance in Group's bank accounts was £214,006).

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

12 Directors' guarantees
Directors' benefits – advances, credits and guarantees are disclosed at Note 21 to the Consolidated Financial Statements.

13 Related party disclosures
Related party disclosures are detailed at Note 22 to the Consolidated Financial Statement.

14 Financial instruments
Details of key risks are included at Note 19 to the Consolidated Financial Statements.

Categories of financial instruments

	2014	2013
	£	£
Financial assets		
Loans and receivables at amortised cost	**6,404**	13,038
	6,404	13,038
Financial liabilities		
Trade and other payables	**2,623,514**	2,711,966
Bank overdraft	**9,448**	3,576
Unsecured non-convertible loan notes	**3,388,839**	3,714,421
	6,021,801	6,429,963
	(6,015,397)	(6,416,925)