Press Release **29 June 2009**

Mountfield Group plc

("Mountfield" or the "Company")

Preliminary Results

Mountfield Group plc (AIM:MOGP), a provider of integrated specialist construction support services, announces its maiden set of preliminary results for the year ended 31 December 2008.

Highlights

- Total revenue of £17.44 million
- Profit before tax of £1.36 million
- Strong cash position of £2.0 million
- Joined the London AIM market in November 2008

Subsequent highlights

- Subsidiary company Mountfield Building Group has won a £1.2 million data centre contract with a major telecommunications firm

Commenting on the maiden Preliminary Results, Graham Read, Chief Executive Officer of Mountfield Group plc, said: "2008 was an exciting year, with the formation and flotation of the group which combines three excellent businesses centred around the opportunities within the construction and data centre markets. Whilst trading remained challenging during the year, the structure of the group, the cross selling opportunities that it presents and the outlook for current trading, combined with current tendering activity means that we look to the future with confidence."

- Ends -

For further information:

Mountfield Group plc

Peter Jay, Executive Chairman Tel: +44 (0) 20 7398 7718
Graham Read, Chief Executive Officer www.mountfieldgroupplc.com

Daniel Stewart & Company Plc

Paul Shackleton / Oliver Rigby Tel: +44 (0) 20 7776 6550
oliverr@danielstewart.co.uk www.danielstewart.co.uk

Media enquiries:

Abchurch

Charlie Jack / Stephanie Cuthbert Tel: +44 (0) 20 7398 7718
stephanie.cuthbert@abchurch-group.com www.abchurch-group.com

Chairman and CEO's Statement

We are pleased to announce the Group's maiden preliminary results for the year ended 31 December 2008. Last year, Mountfield reached an important milestone when it joined AIM, a market operated by the London Stock Exchange.

Strategy

The Group's strategy is to provide a full range of specialist construction and property services to both the private and public sectors on a nationwide basis. In line with this strategy the Directors intend to expand the Group's operation geographically and to acquire complimentary businesses, which will extend its range of services and provide further cross-selling opportunities.

The Group's focus is to be in a position to offer a full range of integrated services to main contractors and end users. It has identified additional service areas where it can create organically, without external funding, new divisions which extend its service offering. These include the fitting out and refurbishment of office buildings and general builders work packages.

Results

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

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

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

Mountfield Building Group Limited made a pre-tax profit of £1.38 million based upon turnover of £16.2 million for the year ended 31 December 2008, after eliminating intercompany trading.

Connaught Access Flooring Limited made a pre-tax profit of £1.04 million based upon turnover of £5.85 million for the nine months ended 31 December 2008. Had Connaught been preparing accounts for the 12 months ended 31 December 2008 turnover would have been £7.56 million and profit before taxation would have been £1.32 million, after eliminating intercompany trading.

Mountfield Land had no turnover during the period from incorporation to 31 December 2008 and recorded a loss of £58,000.

Mountfield Group Plc made a loss from the date of incorporation until 31 December 2008 of £816,000 which included a share based payment on options granted during the period of £52,000 and non-recurring listing costs of £674,000.

Reported turnover for the Group for the year ended 31 December 2008 amounts to £17.44 million (2007: £11.38 million), and profit before taxation is £1.36 million (2007: £1.19 million).

The comparative figures included within the financial statements are for Mountfield Building Group Limited only.

Divisional reviews

Mountfield Group consists of three integrated businesses:

Mountfield Building Group (¨MBG¨)

MBG has two divisions; direct contracting and trade contracting services. The former works as the main contractor with the end user clients and specialises in the nationwide installation of Data Centres for large companies. The trade contract division delivers specialist building work and multi trade packages and refurbishment for main development contractors. These include opportunities relating to major building and infrastructure projects surrounding the 2012 London Olympics.

Connaught Access Flooring (“Connaught”)

Connaught is a provider of flooring systems to both main contractors and corporate end users primarily focused on the Data Centre market. The Company has established itself as one of the few recognised specialists for fitting commercial office space for corporate end users.

Mountfield Land ("ML")

Mountfield Land sources and enhances the value of land before selling its interest. It is not exposed to any financial risk as it does not purchase any sites. ML sources sites that are suitable for new Data Centres. The premium value that is placed on such sites means that sourcing and developing a new centre would be extremely profitable for the Group. ML also sources or assembles sites which may be converted to residential use and assigns the options to a developer, housing association or registered social landlord and receives a share of the uplift in value once planning consent for the development has been obtained.

Data Centre Market

The data centre market is showing strong growth in certain areas such as the banking and the retail sectors. This is driven by companies setting up their own facilities in order to reduce costs rather than outsource them to data centres operated by telecoms companies. According to available reports, the data centre market is expected to increase in space by almost 45 per cent. by 2010 and the Directors believe that over the next three years there will be further growth in the data centre market and that with Mountfield's experience, reputation and contacts the Group is ideally placed to benefit from this growth.

Outlook

The Group responded to the more difficult trading conditions in the early part of this year by widening its client base as well as implementing business efficiency processes and accelerating the integration of its separate businesses. The results have been encouraging and the Directors believe that the Group has an exciting future.

Both MBG and Connaught have been invited to tender for a number of substantial contracts which if won, would represent a significant 'step change' in contract size for the Group. As a result MBG has won the contract (valued at £1.2 million) for the first stage of a fit-out of a new Data Centre in Swindon and hopes to gain contracts for the following stages of this development. In addition it has gained a £2 million fit-out/builders work contract for a leading accountancy firm in London and looks to gain additional work from the current tender applications.

Connaught has made a good start to the year and has won significant contracts to supply and install 8,000 square metres of raised flooring in a new data centre in Hartlepool, a contract with a value of £1.5 million and also for a new data centre in the Docklands with a value of £900,000 as well as installing flooring for a new headquarters building in Birmingham that is being fitted-out for a leading accountancy firm.

Mountfield Land has been involved in sourcing sites for new data centres and is currently investigating or negotiating on five such sites. With regard to social housing it has a number of smaller sites that are in the planning process and is it is involved in some substantial schemes with housing associations which may provide the opportunity for MBG to become involved in ‘design and build’ contracts.

On behalf of the Board we would like to thank all our staff whose commitment and dedication have enabled the Group to undertake a transformational year, that coupled with market opportunity, leaves the Directors optimistic about its future prospects.

Peter Jay
Executive Chairman
29 June 2009

Graham Read
Chief Executive Officer
29 June 2009

Consolidated Income Statement
for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Revenue	**2**	**17,444,169**	11,385,016
Cost of sales		**(14,689,825)**	(8,765,044)
Gross profit		**2,754,344**	2,619,972
Administrative expenses	**3**	**(1,453,980)**	(1,419,815)
Negative goodwill		**126,308**	
Charge in respect of Share based payments		**(52,357)**	-
Profit from ordinary activities before income tax and finance costs		**1,374,315**	1,200,157
Net finance costs	**3**	**(13,838)**	(9,262)
Other income		**-**	-
Profit before income tax		**1,360,477**	1,190,895
Income tax expense	**4**	**(187,610)**	-
Profit for the year		**1,172,867**	1,190,895
Earnings per share			
- basic (p)	**5**	**1.55**	2.33
- diluted (p)	**5**	**1.54**	2.33

All amounts relate to continuing operations.

As permitted by Section 230 of the Companies act 1985, no separate Income Statement is presented in respect of Mountfield Group Plc. Its loss for the period from 16 October 2008 to 31 December 2008 year was £192,494 (2007 - £nil)

Consolidated Balance Sheet
as at 31 December 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Non-current assets			
Intangible assets	**6**	15,816,529	-
Property, plant and equipment	**7**	193,349	112,387
		16,009,878	112,387
Current assets			
Inventories	**8**	135,480	-
Trade and other receivables	**9**	4,328,004	2,529,837
Cash and cash equivalents	**10**	2,178,667	3,494
		6,642,151	2,533,331
TOTAL ASSETS		22,652,029	2,645,718
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**11**	169,558	100
Share premium		318,499	-
Other reserves		52,357	-
Merger reserve		12,951,180	-
Reverse acquisition reserve		(2,856,755)	-
Retained earnings		1,349,909	177,042
TOTAL EQUITY		11,984,748	177,142
Current liabilities			
Trade and other payables	**12**	4,317,056	2,384,190
Short-term borrowings	**12**	170,325	60,467
Finance lease liabilities	**12**	6,920	8,394
Income tax		731,630	-
		5,225,931	2,453,051
Non-current liabilities			
Loan notes	**13**	5,419,737	-
Finance lease liabilities	**13**	10,079	15,525
Provision for deferred taxation	**14**	11,534	-
TOTAL LIABILITIES		10,667,281	2,468,576
TOTAL EQUITY AND LIABILITIES		22,652,029	2,645,718

The financial statements were approved by the Board on 29 June 2009.

Graham Read
Director

Consolidated Cash Flow Statement
for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Cash flows from operating activities			
Profit from operations before interest and tax		**1,374,315**	1,200,157
Adjusted for:			
Depreciation of property, plant and equipment		**18,776**	12,767
Share based reserve		**52,357**	-
Negative goodwill		**(126,308)**	-
Decrease in inventories		**243**	-
Decrease/(increase) in receivables		**1,107,589**	(46,087)
Decrease in payables		**(1,068,193)**	(746,923)
Cash generated by operations		**1,358,779**	419,914
Finance costs		**(8,106)**	(11,556)
Finance income		**40,679**	2,294
Taxation paid		**(99,969)**	-
Net cash inflow from operating activities		**1,291,383**	410,652
Cash flows from investing activities			
Purchase of equipment		**(8,671)**	(28,029)
Costs of acquisition		**(783,817)**	-
Cash acquired on acquisition		**1,653,603**	-
Net cash inflow/(outflow) from investing activities		**861,115**	(28,029)
Cash flows from financing activities			
Finance lease rentals		**(6,920)**	14,839
Repayment of loans		**(140,730)**	(18,044)
Net cash flows used in financing activities		**(147,650)**	(3,205)
Net increase in cash and cash equivalents		**2,004,848**	379,418
Cash and cash equivalents brought forward		**3,494**	(375,924)
Cash and cash equivalents carried forward	**10**	**2,008,342**	3,494

Consolidated Statement of Changes in Equity
for the year ended 31 March 2008

	Share capital	Share premium	Other reserves	Reverse acquisition reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2007	100	-	-	-	-	(1,013,853)	(1,013,753)
Profit for the period	-	-	-	-	-	1,190,895	1,190,895
At 31 December 2007	100	-	-	-	-	177,042	177,142
Shares issued in period for cash	38,738	318,499	-	-	-	-	357,237
Shares issued on acquisition	130,820	-	-		12,951,180	-	13,082,000
Reverse acquisition	(100)	-	-	(2,856,855)	-	-	(2,856,955)
Share based payments		-	52,357	-			52,357
Profit for the period	-	-	-	-	-	1,172,867	1,172,867
At 31 December 2008	169,558	318,499	52,357	(2,856,855)	12,951,180	1,349,909	11,984,648

Notes to the Consolidated Financial Statements

1 Accounting policies

1.1 Basis of preparation

Acre 1124 Limited was incorporated on 18 September 2007 in England and Wales under the Companies Act 1985.

On 9 September 2008, Acre 1124 Limited changed its name to Mountfield Group Limited and on 23 October 2008 it re-registered as Mountfield Group plc ("the Company").

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 First time adoption of International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with International Financial Reporting Standard as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

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

The financial statements have been prepared under the historical cost convention and a summary of the more important accounting policies is set out below.

1.3 Significant accounting judgements and 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.

Goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Company to estimate future cashflows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £15.8 million. Details regarding the goodwill carrying value and assumptions used in carrying out the impairment reviews are provided in note 6.

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.

1.4 Presentational and functional currency

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

1.5 Adoption of pronouncements by the IASB and IFRIC

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:

International Accounting Standards (IAS/IFRSs)

IFRS 2	Amendment to Share-based Payments: Vesting Conditions and Cancellations
IFRS 3	Business Combinations (revised 2008)
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements (revised 2007 and 2008)
IAS 16	Property, Plant and Equipment (revised 2008)
IAS 19	Employee benefits (revised 2008)
IAS 20	Government Grants and Disclosure of Government Assistance (revised 2008)
IAS 23	Borrowing Costs (revised 2007 and 2008)
IAS 27	Consolidated and Separate Financial Statements (revised 2008)
IAS 28	Investments in Associates (revised 2008)
IAS 31	Investments in Joint Ventures (revised 2008)
IAS 32	Financial Instruments: Presentation (revised 2008)
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement (revised 2008)

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 15	Agreements for the Construction of Real Estate

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.

1.6 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 the note 2 to the Company's separate financial statements.

Business combinations and goodwill

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

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

Under IFRS 3 'Business Combinations', the acquisition of MBG Group has been accounted for as a reverse acquisition. As a consequence of applying reverse acquisition accounting, the results for the period ended 31 December 2008 comprise those of Mountfield Building Group Limited plus those of the Company and other acquired entities from 16 October 2008.

The comparative figures are those of Mountfield Building Group Limited for the year ended 31 December 2007. The Consolidated balance sheet comprises the combined balances of MBG Group, the Company at 31 December 2008, together with those of acquired entities mentioned below. The comparative Consolidated balance sheet is that of Mountfield Building Group Limited alone at 31 December 2007.

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.

1.7 Revenue recognition

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

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

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

1.8 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.

1.9 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.

1.10 Segmental reporting

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of segments operations in other economic environments.

The Group operates in one geographical segment, the UK. It operates in a very narrow segment of construction and fit-out of data centres for the IT industry. As such, the Directors do not consider that there is any segmental analysis required.

1.11 Share-based payments

The Consolidated financial statements account for share-based payments for compensation of goods or services received based on their fair value.

The cost of granting share-based payments is recognised through the income statement. The fair value is determined based upon invoices received in respect of such services and on current expectations of the shares to be issued.

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.

1.12 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.

1.13 Property, plant and equipment

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

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

Freehold buildings and leasehold improvements	2% - 10% per annum straight line
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

1.14 Leasing

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

Assets obtained under finance leases are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such arrangements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1.15 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.

1.16 Financial Instruments

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

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

1.17 Contingent deferred consideration payments

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

1.18 Trade and other receivables

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

1.19 Cash and cash equivalents

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

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

1.20 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 assts of the Group after deducting all of its liabilities.

1.21 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

1.22 Trade and other payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. The fair value of the Group's trade and other payables is equivalent to their book values as set out in the financial information.

1.23 Income tax expense

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

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

1.24 Deferred taxation

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base. Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

2 Construction contracts

	2008	2007
	£'000	£'000
Contract revenue recognised in relation to construction contracts in the year and retentions	**17,444,169**	11,385,016
For contracts in progress at the balance sheet date:		
Aggregate costs incurred to date	**16,428,968**	6,280,282
Recognised profits to date	**4,209,105**	1,334,172
Advances received	**-**	341,585
Retentions due	**200,310**	-

3 Other income and expenses

	2008	2007
	£'000	£'000
Net finance costs		
Finance expenses		
Other loan interest	**(54,002)**	(7,094)
Interest on finance leases	**(515)**	(486)
Interest on late payment of tax	**-**	(3,976)
Interest paid	**(54,517)**	(11,556)
Finance income		
Bank interest received	**40,679**	2,294
	(13,838)	(9,262)

Administrative expenses		
Depreciation of property, plant and equipment:		
- owned by the Group	**11,414**	3,879
- held under finance leases	**7,362**	8,888
Auditors' remuneration	**30,000**	4,250

	No.	No.
The average number of employees (including executive Directors) was	**85**	78

The split of employees is as follows:

	No.	No.
Administration	**15**	2
Cost of sales	**57**	11
Management	**13**	65
	85	78

Employment costs

	2008	2007
	£'000	£'000
Cost of Sales	**1,718,106**	1,303,130
Administration	**879,984**	788,812
Social Security costs	**257,718**	218,442
	2,855,808	2,310,384

Key management personnel compensation		
Short-term employee benefits	**270,461**	175,376
Post-employment benefits	**53,100**	53,100
	323,561	228,476

Directors remuneration			**2008**	2007
	Salaries and fees paid or receivable	**Pension contributi ons**	**Total**	Total
			£	£
G Read	203,003	53,100	**256,103**	228,476
A Collins	50,000	-	**50,000**	-
R Patel	6,000	-	**6,000**	-
J Hanley	2,083	-	**2,083**	-
P Jay	9,375	-	**9,375**	-
	270,461	53,100	**323,561**	228,476

The remuneration as disclosed for Graham Read includes £37,503 (£2007: £33,000) of salaries and £17,400 (2007: £17,400) of pension contributions paid to his wife, Janet Read.

4 Corporation tax

	2008	2007
	£'000	£'000
Current tax		
Current tax on income for the period	**195,721**	-
		-
Deferred tax		
Deferred tax charge	**(8,111)**	-
Income tax expense	**187,610**	-

Income tax is calculated at 28.5% (2007 – 30%) of the estimated assessable profit for the year. On 1 April 2008, the rate of corporation tax applicable to the companies in the Group fell from 30% to 28%. The differences are reconciled below:

Factors affecting the tax charge

	2008	2007
	£'000	£'000
Profit on ordinary activities before taxation	**1,360,477**	1,190,895
Loss on ordinary activities before taxation multiplied by standard rate of UK Corporation Tax of 28.5% (2007: 30%)	**387,736**	357,269
Effects of:		
Expenditure not allowable for tax purposes	137,874	29,259
Depreciation for period in excess of capital allowances	(4,140)	-
Movement in tax losses	(302,640)	(385,383)
Negative goodwill	(39,647)	-
Other adjustments	16,538	(1,145)

Current tax charge	**195,721**	-

As at 31 December 2008 the Group has tax losses carried forward of approximately £268,000 in respect of non-trading items. No deferred tax asset has been recognised.

5 Earnings per share

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

The weighted average number of shares in the period were:

	2008	2007
	Number	Number
Basic ordinary shares of 0.1p each	75,611,034	51,220,000
Dilutive ordinary Shares from warrants	736,776	-
Total diluted	76,347,810	51,220,000

In the year ended 31 December 2008, the conditions attached to the deferred consideration shares were not met and as such there is no dilutive effect on the average weighted number of ordinary shares or the diluted earnings per share.

The comparative number of shares for 2007 reflects the shares that would have been in issue had Mountfield Building Group Limited been acquired by Mountfield Group Plc on 1 January 2007 ("MBG Acquisition Shares"). The number of shares for 2008 assumes that the MBG Acquisition Shares were in issue throughout 2008.

	2008	2007
Earnings attributable to equity share holders of the parent		
Basic earnings per share (p)	**1.55**	2.33
Diluted earnings per share (p)	**1.54**	2.33

6 Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2008	-
Additions	15,816,529
At 31 December 2008	15,816,529

Acquisitions

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

- Mountfield Building Group Limited and MBG Construction Limited for a combined consideration of £7,622,000 payable by the issue of 51,220,000 Ordinary Shares of 0.1p each at a price of 10p per share and by the issue of £2,500,000 unsecured non-convertible loan notes;
- Connaught Access Flooring Limited for a consideration of £9,460,000 payable by the issue of 64,600,000 Ordinary Shares of 0.1p each at a price of 10p per share and by the issue of £3,000,000 unsecured non-convertible loan notes; and
- Mountfield Land Limited for an initial consideration of £1,500,000 payable by the issue of 15,000,000 Ordinary Shares of 0.1p each at a price of 10p per share and a deferred consideration of up to £2.25 million, to be settled by the allotment of Ordinary Shares of 0.1p each, based on a multiple of 4 times the average post tax profits of Mountfield Land Limited in the two financial years beginning on 1 January 2009 and after deducting the initial consideration.

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

The acquisition of Mountfield Building Group Limited was accounted for as a reverse acquisition, thus the goodwill acquired is calculated based on the net assets of the legal parent, Mountfield Group Limited, which at the date of acquisition were as follows:

	£'000
Trade and other receivables	348,041
Cash and cash equivalents	45,660
Trade and other payables	(984,366)
Income tax payable	(534)
	(591,199)
Goodwill	5,914,213
	5,323,014
Satisfied by:	
Issue of shares	4,797,384
Cash expended on costs of acquisition	525,630
	5,323,014

MBG Construction Limited was acquired by Mountfield Building Group Limited on 18 August 2008. The net assets at the date of acquisition were as follows:

	MBG Construction Limited
	£
Trade and other receivables	786,892
Cash and cash equivalents	167,907
Trade and other payables	(815,603)
Income tax payable	(12,888)
	126,308
Negative goodwill	(126,308)
	-

Negative goodwill is written-off to the income statement in the period in which it arises.

MBG Construction Limited contributed £50,656 revenue and a profit of £37,372 to the Group's profit before tax for the period between the date of acquisition and 31 December 2008. If the acquisition had occurred on 1 January 2008, Group revenues for the year would have been increased by £93,825 and Group profit attributable to equity holders of the Company would have been increased by £79,842.

The net assets of Connaught Access Flooring Limited and Mountfield Land Limited at the date of acquisition were as follows:

	Connaught Access Flooring Limited	**Mountfield Land Limited**	**Total**
	£'000	**£'000**	**£'000**
Fixed assets	91,067	-	91,067
Stocks	135,723	-	135,723
Trade and other receivables	1,770,338	485	1,770,823
Cash and cash equivalents	1,440,036	-	1,440,036
Trade and other payables	(1,479,677)	-	(1,479,677)
Income tax payable	(622,457)	-	(622,457)
Deferred Tax provision	(19,644)	-	(19,644)
	1,315,386	485	1,315,871
Goodwill	8,374,308	1,528,008	9,902,316
	9,689,694	1,528,493	11,218,187
Satisfied by:			
Issue of shares	6,460,000	1,500,000	7,960,000
Issue of loan notes	3,000,000	-	3,000,000
Cash expended on costs of acquisition	229,694	28,493	258,187
	9,689,694	1,528,493	11,218,187

CAF contributed £1,281,618 revenue and a profit of £149,010 to the Group's profit before tax for the period between the date of acquisition and 31 December 2008. If the acquisition had occurred on 1 January 2008, Group revenues for the year would have been increased by £6,371,598 and Group profit attributable to equity holders of the Company would have been increased by £1,216,632.

Land contributed £nil revenue and a loss of £58,339 to the Group's profit before tax for the period between the date of acquisition and 31 December 2008. If the acquisition had occurred on 1 January 2008, Group revenues for the year would have been increased by £nil and Group profit attributable to equity holders of the Company would have been increased by £nil.

Impairment of goodwill

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

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

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

- Terminal value based on 3% future growth in cash flows
- Discount rate of 10%

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

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

7 Property plant and equipment

	Freehold and leasehold property £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2008	63,375	-	56,735	38,449	158,559
Transfers upon acquisition	109,478	154,868	62,171	55,394	381,911
Additions	128	2,833	1,035	4,675	8,671
At 31 December 2008	172,981	157,701	119,941	98,518	549,141
Depreciation					
At 1 January 2008	8,775	-	24,530	12,867	46,172
Transfers upon acquisition	84,846	119,211	55,895	30,892	290,844
Charge for the period	2,434	3,031	4,266	9,045	18,776
At 31 December 2008	96,055	122,242	84,691	52,804	355,792
Net book value					
At 31 December 2008	76,926	35,459	35,250	45,714	193,349
At 31 December 2007	54,600	-	32,205	25,582	112,387

The net book value of plant and equipment and motor vehicles includes an amount of £22,895 (2007: £25,582) in respect of the assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £22,926 (2007: £nil) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

8 Inventories

	2008	2007
	£'000	£'000
Inventories	135,480	-

9 Trade and other receivables

	2008	2007
	£'000	£'000
Trade receivables	**1,087,456**	533,691
vision for impairment of trade receivables	**(37,212)**	-
	1,050,244	533,691
Contract retentions	**518,264**	456,317
Other receivables	**440,081**	44,649
Prepayments	**76,562**	37,150
Amounts recoverable on long term contracts	**2,242,853**	1,458,030
	4,328,004	2,529,837

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

The average credit period taken on sales is 60 days. No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

Amounts recoverable on long-term contracts are stated net of discounts allowed of £44,415 (2007: £nil).

The movement in the provision for impairment of trade receivables is as follows:	**£'000**
Balance at 1 January 2008	-
Charged to the income statement	37,212
Balance at 31 December 2008	37,212

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

	2008	2007
Trade receivables	**£'000**	£'000
Three to six months	**117,619**	-
Six to nine months	**31,242**	-
Nine to twelve months	**3,528**	-
More than twelve months	**68,908**	-
	221,297	-
Contract retentions		
Three to six months	**34,584**	-
Six to nine months	**4,641**	46,974
Nine to twelve months	**166**	-
More than twelve months	**13,114**	47,855

	52,505	94,829

10 Cash and cash equivalents

	2008	2007
	£'000	£'000
Cash at bank and in hand	**2,178,667**	3,494

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

The Group had no overdraft facility in place as at 31 December 2008.

The Group currently has a bank overdraft facility of £250,000 with Barclays Bank Plc, which is secured by a fixed charge over the book debts and property of Mountfield Building Group Limited and a floating charge over all other assets of that company and a director's limited guarantee for £500,000.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2008:

	2008	2007
	£'000	£'000
Cash at bank and in hand	**2,178,667**	3,494
Bank overdraft	**(170,325)**	-
	2,008,342	3,494

11 Issued capital

	As at 31 December 2008	As at 31 December 2007
	£'000	£'000
Authorised:		
1,000,000,000 Ordinary shares of 0.1p each (2007: 1,000 ordinary shares of £1 each)	**1,000,000**	1,000
Issued:		
169,558,520 Ordinary shares of 0.1p each (2007: 1,000 ordinary shares of £1 each)	**169,558**	100

The authorised and issued share capital for 2007 includes only that of Mountfield Building Group Limited.

Acre 1124 Limited was incorporated on 18 September 2007 with an authorised share capital of £1,000,000 comprising 100,000,000 Ordinary shares of 0.1p 110,000 of these shares were issued and fully paid on incorporation.

On 18 September 2007, the authorised and issued share capital was subdivided into 1,000,000,000 Ordinary shares of 0.1p each.

On 6 May 2008 a further 220,000 Ordinary shares of 0.1p were issued at par value.

On 28 May 2008 a further 30,918,520 Ordinary shares of 0.1p were issued at par value. 18,000,000 and 500,000 of these shares were issued in full settlement of fees for services provided by Peter Jay and Rakesh Patel respectively in connection with the admission of the Company's shares to trading on AIM.

On 16 October 2008 the Company issued 130,820,000 Ordinary shares of 0.1p each at a price of 10p per share upon the acquisition of Mountfield Building Group Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited.

On 30 October 2008 the Company issued a further 6,500,000 Ordinary shares of 0.1p each at a price of 5p per share in full satisfaction of £325,000 of 6 per cent convertible loan notes of £1 each that were issued in May 2008. No interest was paid on the convertible loan notes.

Deferred consideration shares

In connection with the acquisition of Mountfield Land Limited on 16 October 2008, is a deferred consideration of up to £2.25 million, to be settled by the allotment of Ordinary Shares of 0.1p each, based on a multiple of 4 times the average post tax profits of Mountfield Land Limited in the two financial years beginning on 1 January 2009 and after deducting the initial consideration.

In the opinion of the directors, the contingent deferred consideration could not be reliably measured and therefore no provision has been made in these financial statements for shares that may be issued in respect of the deferred consideration.

Warrants

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

	Number	Weighted average exercise price
		£
Outstanding at 1 January 2008	-	-
Warrants granted in period	10,000,000	0.07
Outstanding at 31 December 2008	10,000,000	

As at 31 December 2008 the warrants outstanding were exercisable as follows:

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

On 27 October 2008 the Company issued 4,000,000 warrants with an exercise price of 10p per ordinary share and 6,000,000 warrants with an exercise price of 5p per ordinary share. The difference between the fair value and exercise price of these warrants is £52,357 and this expense was recognised during the period.

No warrants were exercised during the period.

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 Warrant	3.0p	4.0p

The charge to the income statement for share based payments during the year ended 31 December 2008 was £52,357 (2007: £nil)

12 Trade and other payables (current)

	2008	2007
	£'000	£'000
Trade payables	**3,327,191**	2,077,584
Other payables	**28,050**	1,690
Accruals	**401,734**	91,904
Other taxes and social security costs	**560,081**	213,012
	4,317,056	2,384,190
Bank overdrafts	**170,325**	-
Bank loans	**-**	60,467
Net obligations under finance lease	**6,920**	8,394
	4,494,301	2,453,051

The average credit taken for trade purchases is 74 days. The directors consider that the carrying amount of trade payables approximate their fair value.

13 Borrowings

	2008	2007
	£'000	£'000
Non-current		
Unsecured non-convertible loan notes	**5,419,737**	-
Net obligations under finance leases	**10,079**	15,525
	5,429,816	15,525

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 £80,263 were made against the loan notes in the period.

The loan notes are non-transferable and are redeemable at such time as the Company may decide, taking into account its present and anticipated financial needs but in any event not later than 30 June 2011. The loan notes carry interest at a rate of 2 per cent. above the base rate of Barclays Bank plc per annum.

Net obligations under finance leases

Analysis		
Repayable within one year	**6,920**	8,394
Repayable between one and five years	**10,079**	15,525
	16,999	23,919
Included in liabilities falling due within one year	**(6,920)**	(8,394)
	10,079	15,525

14 Deferred tax

	2008	2007
	£'000	£'000
Deferred tax analysis:		
Deferred tax expense relating to origination and reversal of temporary differences	**11,534**	-
Movement in deferred tax during the year:		
Deferred tax asset acquired with subsidiary undertaking	**19,645**	-
Credit for the year	**(8,111)**	-
Deferred tax balance carried forward	**11,534**	-

15 Report and Accounts

The Company has today posted copies of its annual report and accounts to shareholders, which is also available on the Companies website at www.mountfieldgroupplc.com. The report and accounts includes notice of the Company's Annual General Meeting to be held at 10 a.m. on 22 July 2009 at the offices of Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN.

- Ends -