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Mountfield Group Plc

Annual Report and Financial Statements

for the year ended 31 December 2008

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Annual Report and Financial Statements

for the year ended 31 December 2008

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Company Information

Directors	**P H Jay** Executive Chairman **G J Read** Chief Executive **A J Collins** Executive Director **R R Patel** Finance Director **The Rt Hon. Sir Jeremy Hanley KCMG** Non-Executive Director
Secretary	**P H Jay**
Company number	06374598 (England and Wales)
Registered office	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU
Auditors	**Brett Adams** 25 Manchester Square London W1U 3PY
Solicitors	**Beachcroft** 100 Fetter Lane London EC4A 1BN
Registrars	**Equinti Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA
Nominated Adviser and Broker	**Daniel Stewart & Company plc** Becket House 36 Old Jewry London EC2R 8DD

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Chairman's and Chief Executive's Statement

for the year ended 31 December 2008

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 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

Revenue	£17.44m
Profit before tax	£1.36m
Cash	£2.0m

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 the 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 £23.8m, and profit before taxation and one off listing costs (including share based payment costs) would total £2.55m.

Mountfield Building Group Limited made a pre-tax profit of £1.38m based upon turnover of £16.20m for the year ended 31 December 2008, after eliminating intercompany trading.

Connaught Access Flooring Limited made a pre-tax profit of £1.04m based upon turnover of £5.85m 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 £7.56m and profit before taxation would have been £1.32m, 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 warrants 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 £17.44m (2007: £11.38m), and profit before taxation is £1.36m (2007: £1.19m).

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

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Chairman's and Chief Executive's Statement

continued

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 telecom companies. According to available reports, the data centre market is expected to increase in space by almost 45 per cent. by 2010 and the Directors believe that over the next three years there will be further growth in the data centre market and that 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 £1.2m) 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 £2m fit-out/builders work contract for a leading accountancy firm in London and looks to gain additional work from the current tender applications.

Chairman's and Chief Executive's Statement

continued

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

Mountfield Land has been involved in the sourcing of 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 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

Graham Read
Chief Executive Officer

29 June 2009

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Directors' Report

for the year ended 31 December 2008

The directors are pleased to present their annual report and audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activity of the Group is 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 and Chief Executive's Statement.

Results

The Group made a pre-tax profit of £1,360,477 for the year ended 31 December 2008 on a turnover of £17,444,169.

At 31 December 2008 the Group had net assets of £11,984,748.

Principal risks

The principal risks and uncertainties facing the Group relate to:

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

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

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

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

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

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

Reliance on Subcontractors
The Group utilises subcontractors on a project-by-project basis to meet contractual obligations. Such projects 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.

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Directors' Report

continued

Key performance indicators

In the opinion of the directors there are no Key Performance Indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

Dividends

The Directors do not propose payment of any dividends for the year ended 31 December 2008.

Post balance sheet events

On 31 March 2009, the Company issued 1,753,267 Ordinary Shares of 0.1p each at a price of 10p per share in settlement of fees owed to an adviser to the Company.

Directors

The directors who served during the period since incorporation of the Company were:

P H Jay (appointed 18 September 2007)
G J Read (appointed 16 October 2008)
A J Collins (appointed 16 October 2008)
R R Patel (appointed 23 October 2008)
The Rt Hon. Sir Jeremy Hanley KCMG (appointed 23 October 2008)
A Frearson (appointed and resigned 18 September 2007)

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 period end trade creditors represented 74 days expenses.

Disclosure of information to auditors

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

Auditors

A resolution proposing the reappointment of Brett Adams as auditors will be put to the members at the next Annual General Meeting.

On behalf of the Board

Graham Read
Director

29 June 2009

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Report on Corporate Governance

for the year ended 31 December 2008

Policy Statement on Corporate Governance

It is the objective of the Board to attain a high standard of Corporate Governance. As an AIM listed company, full compliance with the Combined Code is not a formal obligation. The Company has, however, sought to adopt the provisions of the code that are appropriate to its size and organisation and establish frameworks for the achievement of this objective. Set out below is a summary of how, at 31 December 2008, the Group was dealing with corporate governance issues.

Board and Committees

The Board

The Board comprises five Executive and Non-executive Directors. The roles of the Chairman and Chief Executive are separated. The Non-executive Directors bring relevant experience from different backgrounds. The Board generally meets at least six times per annum to consider the current state of the business and strategic issues. Board papers including detailed management accounts are circulated in advance of meetings. The Board considers strategic matters, investment expenditure, business development policy, expenditure on major capital items, annual operating budgets, management structure and internal control procedures. The Board undertakes an annual review of its effectiveness.

Non-executive Directors have access to all information and, if required, external advice at the expense of the Company.

Remuneration

The Board will determine the terms and conditions of service of Executive Directors, and the Chairman.

Nominations Committee

The Nominations Committee comprises Peter Jay as chairman and Sir Jeremy Hanley and is responsible for proposing to the Board the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board and senior management positions as and when they arise.

Audit Committee

The Audit Committee comprises Peter Jay and Sir Jeremy Hanley. The Audit Committee meets at least twice annually and in addition the auditors may request a meeting at any time. The Audit Committee is responsible for reviewing the final accounts prior to submission to the Board. The Committee agrees the scope and approach to the annual audit in advance with the auditors. The Committee keeps under review the appointment and remuneration of the external auditors, their cost effectiveness, their independence and objectivity.

Internal control and risk management

The Board is responsible for maintaining an appropriate system of internal control to provide reasonable (but not absolute) assurance of the quality and reliability of financial information used to direct the business, safeguard assets and recognise liabilities in accordance with company law and generally accepted accounting practices. Authority levels for purchase and capital commitments are defined. The Company has developed detailed budgets and monthly management reporting of actual results against budgets and analyses variances in performance. Regular re-forecasting and projection of results are carried out during the year.

The Board has established a formal process for the assessment of key risks to the business. The risk assessment is updated on an ongoing basis and is reviewed regularly at Board meetings.

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Report on Corporate Governance

for the year ended 31 December 2008

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.

Investor relations

Management endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. All shareholders will receive a printed copy of the Report and Accounts. The website (www.mountfieldgroupplc.com) contains investor information including regulatory announcements, financial statements and share price data.

The Board welcomes as many investors as possible to the Annual General Meeting and invites discussion on issues facing the Company. At least 21 days notice is given for the AGM.

On behalf of the Board

Graham Read
Director

29 June 2009

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with IFRSs. The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRSs as adopted by the EU
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website www.mountfieldgroupplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Independent Auditors' Report on the Group and Company

to the shareholders of Mountfield Group Plc

We have audited the Group and the Company financial statements (the 'financial statements') of Mountfield Group Plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated and Company cash flow statements, the consolidated statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's and Chief Executive's Statement, the Directors' Report and the Report on Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's profit and cash flows for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008 and cash flows for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and;
- the information given in the Directors' Report is consistent with the Group financial statements.

Brett Adams
25 Manchester Square
London W1U

29 June 2009

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Consolidated Income Statement

for the year ended 31 December 2008

	Notes	2008 £	2007 £
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	6	126,308	–
Charge in respect of Share based payments	11	(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)

The accompanying notes form an integral part of these financial statements.

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Consolidated Balance Sheet

as at 31 December 2008

	Notes	2008 £	2007 £
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		318,500	–
Other reserves		52,357	–
Merger reserve		12,951,180	–
Reverse acquisition reserve		(2,856,756)	–
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

The accompanying notes form an integral part of these financial statements.

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Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Notes	2008 £	2007 £
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

The accompanying notes form an integral part of these financial statements.

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Consolidated Statement of Changes in Equity

for the year ended 31 December 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	32,238	–	–	–	–	–	32,238
Shares issued on conversion of loan notes	6,500	318,500	–	–	–	–	325,000
Shares issued on acquisition	130,820	–	–	–	12,951,180	–	13,082,000
Reverse acquisition	(100)	–	–	(2,856,756)	–	–	(2,856,856)
Share based payments	–	–	52,357	–	–	–	52,357
Profit for the period	–	–	–	–	–	1,172,867	1,172,867
At 31 December 2008	169,558	318,500	52,357	(2,856,756)	12,951,180	1,349,909	11,984,748

The merger reserve exists as a result of the acquisitions of Mountfield Building Group Limited, MBG Construction Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the fair value of those shares at the date of acquisition.

The accompanying notes form an integral part of these financial statements.

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Notes to the Consolidated Financial Statements

for the year ended 31 December 2008

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.

Notes to the Consolidated Financial Statements

continued

1 Accounting policies (continued)

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.

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Notes to the Consolidated Financial Statements

continued

1 Accounting policies (continued)

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.

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Notes to the Consolidated Financial Statements

continued

1 Accounting policies (continued)

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 income statement so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

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Notes to the Consolidated Financial Statements

continued

1 Accounting policies (continued)

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 undertake 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.

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Notes to the Consolidated Financial Statements

continued

1 Accounting policies (continued)

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 £
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 £
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

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Notes to the Consolidated Financial Statements

continued

3 Other income and expenses (continued)

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 £**
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 contributions £**	**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.

Notes to the Consolidated Financial Statements

continued

4 Income tax expense

	2008 £	2007 £
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 £
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	(35,998)	-
Other adjustments	12,889	(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 is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of shares in issue. In calculating the diluted earnings per share, share warrants outstanding have been taken into account where the impact of these is dilutive.

The weighted average number of shares in the period were:

	2008 Number	2007 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 shareholders of the parent		
Basic earnings per share (p)	1.55	2.33
Diluted earnings per share (p)	1.54	2.33

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Notes to the Consolidated Financial Statements

continued

6 Intangible assets

	Goodwill £
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:

	£
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

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Notes to the Consolidated Financial Statements

continued

6 Intangible assets (continued)

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 £50,179 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 ("CAF") and Mountfield Land Limited ("Land") at the date of acquisition were as follows:

	Connaught Access Flooring Limited £	Mountfield Land Limited £	Total £
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 £190,527 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.

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Notes to the Consolidated Financial Statements

continued

6 Intangible assets (continued)

Impairment of goodwill

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

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

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

- Terminal value based on 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 £
Inventories	135,480	–

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Notes to the Consolidated Financial Statements

continued

9 Trade and other receivables

	2008 £	2007 £
Trade receivables	1,087,456	533,691
Less: Provision 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:

	£
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		
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

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Notes to the Consolidated Financial Statements

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10 Cash and cash equivalents

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

11 Issued capital

	2008 £	2007 £
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 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.

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Notes to the Consolidated Financial Statements

continued

11 Issued capital (continued)

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.

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).

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Notes to the Consolidated Financial Statements

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12 Trade and other payables (current)

	2008 £	2007 £
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 £
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.

	2008 £	2007 £
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

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Notes to the Consolidated Financial Statements

continued

14 Deferred tax

	2008 £	2007 £
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 balance acquired with subsidiary undertaking	19,645	
Credit for the year	(8,111)	–
Deferred tax balance carried forward	11,534	–

15 Capital commitments

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

16 Operating lease commitments

Commitments under non-cancellable operating leases expiring:

	Property	
	2008 £	2007 £
Between two and five years	29,568	–

Lease payments are recognised in the income statement.

17 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 10.

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	2008 £	2007 £
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	2,178,667	3,494
Trade and other receivables	4,328,004	2,529,837
Total	6,506,671	2,533,331
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	4,317,056	2,384,190
Unsecured non-convertible loan notes	5,419,737	–
Secured borrowings	187,324	84,386
Total	9,924,117	2,468,576
Net	(3,417,446)	64,755

17 Financial instruments (continued)

Cash and cash equivalents

This comprises cash held by the Group and short-term deposits. 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 (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance. The directors have an overall responsibility for the establishment of the Group's risk management framework. A formal risk assessment and management framework for assessing, monitoring and managing the strategic operational and financial risks of the Group is in place to ensure appropriate risk management of its operations.

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

Market risk

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

Currency risk

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

Interest rate risk

The Group's interest rate exposure arises mainly from its interest bearing borrowings. Contractual agreements entered into at floating rates expose the entity to cash flow risk. Interest rate risk also arises on the Group's cash and cash equivalents.

Credit risk

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

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

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

The maximum exposure to credit risk in respect of the above at 31 December 2008 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.

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Notes to the Consolidated Financial Statements

continued

18 Related party transactions

On 12 June 2008, Mountfield Group Plc loaned £50,000 to Neil Hobbs and an additional loan of £50,000 was issued to Chris Baron on 28 July 2008. Neil Hobbs and Chris Baron are the shareholders of Mountfield Land Limited, a company which Mountfield Group Plc acquired on 16 October 2008. Neil Hobbs and Chris Baron are entitled to receive the deferred consideration shares if they achieve target (Note 11).

During the period, A Lindley, a shareholder was paid £271,250 by Mountfield Building Group Limited to discharge a third party liability under a guarantee signed in 2004. This amount was charged on to the Company as a cost of acquisition of Mountfield Building Group Limited. The Company also received a loan of £714,889 from Mountfield Building Group Limited, a subsidiary undertaking. At the period ended 31 December 2008, £986,139 was owed to Mountfield Building Group Limited in respect of these transactions.

19 Transactions with Directors

On 16 October 2008 the Company acquired the entire issued share capital of Mountfield Building Group Limited from Graham Read for a 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.

On the same date, the Company acquired the entire issued share capital of Connaught Access Flooring Limited from Graham Read and Andrew Collins for a combined consideration £9,460,000 payable by the issue of 32,300,000 Ordinary Shares of 0.1p each at a price of 10p per share and by the issue of £1,500,000 unsecured non-convertible loan notes to each of the vendors.

During the period ended 31 December 2008, the Company paid for consultancy advice on behalf of the G Read and A Collins totalling £80,263. This balance was offset against the unsecured non-convertible loan notes. As at 31 December 2008, balances remaining unpaid to Graham Read and Andrew Collins amounted to £3,959,868 and £1,459,869, respectively.

During the period ended 31 December 2008 the following consultancy fees were paid to Directors in connection with the listing of the Company's shares on AIM:

	£
Peter Jay	18,000
Rakesh Patel	500

The above fees were settled by the issue and/or transfer of Ordinary Shares of 0.1p each in the Company.

During the period ended 31 December 2008 the following shares were issued to Directors:

	Class	Number	Date of issue
Anthony Frearson	Ordinary shares of 0.1p each	1,000,000	18 September 2007
Peter Jay	Ordinary shares of 0.1p each	100,000	18 September 2007
Peter Jay	Ordinary shares of 0.1p each	165,000	6 May 2008
Peter Jay	Ordinary shares of 0.1p each	20,735,730	28 May 2008
Graham Read	Ordinary shares of 0.1p each	83,520,000	16 October 2008
Andy Collins	Ordinary shares of 0.1p each	32,300,000	16 October 2008

During the period ended 31 December 2008 the following warrants were granted to Directors:

	Number	Exercise Price	Date of Grant	Exercise Period
Rakesh Patel	2,500,000	10p	18 September 2007	30 October 2009 and 29 October 2014
Sir Jeremy Hanley	500,000	10p	18 September 2007	30 October 2009 and 29 October 2014

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Notes to the Consolidated Financial Statements

continued

20 Post balance sheet events

On 31 March 2009, the Company issued 1,753,267 Ordinary Shares of 0.1p each at a price of 10p per share in settlement of fees owed to an adviser to the Company.

21 Explanation of transition to IFRS

The Group financial statements have been prepared in accordance with the recognition and measurement principles of IFRS. The following disclosures are required in the principles of transition. For the purpose of this financial information, under IFRS, the acquisition of Mountfield Building Group Limited ('MBG') on 16 October 2008 is treated as a reverse acquisition, and therefore, the comparative balance sheet is that of MBG at 31 December 2007. The date of transition to IFRS was 1 January 2007.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" sets out the transition rules which must be applied when IFRS is adopted for the first time. IFRS 1 provides a number of optional exemptions to the general principles of full retrospective application of IFRS.

In its first financial statements, a first-time adopter need not restate its comparative information in compliance with IAS 32 and IAS 39. The Group has elected to take advantage of this exemption. The Group has adopted IAS 32 and IAS 39 with effect from 1 January 2008.

Reconciliation of equity and profit: there were no adjustments required to either net assets or profit under UK GAAP in order to arrive at net assets and profit under IFRS.

Reconciliation of the consolidated income statement: there were no adjustments required to consolidated income statement under UK GAAP in order to arrive at consolidated income statement under IFRS.

Company Balance Sheet

as at 31 December 2008

	Notes	2008 £
ASSETS		
Non-current assets		
Investment in subsidiaries	2	19,365,817
Current assets		
Other receivables	3	416,206
Cash and cash equivalents	4	6,677
		422,883
Total assets		19,788,700
EQUITY AND LIABILITIES		
Share capital and reserves		
Issued capital	5	169,558
Other reserves		52,357
Share premium		318,500
Merger reserve		12,951,180
Retained losses		(815,932)
Total equity		12,675,663
Current liabilities		
Trade and other payables	6	1,693,270
Income tax		30
		1,693,300
Non-current liabilities		
Loan notes	7	5,419,737
Total liabilities		7,113,037
Total equity and liabilities		19,788,700

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

Graham Read
Director

The accompanying notes form an integral part of these financial statements.

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Company Cash Flow Statement

for the period ended 31 December 2008

	Notes	Period ended 31 December 2008 £
Cash flows from operating activities		
Loss from operations before interest and tax		(771,320)
Adjusted for:		
Share based payment charge		52,357
Increase in receivables		(148,429)
Increase in payables		660,720
Cash used in operating activities		(206,672)
Interest received		1,799
Income tax credit		30
Net cash outflow from operating activities		(204,843)
Cash flows from investing activities		
Acquisition costs of subsidiary undertakings		(783,817)
Cash flows from financing activities		
Proceeds from issue of shares		32,238
Proceeds from issue of convertible loan note		325,000
Loans received from subsidiary undertakings		986,139
Loans made to related parties		(100,000)
Other loans		(167,777)
Repayment of non-convertible loan notes		(80,263)
Net cash inflow from financing activities		995,337
Net increase in cash and cash equivalents		6,677
Cash and cash equivalents brought forward		–
Cash and cash equivalents carried forward	4	6,677

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the period ended 31 December 2008

	Issued share capital £	Share premium £	Merger reserve £	Other reserves £	Retained earnings £	Total equity £
As at 18 September 2007	–	–	–	–	–	–
Shares issued in period for cash	32,238	–	–	–	–	32,238
Shares issued on conversion of loan notes	6,500	318,500	–	–	–	325,000
Shares issued in period on acquisition	130,820	–	12,951,180	–	–	13,082,000
Share based payment	–	–	–	52,357	–	52,357
Loss for the period ended 31 December 2008 being total recognised income and expense	–	–	–	–	(815,932)	(815,932)
At 31 December 2008	169,558	318,500	12,951,180	52,357	(815,932)	12,675,663

The merger reserve exists as a result of the acquisitions of Mountfield Building Group Limited, MBG Construction Limited, Connaught Access Flooring Holdings Limited and Mountfield Land Limited. The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the fair value of those shares at the date of acquisition.

The accompanying notes form an integral part of these financial statements.

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Notes to the Company Financial Statements

for the period ended 31 December 2008

1 Accounting policies

This is the first period of account covering the period from 18 September 2007 to 31 December 2008.

The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 16 to 21.

1.1 Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value.

2 Investments in subsidiaries

	Shares in subsidiary undertakings £
At 18 September 2007	–
Additions	19,365,817
At 31 December 2008	19,365,817

Details of the additions to investments are given at Note 6 to the Consolidated Financial Statements.

Holdings of more than 20%

The Company holds more than 20% of the share capital of the following companies:

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

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

Subsidiary undertaking	Principal activity
Mountfield Building Group Limited	Refurbishment and fitting out contracting services
MBG Construction Limited	Construction and refurbishment contractors
Connaught Access Flooring Holdings Limited	Holding company
Connaught Access Flooring Limited	Specialist flooring contractor
Mountfield Land Limited	To seek land for development of quality homes to suit homebuyers

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Notes to the Company Financial Statements

continued

3 Trade and other receivables

	2008 £
Other loans receivable	267,777
Other receivables	119,293
Prepayments	29,136
	416,206
Comprising:	
Loans and receivables at amortised cost	387,070
Prepayments	29,136
	416,206

During the months of May 2008, July 2008 and August 2008, the Company provided a working capital loan totalling £167,777 to Samtec (North West) Limited. The loan is repayable on demand and bears no interest.

On 12 June 2008, the Company loaned £50,000 to Neil Hobbs and an additional loan of £50,000 was issued to Chris Baron on 28 July 2008. Neil Hobbs and Chris Baron are the shareholders of Mountfield Land Limited, a company whose entire issued share capital was acquired by the Company on 16 October 2008. These loans are unsecured, repayable on demand and bear no interest.

4 Cash and cash equivalents

	2008 £
Cash at bank	6,677

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 £6,677.

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

	2008 £
Cash at bank	6,677

5 Issued share capital

Ordinary shares of 0.1p each	Authorised Number	Authorised £	Issued Number	Issued £
At 18 September 2007	1,000,000,000	1,000,000	1,100,000	1,100
Shares issued	–	-	168,458,520	168,458
At 31 December 2008	1,000,000,000	1,000,000	169,558,520	169,558

Details of the share capital issued are included at note 11 to the Consolidated Financial Statements

6 Trade and other payables

	2008 £
Trade payables	506,791
Amounts owed to subsidiary undertakings	986,139
Other payables	200,340
	1,693,270

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Notes to the Company Financial Statements

continued

7 Borrowings

	2008 £
Non-current liabilities	
Unsecured non-convertible loan notes	5,419,737

Details of the loan notes are included at Note 13 to the Consolidated Financial Statements

8 Capital Commitments

There were no capital commitments at the period end.

9 Contingent liabilities

There are no contingent liabilities at the period end.

10 Key management personnel compensation

Key management personnel expenses are disclosed in Note 3 to the Consolidated Financial Statements.

11 Related party disclosures

Related party disclosures are detailed at Note 18 to the Consolidated Financial Statement.

12 Transactions with Directors

Transactions with Directors are disclosed at Note 19 of the Consolidated Financial Statements.

13 Post balance sheet events

On 31 March 2009, the Company issued 1,753,267 Ordinary Shares of 0.1p each at a price of 10p per share in settlement of fees owed to an adviser to the Company.

14 Financial instruments

Details of key risks are included at Note 17 to the Consolidated Financial Statements.

Categories of financial instruments	**Period ended 31 December 2008 £**
Financial assets	
Loans and receivables at amortised cost including cash and cash equivalents:	
Other receivables	416,206
Cash and cash equivalents	6,677
Total	422,883
Financial liabilities	
Financial liabilities at amortised cost:	
Trade and other payables	1,693,270
Unsecured non-convertible loan notes	5,419,737
Total	7,113,007
Net	(6,690,124)

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Mountfield Group Plc (the "Company") will be held at the offices of Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN on 22 July 2009 at 10 a.m. for the following purposes:

Ordinary Business

To consider and if thought fit, to pass the following Resolutions each of which will be proposed as an Ordinary Resolution:

1. To receive and adopt the Company's annual accounts for the financial year ended 31 December 2008 together with the last directors' report and the auditors' report on those accounts.

2. To reappoint Brett Adams as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors.

Special Business

To consider and, if thought fit, pass Resolution 3, which will be proposed as an Ordinary Resolution, and Resolution 4 which will be proposed as a Special Resolution:

3. That, for the purposes of Section 80 of the Companies Act 1985 as amended (the **"Act"**) (and so that the expressions used in this resolution shall bear the same meanings as the said Section 80), the directors of the Company (the **"Directors"**) be and are hereby generally and unconditionally authorised to allot relevant securities (within the meaning of section 80(2) of the Act):

   3.1 up to a maximum nominal amount of £10,000 (in pursuance of the exercise of outstanding warrants granted by the Company prior to the date hereof but for no other purpose);

   3.2 up to a maximum nominal amount of £7,500 (in pursuance of the settlement of deferred consideration (if any) payable by the Company under the terms of the Mountfield Land sale and purchase agreement dated 16 October 2008 but for no other purpose);

   3.3 up to an aggregate nominal amount of £57,200 (in addition to the authorities conferred in sub-paragraphs 3.1 and 3.2 above) representing approximately one third of the Company's current issued share capital,

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

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Notice of Annual General Meeting

continued

4. That, conditional on the passing of Resolution 3, the Directors of the Company be hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the general authorities conferred by Resolution 3 as if Section 89(1) of the Act did not apply to the allotment, provided that this power shall be limited to:

   4.1 the allotment of equity securities in connection with any invitation made to the holders of ordinary shares to subscribe by way of rights in the same proportions (as nearly as may be) to their respective holdings but subject to such exclusions or other arrangements as the directors consider necessary or expedient in connection with ordinary shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory or of the requirements of any applicable regulatory body or stock exchange in any territory;

   4.2 the allotment (otherwise than pursuant to sub-paragraph 4.1 above) of equity securities on the exercise of outstanding warrants granted by the Company prior to the date hereof;

   4.3 the allotment (otherwise than pursuant to sub-paragraphs 4.1 and 4.2 above) of equity securities for the settlement of deferred consideration (if any) payable by the Company under the terms of the Mountfield Land sale and purchase agreement dated 16 October 2008 but for no other purpose;

   4.4 the allotment (otherwise than pursuant to sub-paragraphs 4.1, 4.2 and 4.3 above) of equity securities up to an aggregate nominal amount of £57,200 representing approximately one third of the Company's current issued share capital;

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

By Order of the Board

Peter Jay
Company Secretary

Dated: 29 June 2009

Registered office:
3c Sopwith Crescent
Wickford Business Park
Wickford
Essex SS11 8YU

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Notice of Annual General Meeting

continued

Explanatory Notes

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
   - 6 p.m. on 20 July 2009; or,
   - if this Meeting is adjourned, at 6 p.m. on the day two days prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to more than one share. To appoint more than one proxy please refer to the notes on the Form of Proxy.
5. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL; and
   - received by Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL no later than 10 a.m. on 20 July 2009.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Notice of Annual General Meeting

continued

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using the following method:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL no later than 10 a.m. on 20 July 2009.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Documents on display

10. The following documents will be available for inspection at the registered office of the Company on any weekday (excluding public holidays) during normal office hours from the date of this Notice until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting:

    - Copies of the service contracts of executive directors of the Company.
    - Copies of the letters of appointment of the non-executive directors of the Company.