

# **MOUNTFIELD GROUP PLC**

Company Registration No. 06374598 (England and Wales)

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

# Mountfield Group Plc

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# Mountfield Group Plc

## COMPANY INFORMATION

<b>Directors</b>	P H Jay                      Executive Chairman A J Collins                 Chief Executive G J Read                    Executive Director
<b>Secretary</b>	P H Jay
<b>Company number</b>	06374598 (England and Wales)
<b>Registered office</b>	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU
<b>Auditor</b>	<b>Adler Shine LLP</b> Chartered Accountants and Statutory Auditor Aston House Cornwall Avenue London N3 1LF
<b>Solicitors</b>	<b>DAC Beachcroft LLP</b> 100 Fetter Lane London EC4A 1BN
<b>Registrars</b>	<b>SLC Registrars</b> 42 - 50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
<b>Nominated Adviser &amp; Broker</b>	<b>WH Ireland Ltd</b> 24 Martin Lane London EC4R 0DR

# Mountfield Group Plc

STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016

## CHAIRMAN'S REPORT

### Key Features

- **Group annual PBT rises by 150%.**
- **Connaught continues to strengthen its market position.**
- **MBG's profitability rises again from higher quality turnover and restructured, lower cost operation.**
- **Secured and potential business for both businesses indicates good prospects for 2017.**
- **Turnover:** £9.63m (2015: £13.033m)
- **Operating profit:** £469,820 (2015: £203,895)
- **EBITDA:** £483,336 (2015: £218,314)
- **PBT:** £442,544 (2015: PBT £177,117)
- **Earnings per share:** 0.131p (2015: 0.046p)
- **Margin** 19.2% (2015: 14.4%)
- **Majority of remaining loan notes converted into unlisted non-voting shares without right to receive dividend.**

That the strong increase in Group PBT to £442,544 (2015 - £177,117) was earned on a turnover reduced by over £3million demonstrates the success of the Mountfield Group Plc's ("Group") strategy for Mountfield Building Group Limited ("MBG") of concentrating on higher margin, lower risk work.

For Connaught Access Flooring Limited ("CAF"), the main feature of the year was the completion of its £5.8m contract for flooring at a new City HQ office building. As a result of the hiatus in the construction industry that followed the Referendum the signing and start of work on a new contract (announced on 7 March 2017 but negotiated over the previous year) was postponed until early this year and this resulted in income that the Board had expected CAF to earn in the latter part of 2016 being deferred to 2017.

These delayed starts are the principal reason for CAF's PBT in 2016 being £306,565 as against £467,428 in 2015.

CAF has become a market leader and one of the small number of companies able to compete for the largest raised access/commercial flooring market and is regularly asked to tender for new work in an increasingly active market. The Directors note the negotiations it is currently involved in and anticipate that it will show a strong performance in 2017.

The significantly rationalised MBG (including its subsidiary MBG Construction Limited) showed that it is on a sustainable and profitable path to recovery in 2016 and onwards.

The group balance sheet was strengthened by the conversion of £2.3m loan notes into unlisted founder shares which do not carry the right to vote or to receive a dividend.

# **Mountfield Group Plc**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **Outlook**

The outlook for CAF continues to be strong into 2017/18 and based on the demand for high quality, large commercial flooring contracts, its leading position in its market place and the proposed expansion of its business into the supply and installation of new products associated with CAF's core activities. The Board believes that the prospects for CAF will remain increasingly bright for a number of years.

The Board takes a similar view of MBG's prospects and notes the major change in its financial performance that followed from the reduction of its cost base and the change to a strategy of pursuing higher margin, lower risk contracts and is satisfied that both will perform strongly during 2017 and 2018

**Peter Jay**  
Executive Chairman

7 June 2017

# Mountfield Group Plc

STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016

## CEO's REPORT

The **Group Board** currently comprises:

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

**Andrew Collins - Group Chief Executive** - Andy is responsible for managing the business of the Group and also that of its subsidiary, CAF, a specialist supplier and installer of flooring for commercial properties whose business and reputation he has developed significantly since appointment in 2004. Before joining the Group, Andy was a Divisional Financial Director at ISG Plc.

**Graham Read - Managing Director of MBG** - Graham founded the business of MBG in 1986 and has had over 20 years' experience in the construction industry.

The Board is supported by **Andy May**, a partner in the firm of Barnes Roffe LLP. Andy attends meetings of the Group's Board in an advisory-only capacity and also assists the Board in overseeing the Group's accounting and finance functions.

The Board is also supported by **Chris Adlam**, a director of JDC Corporate Finance. Chris (who was appointed in February 2017) attends meetings of the Group's Board in an advisory-only capacity to provide advice on business finance and aspects of corporate finance.

## Group Companies

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

**CAF** is one of the leading suppliers and installers of raised access flooring systems to main contractors and corporate end users for office and data centre installations.

It has established itself as one of the few recognised specialists for the flooring elements of fitting out contracts in commercial office space for new build and refurbishment projects for corporate end users such as BP, HP, Linklaters, Merrill Lynch, Reed Smith, BBC, Standard Chartered Bank, Henderson Global, Lockton and Unilever.

The current demand for construction of high quality, high tech banking and office HQ buildings plays to CAF's strengths as it enables the Company to present its professionalism and credentials and compete on quality of service, expertise and experience, rather than simply on price.

**MBG** comprises the construction division of the Group and in addition to its extensive experience of undertaking work for the data centre sector MBG also undertakes specialist construction work for end used clients in areas such as the conversion of office premises to residential units, property fabric repair and maintenance, property renovation, fit-out of office, retail and leisure premises and construction management services for clients including architectural practices.

In addition, MBG is retained to undertake building fabric repair and maintenance works on a nationwide basis for a large proportion of the property portfolio of a leading telecoms operator.

# Mountfield Group Plc

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

### Finance

The Group is financed from the cash it generates from its operations, with the support of a bank overdraft facility of £250,000 and a term loan of £298,142.

### The construction market

The Group continues to experience extremely strong levels of activity in terms of enquiries and tenders and the Board is confident as to the strength and sustainability of the current strong demand for services provided by the Group.

### Group's strategy

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

### Principal risks

The principal risks and uncertainties facing the Group relate to:

#### *Attraction and retention of key employees*

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

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

#### *Economic downturn and other macroeconomic factors*

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

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

# Mountfield Group Plc

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

### *Reliance on key customers and clients*

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

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

The Group works with a well-established client base and the performance of individual projects is monitored on at least a monthly basis by board members to identify any issues with specific projects.

### *Reliance on Subcontractors*

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

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

### *Health and safety*

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

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

### **Key performance indicators**

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

### **Financial instruments**

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

**Andrew Collins**  
Chief Executive Officer  
7 June 2017



# Mountfield Group Plc

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and audited financial statements for the year ended 31 December 2016.

### Principal activities

The principal activities of the Group are the supply of fit-out services (and, in particular the supply and installation of flooring systems) to data centres, office, retail and other commercial premises and of specialist construction services including those related to property fabric repair and refurbishment.

### Review of business

A detailed review of the development of the business is contained in the Chairman's and Chief Executive's Statement, which are included in the Strategic Report.

### Results

The Group made a pre-tax operating profit from continuing operations of £442,544 (2015: 177,117) for the year ended 31 December 2016 on turnover of £9,634,979 (2015: £13,033,039).

At 31 December 2016 the Group had net assets of £4,707,504 (2015: £2,103,583).

### Dividends

The Directors do not propose payment of any dividends for the year ended 31 December 2016.

### Directors

The Directors who served during the year were:

P H Jay  
G J Read  
A J Collins  
A J Sainsbury (resigned 30 June 2016)

### Charitable Donations

During the year the Group made charitable donations totalling £1,452 (2015: £1,520).

### Substantial Shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the company's share capital at 31 December 2016 are as follows:

	Number of shares issued	% Ordinary share capital
Peter Jay	23,500,000	9.24%
Graham Read	83,520,000	32.85%
Andy Collins	32,300,000	12.70%

In addition, the directors are aware of the following nominee shareholdings as at 31 December 2016:

	Number of shares issued	% Ordinary share capital
Barclayshare Nominees Limited	10,686,056	4.20%
Hargreaves Lansdown (Nominees) Limited	8,032,073	3.16%
HBSC Global Custody Nominee (UK) Limited	11,911,728	4.69%

# Mountfield Group Plc

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

### **Creditor payment policy**

The Group's current policy concerning the payment of trade creditors is to:

- a) Settle the terms of payment with suppliers when agreeing the terms of each transaction;
- b) Ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) Pay in accordance with the Group's contractual and other legal obligations.

At the year end trade creditors represented 86 days' expenses.

### **Corporate Governance**

The Board is committed to good corporate governance and so far as appropriate given the Group's size and constitution of the Board, intends to comply with the QCA guidelines on corporate governance.

### **Going Concern**

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

### **Disclosure of information to auditors**

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

### **Auditors**

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

On behalf of the Board

### **Andrew Collins**

Director  
7 June 2017

# Mountfield Group Plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

### Website publication

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

# Mountfield Group Plc

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

We have audited the financial statements of Mountfield Group plc for the year ended 31 December 2016 which comprise the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

# **Mountfield Group Plc**

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

### **Matters on which we are required to report by exception**

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

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

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

Aston House, Cornwall Avenue  
London N3 1LF  
7 June 2017

# Mountfield Group Plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Revenue	3	9,634,979	13,033,039
Cost of sales	4	<u>(7,787,965)</u>	<u>(11,155,909)</u>
<b>Gross profit</b>		<b>1,847,014</b>	<b>1,877,130</b>
Administrative expenses	5	<u>(1,377,194)</u>	<u>(1,673,235)</u>
<b>Operating profit</b>		<b>469,820</b>	<b>203,895</b>
Net finance costs	5	<u>(27,276)</u>	<u>(26,778)</u>
<b>Profit before income tax</b>		<b>442,544</b>	<b>177,117</b>
Income tax expense	6	<u>(108,805)</u>	<u>(60,728)</u>
<b>Profit for the year and total comprehensive income</b>		<b><u>333,739</u></b>	<b><u>116,389</u></b>
<b>Earnings per share</b>	7		
<b>Basic earnings per share</b>		<b>0.131p</b>	<b>0.046p</b>
<b>Diluted earnings per share</b>		<b><u>0.131p</u></b>	<b><u>0.046p</u></b>

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

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of Mountfield Group Plc. Its loss for the year ended 31 December 2016 was £93,217 (2015: £69,490 profit).

The notes on pages 16 to 37 form part of these financial statements.

# Mountfield Group Plc

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	6,874,308	6,874,308
Property, plant and equipment	9	90,956	102,213
Deferred income tax assets	16	295,268	346,304
		<u>7,260,532</u>	<u>7,322,825</u>
<b>Current assets</b>			
Inventories	10	88,272	72,835
Trade and other receivables	11	1,776,611	2,345,797
Cash and cash equivalents	12	-	350,232
		<u>1,864,883</u>	<u>2,768,864</u>
<b>TOTAL ASSETS</b>		<u><b>9,125,415</b></u>	<u><b>10,091,689</b></u>
<b>EQUITY AND LIABILITIES</b>			
Issued share capital	13	2,524,426	254,244
Share premium		1,490,682	1,490,682
Share based payments reserve		68,871	68,871
Capital redemption reserve		7,500	7,500
Merger reserve		4,051,967	12,951,180
Reverse acquisition reserve		(2,856,756)	(2,856,756)
Retained earnings		(579,186)	(9,812,138)
<b>TOTAL EQUITY</b>		<u><b>4,707,504</b></u>	<u><b>2,103,583</b></u>
<b>Current liabilities</b>			
Trade and other payables	14	2,952,209	3,532,971
Short-term borrowings	15	897,579	1,403,568
Finance lease liabilities	15	583	4,147
		<u>3,850,371</u>	<u>4,940,686</u>
<b>Non-current liabilities</b>			
Loan notes	15	393,857	3,047,420
Bank loan	15	173,683	-
		<u>4,417,911</u>	<u>7,988,106</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>9,125,415</b></u>	<u><b>10,091,689</b></u>

The financial statements were approved by the board on 7 June 2017.

**Andrew Collins**  
Director

The notes on pages 16 to 37 form part of these financial statements.

COMPANY REGISTRATION NO. 06374598

# Mountfield Group Plc

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Operating profit		469,820	203,895
<i>Adjusted for:</i>			
Depreciation		13,516	14,418
Share-based payment charge		-	2,787
Decrease/(increase) in inventories		(15,437)	9,464
Decrease/(increase) trade and other receivables		569,187	1,076,972
(Decrease) in trade and other payables		<u>(614,007)</u>	<u>(707,481)</u>
Cash generated in operations		423,079	600,055
Finance costs		(27,276)	(33,993)
Finance income		-	7,215
Taxation paid		<u>-</u>	<u>(13,881)</u>
<b>Net cash inflow from operating activities</b>		<u>395,803</u>	<u>559,396</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(2,259)	(7,667)
<b>Net cash used in investing activities</b>		<u>(2,259)</u>	<u>(7,667)</u>
<b>Cash flows from financing activities</b>			
Finance lease rentals		(3,564)	(6,768)
Repayment of non-convertible loan notes		(283,381)	(305,790)
Repayment of short-term loans		(51,858)	(161,419)
New facility loan		<u>350,000</u>	<u>-</u>
<b>Net cash flows (used in)/generated from financing activities</b>		<u>11,197</u>	<u>(473,977)</u>
<b>Net cash increase in cash and cash equivalents</b>		404,741	77,752
Cash and cash equivalents brought forward		<u>(424,988)</u>	<u>(502,740)</u>
<b>Cash and cash equivalents carried forward</b>	12	<u>(20,247)</u>	<u>(424,988)</u>

The notes on pages 16 to 37 form part of these financial statements.



# Mountfield Group Plc

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
At 1 January 2015	254,244	1,490,682	66,084	7,500	12,951,180	(2,856,756)	(9,928,527)	<b>1,984,407</b>
Total comprehensive income for the year	-	-	-	-	-	-	116,389	116,389
Share based payment charge	-	-	2,787	-	-	-	-	2,787
Cancelled share options								
Lapsed Warrants								
At 31 December 2015	<b>254,244</b>	<b>1,490,682</b>	<b>68,871</b>	<b>7,500</b>	<b>12,951,180</b>	<b>(2,856,756)</b>	<b>(9,812,138)</b>	<b>2,103,583</b>
Total comprehensive income for the year	-	-	-	-	-	-	333,739	333,739
Share based payment charge	-	-	-	-	-	-	-	-
Conversion of loan notes	2,270,182	-	-	-	-	-	-	2,270,182
Transfer	-	-	-	-	(8,899,213)	-	8,899,213	-
At 31 December 2016	<b>2,524,426</b>	<b>1,490,682</b>	<b>68,871</b>	<b>7,500</b>	<b>4,051,967</b>	<b>(2,856,756)</b>	<b>(579,186)</b>	<b>4,707,504</b>

### Merger Reserve

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

A transfer has been made from the merger reserve to retained earnings to reflect amounts that have become realised through impairment write downs in previous accounting periods.

### Reverse Acquisition Reserve

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

The notes on pages 16 to 37 form part of these financial statements.

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies

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

#### 1.1 General information

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

#### 1.2 Going concern

The group has agreed facilities with its bank in March 2017. Based on the current working capital forecast, the Group is unlikely to need additional funds within twelve months of the date of approval of these financial statements in order to maintain its proposed work levels of expenditure providing contracts progress as planned, new contracts are secured and the Group is able to continue successfully managing its cash resources. After making enquiries and considering the assumptions upon which the forecasts have been based, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 IFRS compliance and adoption

##### Statement of compliance with IFRS

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

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

The financial statements have been prepared under the historical cost basis.

##### Sources of estimation uncertainty

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

##### Significant judgements

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

###### *Goodwill*

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies (continued) 1.3 IFRS compliance and adoption (continued)

#### *Receivables*

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

#### *Accounting for construction contracts*

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

#### *Share-based payments*

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

#### *Deferred taxation*

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

#### **Presentation and functional currency**

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies (continued)

#### 1.4 Standards and interpretations

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

		<b>Effective date (period beginning on or after)</b>
IAS 7	Amendments as a result of the disclosure initiative	1 January 2017
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition	1 January 2018
IFRS 1	Amendments removing short term exemptions	1 January 2018
IFRS 2	Amendments to clarify the classification and measurement of share based payment transactions	1 January 2018
IAS 12	Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 12	Amendments resulting from annual improvements (clarifying scope)	1 January 2017
IFRS 15	Revenue and contracts with customers	1 January 2018
IFRS 4	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
IAS 28	Amendments regarding clarifying certain fair value measurements	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021

#### 1.5 Basis of consolidation

##### *Subsidiaries*

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

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

##### *Business combinations and goodwill*

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

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

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies (continued)

#### 1.5 Basis of consolidation (continued)

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

#### *Goodwill*

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

#### 1.6 Revenue recognition

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

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

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

#### 1.7 Contract work in progress

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

#### 1.8 Amounts recoverable on long term contracts

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

#### 1.9 Share-based payments

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies (continued)

#### 1.10 Retirement benefits: Defined contribution schemes

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

#### 1.11 Impairment

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

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

#### 1.12 Property, plant and equipment

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

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

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

#### 1.13 Leasing

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

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

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

#### 1.14 Inventories

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

#### 1.15 Financial instruments

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

The financial instruments, which excludes current receivables and payables, comprise cash or overdrafts 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 year under review, the Group did not enter into derivative transactions and did not undertake trading in any financial instruments.

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies (continued)

#### 1.16 Trade and other receivables

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

#### 1.17 Cash and cash equivalents

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

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

#### 1.18 Financial liabilities and equity

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

#### 1.19 Share capital

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

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

#### 1.20 Trade and other payables

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

#### 1.21 Taxation

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

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

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

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

### 2 Segmental reporting

Segmental information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31 December 2016. The chief operating decision-maker has been identified as the Board of Directors (the Board). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and on the internal report's structure.

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 2 Segmental reporting (continued)

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

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

The Group comprises the following segments:

#### Construction

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

#### Fit-out

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

#### Segmental operating performance

	2016		2015	
	Revenue	Profit before tax	Revenue	Profit before tax
	£'000	£'000	£'000	£'000
Construction	4,346	232	5,918	(420)
Fit-out	5,321	307	7,517	467
	<u>9,667</u>	<u>539</u>	<u>13,435</u>	<u>47</u>
Inter-segmental revenue and unallocated	(32)	(97)	(402)	130
	<u>9,635</u>	<u>442</u>	<u>13,033</u>	<u>177</u>

#### Business segments assets and liabilities

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Construction	713	2,599	1,380	3,300
Fit-out	1,223	594	1,838	1,314
	<u>1,936</u>	<u>3,193</u>	<u>3,218</u>	<u>4,614</u>
Goodwill – Construction	2,000	-	2,000	-
Goodwill – Fit-out	4,874	-	4,874	-
Other unallocated assets & liabilities	315	1,225	-	3,374
	<u>9,125</u>	<u>4,418</u>	<u>10,092</u>	<u>7,988</u>

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



# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 2 Segmental reporting (continued)

#### Other segment information

	2016 £'000	2015 £'000
Depreciation included in segment results		
Construction	5	6
Fit-out	8	8
	<u>13</u>	<u>14</u>

#### Revenue by geographical destination

Revenue is attributable to the United Kingdom of £9,622,565 (2015 - £12,996,264) and other EU of £12,414 (2015 - £36,775) markets.

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

### 3 Construction contracts

	2016 £	2015 £
Contract revenue recognised in relation to construction contracts in the year and retentions	<u>9,634,979</u>	<u>13,033,039</u>
For contracts in progress at the balance sheet date:		
Aggregate cost incurred to date	3,188,330	8,413,522
Recognised profit to date	903,008	2,375,900
Retentions due	<u>65,429</u>	<u>62,293</u>

#### Major customers

Total group revenue to four customers all relating to construction and fit-out, totalled £4,996,871 (2015 - £9,111,870) split as follows:

Construction	2016 £	2015 £
Customer 1	1,368,804	1,528,038
Customer 2	-	1,828,443
Customer 3	1,107,377	-
	<u>2,476,181</u>	<u>3,356,481</u>
Fit-out	2016 £	2015 £
Customer 1	767,572	1,533,962
Customer 2	1,753,118	4,221,427
	<u>2,520,690</u>	<u>5,755,389</u>

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

<b>4</b>	<b>Cost of sales</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	Direct costs	<b>7,787,965</b>	11,155,909
	Total cost of sales	<b>7,787,965</b>	11,155,909
		<hr/>	<hr/>
<b>5</b>	<b>Other income and expenses</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	<i>Finance expenses</i>		
	Interest on finance leases	<b>(783)</b>	(913)
	Other interest	<b>(1,212)</b>	(4,160)
	Bank interest	<b>(25,281)</b>	(28,920)
	Interest paid	<b>(27,276)</b>	(33,993)
	<i>Finance income</i>		
	Bank interest received	-	-
	Other interest received	-	7,215
		<hr/>	<hr/>
	<b>Net finance costs</b>	<b>(27,276)</b>	<b>(26,778)</b>
		<hr/>	<hr/>
	<b>Administrative expenses include:</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	Depreciation of property, plant and equipment		
	- owned by the Group	<b>10,794</b>	11,697
	- held under finance leases	<b>2,722</b>	2,722
	Operating lease rentals - other	<b>47,842</b>	51,675
	<b>Auditors remuneration</b>		
	Fees payable to the company's auditor for the audits of the parent company, consolidated financial statements and the subsidiaries	<b>38,000</b>	37,000
		<hr/>	<hr/>

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 5 Other income and expenses (continued)

#### *Average number of employees*

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

	2016 No.	2015 No.
Administration	7	8
Cost of sales	12	17
Management	6	11
	<u>25</u>	<u>36</u>

#### *Wages and salaries*

	2016 £	2015 £
Wages and salaries	1,138,897	1,722,879
Social security costs	115,063	188,415
Post-employment benefits	44,708	43,424
	<u>1,298,668</u>	<u>1,954,718</u>

#### *Key management personnel compensation*

	2016 £	2015 £
Short-term employee benefits	11,707	11,329
Post-employment benefits	42,000	42,000
	<u>53,707</u>	<u>53,329</u>

#### *Directors' remuneration*

	Salaries and fees £	Benefits in kind £	Post-employment benefit £	2016 Total £	2015 Total £
G Read	-	-	-	-	-
A Collins	7,956	3,751	42,000	53,707	53,329
P Jay	50,000	-	-	50,000	50,000
A Sainsbury	6,000	-	-	6,000	12,000
	<u>63,956</u>	<u>3,751</u>	<u>42,000</u>	<u>109,707</u>	<u>115,329</u>

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes was 1 (2015:1).

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 6 Income tax expense

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax	<u>57,769</u>	<u>-</u>
<b>Total current tax</b>		-
<b>Deferred tax</b>		
Deferred tax debit - continuing operations	<u>51,036</u>	<u>60,728</u>
<b>Income tax expense</b>	<u><u>108,805</u></u>	<u><u>60,728</u></u>
<b>Factors affecting tax charge</b>		
Profit before income tax –continuing operations	<u>442,544</u>	<u>177,117</u>
Profit before income tax multiplied by effective rate of UK corporation tax of 20% (2015: 20.25%)	<u>88,509</u>	<u>35,866</u>
Effects of:		
Expenses not deductible for tax purposes	<u>23,676</u>	<u>35,573</u>
Depreciation for period in excess of capital allowances	<u>1,699</u>	<u>(2,765)</u>
Tax losses not utilised and carried forward	<u>830</u>	<u>(8,853)</u>
Other adjustments	<u>(56,945)</u>	<u>(59,821)</u>
Current tax charge	<u><u>57,769</u></u>	<u><u>-</u></u>

In July 2015 the UK Government announced its intention to reduce the standard corporation tax rate to 18% by 2020. The measure to reduce the rate to 19% for the financial year beginning 1 April 2017 and to 18% for the financial year beginning 1 April 2020 were substantively enacted on 26 October 2015.

### 7 Earnings per share

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

	2016 £	2015 £
<b>Basic earnings per share</b>		
Profit for the financial year	<u>333,739</u>	<u>116,389</u>
Weighted average number of shares	<u><u>254,339,045</u></u>	<u><u>254,244,454</u></u>
<b>Diluted earnings per share</b>		
Profit for the financial year	<u>333,739</u>	<u>116,389</u>
Number of shares	<u><u>254,339,045</u></u>	<u><u>254,244,454</u></u>

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 8 Intangible assets

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

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2015	15,816,529
Additions	-
At 31 December 2015	<u>15,816,529</u>
Additions	-
<b>At 31 December 2016</b>	<b><u>15,816,529</u></b>
<b>Amortisation and impairment</b>	
At 1 January 2015	8,942,221
Impairment	-
<b>Balance at 31 December 2016</b>	<b><u>8,942,221</u></b>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<b><u>6,874,308</u></b>
At 31 December 2015	<u>6,874,308</u>

The previous accounts included an incorrect figure for cost and impairment of £10,788,521 and £3,914,213 respectively, however the net book value was correct. Cost and impairment have now been corrected to the figures as shown above.

#### Impairment of goodwill

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

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

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

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

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

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

Based on the assumptions above, no impairment of goodwill is deemed necessary.

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 9 Property, plant and equipment

	Freehold and leasehold £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2015	183,418	50,072	51,314	63,565	348,369
Additions	-	6,483	1,185	-	7,668
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	183,418	56,555	52,499	63,565	356,037
Additions	-	2,259	-	-	2,259
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2016</b>	<b>183,418</b>	<b>58,814</b>	<b>52,499</b>	<b>63,565</b>	<b>358,296</b>
<b>Depreciation</b>					
At 1 January 2015	128,327	45,018	25,185	40,875	239,405
Charge for the year	1,657	3,303	2,732	6,727	14,419
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	129,984	48,321	27,917	47,602	253,824
Charge for the year	1,657	3,628	2,255	5,976	13,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 December 2016</b>	<b>131,641</b>	<b>51,949</b>	<b>30,172</b>	<b>53,578</b>	<b>267,340</b>
<b>Net book value</b>					
<b>At 31 December 2016</b>	<b>51,777</b>	<b>6,865</b>	<b>22,327</b>	<b>9,987</b>	<b>90,956</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2015	<b>53,434</b>	<b>8,234</b>	<b>24,582</b>	<b>15,963</b>	<b>102,213</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of property, plant and equipment includes an amount of £2,722 (2015: £5,444) in respect of assets held under finance leases.

The net book value of freehold and leasehold property includes an amount of £2,580 (2015: £3,636) in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 10 Inventories

	2016 £	2015 £
Materials and finished goods	<u>88,272</u>	<u>72,835</u>

The amount of inventories recognised as expense during the year was £43,887 (2015 - £9,464).

### 11 Trade and other receivables

	2016 £	2015 £
Trade receivables	223,866	74,357
Contract retentions	437,881	570,214
Other receivables	52,374	27,357
Prepayments	75,132	33,163
Amounts recoverable on long term contracts	987,358	1,640,706
<b>Total trade and other receivables</b>	<u><b>1,776,611</b></u>	<u><b>2,345,797</b></u>

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

The average credit period taken on sales is 4 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 £16,103 (2015: £30,213).

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

	2016 £	2015 £
Balance at 1 January	12,000	12,000
Charge/(credit) to the statement of comprehensive income	<u>-</u>	<u>-</u>
Balance at 31 December	<u><b>12,000</b></u>	<u><b>12,000</b></u>

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 11 Trade and other receivables (continued)

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

	2016 £	2015 £
<b>Trade receivables</b>		
Three to six months	29,733	9,271
Six to nine months	12,910	-
Nine to twelve months	14,296	11,000
More than twelve months	62,171	24,390
	<u>119,110</u>	<u>44,661</u>
<b>Contract retentions</b>		
Three to six months	19,240	10,109
Six to nine months	6,826	4,874
Nine to twelve months	9,036	6,758
More than twelve months	122,916	126,147
	<u>158,018</u>	<u>147,888</u>

### 12 Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	<u>-</u>	<u>350,232</u>

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

At the balance sheet date the Group had a bank overdraft facility of £250,000 and a term loan of £298,142 with Barclays Bank Plc, secured by a fixed charge over the book debts and property of the Group and a floating charge over all other assets of the Group. The directors have provided limited guarantees. Please see Note 21 for further details.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2016:

	2016 £	2015 £
Cash at bank and in hand	-	350,232
Bank overdraft	<u>(20,247)</u>	<u>(775,220)</u>
	<u>(20,247)</u>	<u>(424,988)</u>



# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13 Share capital

	2016		2015	
	Number	£	Number	£
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 0.1p each	254,244,454	254,244	254,244,454	254,244
Founder shares of £1 each	2,270,182	2,270,182	-	-
		<u>2,524,426</u>		<u>254,244</u>

2,270,182 Founder shares were issued during the year. The founder shares are not quoted and do not carry a right to vote or to receive a dividend. The shares carry the right to receive the first £2.3m of the amount by which the consideration arising on a sale by shareholders in the group attributable to Connaught Access Flooring Limited or Mountfield Building Group Limited exceeds £20m.

### Share Options

At 31 December 2016, outstanding awards to subscribe for ordinary shares of 0.10p each in the Company were as follows:

	Number	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
Brought forward	21,166,662	1.51	3.00
Granted	-		
Cancelled	(17,166,662)		
Lapsed	-		
Carried forward	<u>4,000,000</u>	<u>1.19</u>	<u>3.00</u>

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13 Share capital (continued)

#### Share Options (continued)

Grant Date	10 December 2013	1 June 2014
Exercise period	December 2014 - December 2017	June 2015 – June 2018
Share price at date of grant	2.7p	2.7p
Exercise price	3.0p	3.0p
Shares under option	2,000,000	2,000,000
Expected volatility	69%	69%
Expected life (years)	2.5	2.5
Risk free rate	1.02%	1.02%
Expected dividend yield	0%	0%
Fair value per option	0.8p	0.08p

Volatility was determined by reference to the standard deviation of expected share price returns based on a statistical analysis of monthly share prices over a 3 year period to grant date. All of the above options are equity settled and the charge for the year is £Nil (2015: £2,787).

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 14 Trade and other payables (current)

	2016 £	2015 £
Trade payables	2,199,552	2,679,245
Other payables	79,465	65,678
Corporation tax	57,769	-
Accruals	297,540	393,283
Other taxes and social security costs	317,883	394,765
	<u>2,952,209</u>	<u>3,532,971</u>

The average credit taken for trade purchases is 119 days. The directors consider that the carrying amount of trade payables approximate their fair value.

### 15 Borrowings

	2016 £	2015 £
<b>Current</b>		
Bank overdrafts	20,247	775,220
Net obligations under finance leases	583	4,147
Bank loan	124,459	-
Short-term unsecured loan from Director	472,873	448,348
Unsecured non-convertible loan notes	280,000	180,000
	<u>898,162</u>	<u>1,407,715</u>
<b>Non - current</b>		
Unsecured non-convertible loan notes	393,857	3,047,420
Bank loan	173,683	-
	<u>567,540</u>	<u>3,047,420</u>
<b>Total borrowings</b>	<u>1,465,702</u>	<u>4,455,135</u>

The loan notes are non-transferrable and carry interest at a rate of 2 per cent above the base rate of Barclays Bank plc per annum.

During the year, interest of £74,607 on the loan notes was waived.

The short-term unsecured loan from a Director accrues interest at 6% pa but all interest to 31 December 2016 was waived.

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 15 Borrowings (continued)

	2016 £	2015 £
<b>Non-current borrowings</b>		
<b>Analysis</b>		
Repayable between one and two years	318,315	180,000
Repayable between two and five years	<u>249,225</u>	<u>2,867,420</u>
	<u><b>567,540</b></u>	<u><b>3,047,420</b></u>

	2016 £	2015 £
<b>Net obligations under finance leases</b>		
<b>Analysis</b>		
Repayable within one year	583	4,147
Repayable between one and five years	<u>-</u>	<u>-</u>
	<u><b>583</b></u>	<u><b>4,147</b></u>
Included in current liabilities	<u><b>(583)</b></u>	<u><b>(4,147)</b></u>
	<u><b>-</b></u>	<u><b>-</b></u>

### 16 Deferred taxation

	2016 £	2015 £
Deferred tax analysis:		
Deferred tax losses	(295,268)	(346,304)
Deferred tax expense relating to origination and reversal of temporary differences	<u>-</u>	<u>-</u>
	<u><b>(295,268)</b></u>	<u><b>(346,304)</b></u>
Movement in deferred tax during the year		
At 1 January	<b>(346,304)</b>	(407,032)
Debit for the year	<u><b>51,036</b></u>	<u>60,728</u>
At 31 December	<u><b>(295,268)</b></u>	<u><b>(346,304)</b></u>

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

### 17 Capital commitments

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 18 Operating lease commitments

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

	2016	2015
	£	£
Less than one year	16,938	4,400
Between two and five years	-	36,159
	<u>16,938</u>	<u>40,559</u>

### 19 Financial instruments

#### Capital risk management

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

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

#### Categories of financial instruments

	2016	2015
	£	£
<b>Financial assets</b>		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	469,341	350,232
Trade and other receivables	1,776,611	2,447,938
Total	<u>2,245,952</u>	<u>2,798,170</u>
<b>Financial liabilities</b>		
Trade and other payables	3,425,082	4,172,379
Unsecured non-convertible loan notes	673,857	3,227,420
Secured borrowings	318,972	779,367
	<u>4,417,911</u>	<u>8,179,166</u>
<b>Net</b>	<u>(2,171,959)</u>	<u>(5,380,996)</u>

#### Cash and cash equivalents

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

#### General risk management principles

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 19 Financial instruments (continued)

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

#### **Market risk**

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

#### **Interest rate risk**

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

#### **Credit risk**

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

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

The Group's credit risk is primarily attributable to trade receivables and amounts recoverable on contracts. 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 contact 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 2016 is the carrying value of financial assets recorded in the financial statements.

#### **Liquidity risk**

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

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

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

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

### 20 Pension costs

The Group operates a defined contribution pension scheme in respect of the directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £44,708 (2015: £43,424).

### 21 Directors' guarantees

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

# Mountfield Group Plc

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 22 Related party transactions

The Company repaid loans of £345,000 (2015: £24,892 loan made) to Mountfield Building Group Limited, a subsidiary undertaking. At 31 December 2016, £1,326,316 (2015: £1,513,047) was owed to Mountfield Building Group Limited in respect of these transactions and expenses of £158,269 (2015: £132,205) were paid on behalf of the Company by Mountfield Building Group Limited.

During the year Connaught Access Flooring Limited, a subsidiary undertaking, paid expenses of £461,432 (2015: £556,246) on behalf of the Company. The Company made sales of £200,000 (2015: £331,388) to Connaught Access Flooring Limited. At 31 December 2016, £1,209,052 (2015: £947,620) was owed to Connaught Access Flooring Limited.

At 31 December 2016, the Company owed £34,750 (2015: £34,200) to MBG Construction Limited.

As at 31 December 2016, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £400,000 (2015: £2,730,182) and £273,857 (2015: £492,238) respectively. Interest for the year has been waived and interest in respect of prior periods has also been waived.

During the year, the Group repaid £Nil to Graham Read (2015: £80,789). The balance outstanding on the short term unsecured loan at 31 December was £472,873 (2015: £448,348). Interest is charged at 6% per annum on this loan but has been waived for 2016.

During the year, Zeme Limited invoiced £45,833 (2015: £33,333) for the services of Peter Jay as a director of Mountfield Group Plc. As at 31 December 2016, £46,432 (2015: £61,332) was due to Zeme Limited, a company controlled by Peter Jay.

During the year, the Group was invoiced £Nil (2015: £1,210) for accountancy and bookkeeping services by Read & Co, a Chartered accountancy practice controlled by Graham Read's brother. As at 31 December 2016 the balance owed by Read & Co was £9,390 (2015: £8,028).

During the year ended 31 December 2016 Connaught Access Flooring Limited made sales of £8,842 (2015 - £9,173) to and purchases of £4,314 (2015 - £4,738) from Corinthian Ceramics Limited, a company of which Andrew Collins is a director. At 31 December 2016, £1,291 (2015 - £2,415) was owed by Corinthian Ceramics Limited in respect of these transactions.

### 23 Post Balance Sheet Event

There were no events after the balance sheet date to note.

# Mountfield Group Plc

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Company no. 06374598

	Note	2016 £	2015 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	2	<u>6,874,000</u>	<u>6,874,000</u>
<b>Current assets</b>			
Other receivables	3	<u>5,918</u>	-
Cash and cash equivalents	4	<u>2,684</u>	-
		<u>8,602</u>	-
		<u>6,882,602</u>	<u>6,874,000</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
Issued share capital	5	2,524,426	254,244
Share premium		1,490,682	1,490,682
Share based payments reserve		68,869	68,869
Capital redemption reserve		7,500	7,500
Merger reserve		1,579,436	12,951,180
Retained losses		<u>(2,563,070)</u>	<u>(13,841,597)</u>
<b>TOTAL EQUITY</b>		<u>3,107,843</u>	<u>930,878</u>
<b>Current liabilities</b>			
Trade and other payables	6	2,802,760	2,692,361
Short-term borrowings	7	124,459	9,460
Loan notes	7	280,000	180,000
Income tax		-	13,881
		<u>3,207,219</u>	<u>2,895,702</u>
<b>Non-current liabilities</b>			
Loan notes	7	393,857	3,047,420
Bank loan	7	<u>173,683</u>	-
		<u>3,774,759</u>	<u>5,943,122</u>
		<u>6,882,602</u>	<u>6,874,000</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			

The financial statements were approved by the board on 7 June 2017.

**Andrew Collins**  
Director



# Mountfield Group Plc

## COMPANY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Operating profit/(loss)		(93,217)	69,490
Adjusted for:			
Share-based payment charge		-	2,787
(Increase)/decrease in trade and other receivables		(5,918)	6,404
Increase in trade and other payables		<u>6,266</u>	<u>85,813</u>
Cash generated in operations		(92,869)	164,494
Taxation paid		<u>(13,881)</u>	<u>-</u>
<b>Net cash (outflow)/inflow from operating activities</b>		<u>(106,750)</u>	<u>164,494</u>
<b>Cash flows from financing activities</b>			
New term loan		350,000	-
Loan repayments		(51,858)	-
-Loans received/(repaid) by subsidiary undertakings		104,131	(3,087)
Repayment of non-convertible loan notes		<u>(283,381)</u>	<u>(161,419)</u>
<b>Net cash flows used in from financing activities</b>		<u>118,892</u>	<u>(164,506)</u>
<b>Net cash increase/(decrease) in cash and cash equivalents</b>		12,142	(12)
Cash and cash equivalents brought forward		<u>(9,460)</u>	<u>(9,448)</u>
<b>Cash and cash equivalents carried forward</b>	4	<u><u>2,682</u></u>	<u><u>(9,460)</u></u>

# Mountfield Group Plc

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2015	254,244	1,490,682	66,084	7,500	12,951,180	(13,911,088)	858,602
Total comprehensive income for the year	-	-	-	-	-	69,491	69,491
Cost of shares issued	-	-	2,785	-	-	-	2,785
Lapsed Warrants	-	-	-	-	-	-	-
At 31 December 2015	<b>254,244</b>	<b>1,490,682</b>	<b>68,869</b>	<b>7,500</b>	<b>12,951,180</b>	<b>(13,841,597)</b>	<b>930,878</b>
Total comprehensive income for the year	-	-	-	-	-	(93,217)	(93,217)
Conversion of loan notes	2,270,182	-	-	-	-	-	2,270,182
Transfer	-	-	-	-	(11,371,744)	11,371,744	-
<b>At 31 December 2016</b>	<b><u>2,524,426</u></b>	<b><u>1,490,682</u></b>	<b><u>69,869</u></b>	<b><u>7,500</u></b>	<b><u>1,579,436</u></b>	<b><u>(2,563,070)</u></b>	<b><u>3,107,843</u></b>

### Merger reserve

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

A transfer has been made from the merger reserve to retained earnings to reflect amounts that have become realised through impairment write downs in previous accounting periods.

# Mountfield Group Plc

## NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 ACCOUNTING POLICIES

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 impairment.

### 2 Investment in subsidiary undertakings

	<b>Shares in subsidiary undertakings</b>
	£
<b>Cost</b>	
At 1 January 2015	19,365,817
Additions	-
At 31 December 2015	19,365,817
Additions	-
<b>At 31 December 2016</b>	<b>19,365,817</b>
<b>Accumulated Impairment provisions</b>	
At 1 January 2015	12,491,817
Impairment provision	-
At 31 December 2015	12,491,817
Impairment provision	-
<b>Balance at 31 December 2016</b>	<b>12,491,817</b>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<b>6,874,000</b>
At 31 December 2015	6,874,000

The following companies are the principal subsidiary undertakings at 31 December 2016 and are all consolidated:

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

\* Interest held indirectly by Mountfield Building Group Limited.

\*\* Interest held indirectly by Connaught Access Flooring Holdings Limited.

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

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

# Mountfield Group Plc

## NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 2 Investment in subsidiary undertakings (continued)

The following was an associate of the group at the year end and its results for the year ended 31 May 2016 are shown below.

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

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

#### Associates

	Aggregate of capitalised reserves £	Loss for the Year £
Hub (UK) Limited	<u>(145,230)</u>	<u>(2,963)</u>

### 3 Trade and other receivables

	2016 £	2015 £
Prepayments	<u>5,918</u>	<u>-</u>

### 4 Cash and cash equivalents

	2016 £	2015 £
Cash at bank	<u>2,684</u>	<u>-</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2016:

	2016 £	2015 £
Bank overdraft	<u>-</u>	<u>(9,460)</u>

# Mountfield Group Plc

## NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 5 Share capital

	2016		2015	
	Number	£	Number	£
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 0.1p each	254,244,454	254,244	254,244,454	254,244
Founder shares of £1 each	2,270,182	2,270,182	-	-
		<u>2,524,426</u>		<u>254,244</u>

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

### 6 Trade and other payables

	2016	2015
	£	£
Trade payables	227,676	185,969
Amounts owed to subsidiary undertakings	2,570,118	2,465,987
Accruals	18,509	34,668
Other tax and social security costs	(13,543)	5,736
	<u>2,802,760</u>	<u>2,692,360</u>

### 7 Borrowings

	2016	2015
	£	£
<b>Current liabilities</b>		
Bank loans and overdraft	124,459	9,460
Unsecured non-convertible loan notes	280,000	180,000
	<u>404,459</u>	<u>189,460</u>
<b>Non-current liabilities</b>		
Unsecured non-convertible loan notes	393,857	3,047,420
Bank loans	173,683	-
	<u>567,540</u>	<u>3,047,420</u>
	<u>971,999</u>	<u>3,236,880</u>

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

# Mountfield Group Plc

## NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 8 Capital Commitments

There were no capital commitments at the year end.

### 9 Contingent liabilities

Under the terms of the Group's banking facilities, the Company has provided a cross guarantee to the Group's bankers. At the year end, the net balance due to the Group's bankers in respect of the guarantee was £20,247 (2015: net balance in Group's bank accounts was £424,988).

### 10 Key management personnel compensation

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

### 11 Directors' guarantees

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

### 12 Related party disclosures

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

### 13 Financial instruments

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

### Categories of financial instruments

	2016 £	2015 £
<b>Financial assets</b>		
Cash and cash equivalents	2,684	-
Loans and receivables at amortised cost	-	-
	<u>2,684</u>	<u>-</u>
<b>Financial liabilities</b>		
Trade and other payables	2,802,760	2,692,360
Secured borrowings	298,142	9,460
Unsecured non-convertible loan notes	673,857	3,227,420
	<u>3,774,759</u>	<u>5,929,240</u>
	<u>(3,772,075)</u>	<u>(5,929,240)</u>