MOUNTFIELD GROUP PLC

Company Registration No. 06374598 (England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Mountfield Group Plc

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Mountfield Group Plc

COMPANY INFORMATION

Directors	P H Jay	Executive Chairman
	A J Collins	Chief Executive
	G J Read	Executive Director
Secretary	P H Jay	
Company number	06374598 (England and Wales)	
Registered office	3C Sopwith Crescent Wickford Business Park Wickford Essex SS11 8YU	
Auditor	**Adler Shine LLP** Chartered Accountants and Statutory Auditor Aston House Cornwall Avenue London N3 1LF	
Solicitors	**DAC Beachcroft LLP** 25 Walbrook London EC4N 1AF	
Registrars	**SLC Registrars** 42 - 50 Hersham Road Walton-on-Thames Surrey KT12 1RZ	
Nominated Adviser & Broker	**Cairn Financial Advisers LLP** Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX	

Mountfield Group Plc

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

CHAIRMAN'S REPORT

The Board of Mountfield Group Plc ("the Group") is able to report another extremely successful year with Net Profit Before Tax having increased by 28%. Both of the Group subsidiaries, Mountfield Building Group Limited ("MBG") and Connaught Access Flooring Limited ("CAF"), have traded successfully and provided the Group with an increasing volume of business and an active and growing order book.

The Board is of the view that the Group's is very well placed to capture significant new quantities of business that is expected to flow from the data centre and telecoms sectors as a result of the introduction of 5G networking technology beginning in 2020.

5G, described as a "transformative technology", has been forecast to have as fundamental an impact on the telecoms sector as the development of mobile phone technology (1G) had in the 1980s. The Directors believe that the requirement for its customers to upgrade and replace new telecom infrastructure will continue to create significant additional demand for the Group's services over the next decade.

The Group's financial performance does not yet reflect any material amount of income that is referable to the introduction of the new technology. The Directors believe that demand for the services of MBG and CAF could increase substantially over the next few years as a result of both the development and continued growth of its existing operations and from the introduction of new technologies driving its clients to upgrade existing infrastructure.

Key Features

- **Annual PBT increases by 28% to £1,109,332** (2017: £864,372) **and has risen by 250% over the last three years.**
- **Group's secured order book currently stands at £16.4m**
- **Turnover**: £16.2m (2017: £12.7m) and has increased by 168% over the last three financial years.
- **Operating profit**: £1,129,173 (2017: £902,282)
- **Earnings per share**: 0.268p (2017: 0.254p)
- **Net cash position**: £677,747 (2017: £520,301)
- **Gross Margin**: 15.5% (2017: 17.5%)
- **Operating Margin**: 7.0% (2017: 7.1%)
- **The Board expects** the Group to produce another strong performance in 2019.

Financial Performance

The Directors are delighted to announce that over the last three financial years **Net Profit Before Tax** has **increased by 250%.**

Even though **gross margin** has been reduced during the year (as a result of the lower margins that have been achieved on some of the larger contracts) **operating profits** have increased significantly because the Group's overhead base has not increased during a year when turnover increased substantially.

About the Group

The Group was formed in October 2008 by its acquisition of the shares of MBG and CAF. This was followed by the admission of its shares onto AIM in the same month.

The two subsidiaries each supply specialist construction services to areas of the telecom and data centre sectors. **CAF**, a top tier commercial flooring supplier and installer (and one of the few that are able to tender for the largest contracts) has considerable expertise and experience in the installation of the raised access flooring systems that are employed in data centres and also in the dealing floors of banks and other financial institutions. It also contracts to supply and install other commercial flooring systems.

CHAIRMAN'S REPORT (continued)

In recent years CAF has successfully supplied and installed flooring for three major banking and finance clients in contracts that have been part of some of the largest awarded for developments in Central London. Interspersed with these have been contracts for flooring systems in data centres in the UK and Mainland Europe.

MBG has, since the early days of mobile technology concentrated on providing the services that were required by developers of data centres and telecoms infrastructure.

A substantial proportion of MBG's turnover is now tied up providing construction services for the development or enlargement of data centres and structures connected with them. In addition, one of its largest clients, a World leading telecom company, regularly retains it to undertake construction work on its substantial property estate.

<u>The Companies</u>

Connaught

CAF's turnover in the year to 31 December 2018 was £8.2m *(2017 -* £8.4m*)* and its profit before tax £313,512 *(2017* - £568,651). Although activity levels remained high there was a reduction in both turnover and net profit due to pauses between the end of one substantial contract and the beginning of new ones. The Company has been concentrating (with considerable success) on building up its order book of smaller contracts (those with a value of £100k or less) to provide a continuing revenue stream during periods when it is not fully engaged on large contracts.

The largest contract undertaken during the year was that to supply and install flooring over 70,000 sq metres for the new headquarters building of a leading investment bank. The contract (which is in its last stages) is likely to have a value in excess of £7m over three financial years.

Mountfield Building Group

MBG's turnover in the year to 31 December 2018 was £8.0m (2017 - £4.3m) and its profit before tax was £780,502 (2017 - £283,015) after excluding the waiver of a debt from its subsidiary. This was an extremely good year for the Company as its strategy of focussing on the demands of its data centre and telecom customers proved timely as they increased their levels of activity and their demand for its services.

The year saw a substantial number of new contracts won in direct negotiation and by tender, including a number of new security upgrades for its largest telecoms client; these are part of a continuing, multi-year upgrading programme.

<u>Outlook for the Group</u>

CAF and MBG both operate in markets where demand for specialist construction services for the telecoms sector is strong and is likely to increase. With the benefit of their low-cost operations, excellent client bases and reputations for completing contracts on time and to an extremely high standard, they have the potential to capture a greater share of work from existing or new clients.

The outlook for **CAF**, with its leading position in the commercial flooring market based on the demand for high quality, large commercial flooring contracts continues to be highly favourable. In addition to the continued demand for large floor-plate trading and office areas there is the return of demand, both in the UK and in Europe for extra data centre capacity and as a result the Board believes that the outlook for CAF remains increasingly bright.

CHAIRMAN'S REPORT (continued)

The Board takes a similar view of **MBG**'s prospects. With its extensive contacts within the telecoms field and its long-established connection with a leading telecoms operators and data centre developers it is well positioned to benefit from the 5G revolution and from the expected growth in demand for telecoms infrastructure.

The 5G revolution is expected to result in numerous additional appliances and devices (including autonomous cars and robotics and whole cities) being networked and thus increasing the need for data capacity and this, in turn will drive the need for new data centres and the expansion of existing units.

The Directors believe that the impact of the introduction of 5G networks for companies such as MBG and CAF which already have deep roots in the telecoms sector in terms of skill, expertise, recognition and client base could be profound. The impact for the sector could equal that which it experienced when the first wave of data centres was commissioned at the end of the last century.

Peter Jay
Non-Executive Chairman

Date: 13 June 2019

Mountfield Group Plc

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

CEO's REPORT

The **Group Board** currently comprises:

Peter Jay – Non-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 40 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 attends meetings of the Group's Board in an advisory-only capacity to provide advice on business finance and aspects of corporate finance.

<u>Group Companies</u>

The Group is comprised of two principal trading companies, Connaught Access Flooring Limited ("CAF") and Mountfield Building Group Limited ("MBG").

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 new and refurbished commercial office space and for the Data Centre market. These projects are undertaken both direct with the end user and for leading Construction companies.

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 user clients.

2018 saw MBG continue to develop its long term relationship undertaking building fabric repair and maintenance works on a nationwide basis for a large proportion of the property portfolio of a leading telecoms operator.

CEO's REPORT (continued)

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 £71,558, the group also had a supplier financing arrangement however this has lapsed as it is no longer required.

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.

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 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.

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.

Mountfield Group Plc

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

CEO's REPORT (continued)

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, and profit before tax. 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

Date: 13 June 2019

Mountfield Group Plc

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

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 Statements, which are included in the Strategic Report.

Results
The Group made a pre-tax operating profit from continuing operations of £1,109,332 *(2017: £864,372)* for the year ended 31 December 2018 on turnover of £16,220,768 *(2017: £12,692,126)*.

At 31 December 2018 the Group had net assets of £6,035,451 *(2017: £5,352,877).*

Dividends
The Directors do not propose payment of any dividends for the year ended 31 December 2018.

Directors
The Directors who served during the year were:

P H Jay
G J Read
A J Collins

Charitable Donations
During the year the Group made charitable donations totalling £4,948 *(2017: £1,850)*.

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 6 June 2019 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%
Hargreaves Lansdown Nominees Ltd	7,674,044	3.02%
W B Nominees Limited	8,216,667	3.23%

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 55 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. The Group adopted the QCA Corporate Governance Code ("QCA Code") on 28 September 2018 and the Group's Corporate Governance Statement is available to view on the Company's website at www.mountfieldgroupplc.com.

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-appointment 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

Date: 13 June 2019

Mountfield Group Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic and 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statement on the going concern basis, unless it is inappropriate to presume the Group and Company will continue in business.

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

Opinion

We have audited the financial statements of Mountfield Group Plc (the 'Parent Company') and its subsidiaries (the "Group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Statement of Financial Position, the Company Cash Flow Statement, the Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified were:

- **Revenue recognition, contract accounting and onerous contract provisions**

Area of focus

Revenue is recognised throughout the Group as the fair value of consideration receivable in respect of the performance of contracts and the provision of services. Provision is made for expected contract losses as soon as they are foreseen.

Determining the amount of revenue to be recognised requires management to make significant judgements and estimates as to the stage of completion, the costs to complete, the impact of any changes in scope of work and the recoverability of work in progress and receivables balances.

The Directors are also required to make an assessment to determine whether onerous contract provisions are required for loss making contracts.

We therefore identified revenue recognition, contract accounting and the completeness of onerous contract provisions as a significant risk, which was one of the most significant assessed risks of material misstatement.

How our audit addressed the area of focus

For construction contracts we identified and assessed key judgements inherent is estimation of significant construction contracts by validating the stage of completion and cost of completion on significant projects using surveyors' latest valuations and discussions with key contract accounting personnel as well as evaluating the final outcome on projects completed in the year in relation to previous estimates made.

We investigated the recoverability of receivables, accrued income and work in progress balances by reference to post balance sheet cash collection, reviewing the quality of supporting evidence, correspondence with customers, and examining the Group's historical experience of recovery.

We identified, obtained and corroborated explanations for unusual fluctuations in margins on significant projects.

For fixed price contracts we reviewed management estimation of stage of completion, cash received following invoice and correspondence with the customer to determine the accuracy of the stage of completion.

We found no material misstatement from our testing.

- **Impairment of goodwill**

Area of focus

The Group has goodwill with a carrying value of £6.9m.

IAS 36 requires at least annual impairment assessments in relation to goodwill, indefinite-lived intangible assets and intangible assets that are not yet ready for use, with more regular assessment should an impairment trigger be identified.

The determination of recoverable amount, being the higher of value-in-use and fair value less costs of disposal, requires judgement on the part of management in identifying and then estimating the recoverable amount for the relevant CGUs.

Recoverable amounts are based on management's view of future cash flow forecasts and external market conditions such as future pricing and the most appropriate discount rate.

Management prepared discounted cashflow projections with the aid of experts to assist them is performing an annual impairment assessment which included the assumptions and estimates around the order pipeline, profit margins, staff and other administration costs, for each CGU. Changes in these assumptions might give rise to a change in the carrying value goodwill.

How our audit addressed the area of focus

We obtained the discounted cashflow projections for each CGU and gained an understanding of the key assumptions and judgements underlying the assessment. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models.

We obtained an understanding of the order pipeline and the assumptions in respect of profit margins and staff and administrative expenses.

We determined the judgement made by the Directors that no impairment was required and the disclosures made in the financial statements to be reasonable.

Mountfield Group Plc

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

Our application of materiality

Materiality for the Group was £56,000 *(2017: £43,000)* based on 5% of profit before tax which is consistent with the approach adopted last year.

This benchmark is considered the most appropriate because it is the key financial measure by which management assess the performance of the Group and is used to report to investors on the financial performance of the Group.

Materiality for the Company has been calculated on the same basis as above. In 2017 materiality was calculated as 1% of gross assets, capped at the materiality of the Group financial statements. The calculation was changed to be consistent with the rest of the Group.

For each component, we allocated a materiality that is less than our overall Group materiality.

An overview of the scope of our audit

The Group consists of three trading subsidiaries, all of which operate in the UK. In establishing the overall approach to the Group audit, we completed full scope audits on the underlying subsidiaries and the Parent Company.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Mountfield Group Plc

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Darsh Shah (Senior Statutory Auditor)
for and on behalf of Adler Shine LLP
Chartered Accountants
Statutory Auditor

Aston House, Cornwall Avenue
London N3 1LF

Date: 13 June 2019

Mountfield Group Plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Revenue	2,3	**16,220,768**	12,692,126
Cost of sales	4	**(13,713,296)**	(10,467,673)
Gross profit		**2,507,472**	2,224,453
Administrative expenses	5	**(1,378,299)**	(1,322,171)
Operating profit		**1,129,173**	902,282
Net finance costs	5	**(19,841)**	(37,910)
Profit before income tax		**1,109,332**	864,372
Income tax expense	6	**(426,758)**	(218,999)
Profit for the year and total comprehensive income		**682,574**	645,373
Earnings per share	7		
Basic earnings per share		**0.268p**	0.254p
Diluted earnings per share		**0.268p**	0.254p

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

The notes on pages 19 to 41 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
ASSETS			
Non-current assets			
Intangible assets	8	6,874,308	6,874,308
Property, plant and equipment	9	102,655	80,434
Deferred income tax assets	16	-	199,330
		6,976,963	7,154,072
Current assets			
Inventories	10	115,302	88,301
Trade and other receivables	11	2,411,068	3,651,516
Cash and cash equivalents	12	1,236,162	520,301
		3,762,532	4,260,118
TOTAL ASSETS		10,739,495	11,414,190
EQUITY AND LIABILITIES			
Issued share capital	13	2,524,426	2,524,426
Share premium		1,490,682	1,490,682
Share based payments reserve		-	-
Capital redemption reserve		7,500	7,500
Merger reserve		4,051,967	4,051,967
Reverse acquisition reserve		(2,856,756)	(2,856,756)
Retained earnings		817,632	135,058
TOTAL EQUITY		6,035,451	5,352,877
Current liabilities			
Trade and other payables	14	3,305,728	4,712,512
Short-term borrowings	15	1,107,528	958,020
Corporation tax liability		229,782	124,050
		4,643,038	5,794,582
Non-current liabilities			
Loan notes	15	61,006	200,000
Bank loan	15	-	66,731
		4,704,044	6,061,313
TOTAL EQUITY AND LIABILITIES		10,739,495	11,414,190

The financial statements were approved by the board on 13 June 2019.

Andrew Collins
Director

The notes on pages 19 to 41 form part of these financial statements.

COMPANY REGISTRATION NO. 06374598

Mountfield Group Plc

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Operating profit		**1,129,173**	902,282
Adjusted for:			
Depreciation		**12,556**	11,595
Profit on Disposal		**(4,400)**	(1,294)
(Increase) in inventories		**(27,001)**	(29)
Decrease/(increase) trade and other receivables		**1,240,449**	(1,874,903)
Increase/(Decrease) in trade and other payables		**(1,374,996)**	1,508,009
Cash generated in operations		**975,781**	545,660
Finance costs		**(19,841)**	(37,910)
Taxation paid		**(121,696)**	(56,782)
Net cash inflow from operating activities		**834,244**	450,968
Cash flows from investing activities			
Purchases of property, plant and equipment		**(34,777)**	(3,782)
Proceeds from sale of property, plant and equipment		**4,400**	4,003
Net cash (used in)/generated from investing activities		**(30,377)**	221
Cash flows from financing activities			
Finance lease rentals		**-**	(583)
Repayment of non-convertible loan notes		**(138,994)**	(190,901)
Movement on supplier invoicing facility		**(387,795)**	387,795
Repayment of short-term loans		**(119,632)**	(106,952)
Net cash flows (used in)/generated from financing activities		**(646,421)**	89,359
Net cash increase in cash and cash equivalents		**157,446**	540,548
Cash and cash equivalents brought forward		**520,301**	(20,247)
Cash and cash equivalents carried forward	12	**677,747**	520,301

The notes on pages 19 to 41 form part of these financial statements.

Mountfield Group Plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Share based payment reserve	Capital redemption reserve	Merger reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
At 1 January 2017	2,524,426	1,490,682	68,871	7,500	4,051,967	(2,856,756)	(579,186)	4,707,504
Total comprehensive income for the year	-	-	-	-	-	-	645,373	645,373
Conversion of loan notes	-	-	(68,871)	-	-	-	68,871	-
At 31 December 2017	**2,524,426**	**1,490,682**	**-**	**7,500**	**4,051,967**	**(2,856,756)**	**135,058**	**5,352,877**
Total comprehensive income for the year	-	-	-	-	-	-	682,574	682,574
At 31 December 2018	**2,524,426**	**1,490,682**	**-**	**7,500**	**4,051,967**	**(2,856,756)**	**817,632**	**6,035,451**

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).

Share Capital
Share capital represents the nominal value of shares that have been issued.

Share premium
Share premium represents the difference between the nominal value of shares issued and the total consideration received.

Capital redemption reserve
Capital redemption reserve represents amounts transferred following the purchase of own shares.

Retained earnings
Retained earnings represent cumulative profit or losses, net of dividends and other adjustments

The notes on pages 19 to 41 form part of these financial statements.

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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.

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 IFRS 15 'Revenue from Contracts with Customers", 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 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.

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

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

1 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:

		Effective Date
IAS 12	Amendments to income tax consequences of dividends	1 January 2019
IAS 19	Amendments regarding plan amendments, curtailments or settlements	1 January 2019
IAS 23	Amendments to borrowing costs eligible for capitalisation	1 January 2019
IAS 28	Amendments regarding long-term interests in associates and joint ventures	1 January 2019
IFRS 9	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 11	Amendments to remeasurement of previously held interest	1 January 2019
IFRS 16	Leases	1 January 2019
IAS 1	Amendments regarding definition of material	1 January 2020
IAS 8	Amendments regarding definition of material	1 January 2020
IFRS 17	Insurance contracts – original issue	1 January 2021

Changes in accounting policies

IFRS 15 'Revenue from Contracts with Customers'
The Group has applied this accounting standard from 1 January 2018 and has adopted the modified retrospective approach to its adoption which would result in any adjustments for contracts in progress at 1 January 2018 being made to opening retained earnings at that date.

The Group has considered how contracts are accounted for in accordance with IFRS 15 using the 5-step approach set out in that standard. In undertaking this exercise the Group has not identified any material changes in how revenue would be recognised for the contracts in progress at 31 December 2017 nor with those that have been undertaken in the 12 months to 31 December 2018.

The Group expects that the adoption of this standard could have an impact if loss making contracts occur but other than those does not currently foresee any material changes from the previous accounting policy.

IFRS 16 'Leases'
The Group is working with its advisors to assess the potential impact of IFRS 16 'Leases', including consideration of transition method. The standard is expected to only affect the Group in respect of leases that it has in place that are currently treated as operating leases in accordance with current standards.

The Group only acts as a lessee and will be required to recognise operating leases on the balance sheet when the new standard is implemented. The group will adopt the modified retrospective approach will be adopted meaning the Group will only recognise such leases on the balance sheet as at 1 January 2019. It is anticipated the Group will recognise right-of-use assets in respect of the properties it leases with a value of approximately £49k being attributed to right-of-use assets and a lease liability of the same amount.

1 Accounting policies (continued)

IFRS 9 'Financial Instruments'
From 1 January 2018, the group is required to recognise a loss allowance for expected credit losses on these financial assets. The new standard states that if the credit risk on a financial instrument has significantly increased since initial recognition, the loss allowance must be measured using the lifetime expected credit loss. Given the majority of the Groups invoicing is to large companies with an assessed low credit risk we do not deem the impact on the Group's financial statements to be material.

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 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.

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 are 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 Accounting policies (continued)

1.7 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. The stage of completion is measured with reference to the proportion of the value of the contract at the reporting date against the total estimated value of the contract, as measured by a survey of the work performed. 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.

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

1.9 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.

1.10 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.

1.11 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 Accounting policies (continued)

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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 Accounting policies (continued)

1.19 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.

1.20 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 2018. 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.

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.

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.

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2 Segmental reporting(continued)

Segmental operating performance

	2018		2017	
	Revenue	**Profit before tax**	Revenue	Profit before tax
			£'000	£'000
Construction	**8,034**	**781**	4,292	289
Fit-out	**8,186**	**314**	8,420	568
	16,220	**1,095**	12,712	857
Inter-segmental revenue and unallocated	**-**	**14**	(20)	7
	16,220	**1,109**	12,692	864

Business segments assets and liabilities

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Construction	**936**	**1,850**	1,300	2,633
Fit-out	**2,923**	**1,698**	3,238	2,579
	3,859	**3,548**	4,538	5,212
Goodwill – Construction	**2,000**	**-**	2,000	-
Goodwill – Fit-out	**4,874**	**-**	4,874	-
Other unallocated assets & liabilities	**6**	**1,156**	2	849
	10,739	**4,704**	11,414	6,061

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

Other segment information

	2018	2017
	£'000	£'000
Depreciation included in segment results		
Construction	**4**	5
Fit-out	**9**	7
	13	12

Revenue by geographical destination
Revenue is attributable to the United Kingdom of £15,699,476 *(2017 - £12,632,454)* and other EU of £521,292 *(2017- £59,672)* markets.

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

3 Construction contracts

	2018	2017
	£	£
Contract revenue recognised in relation to construction contracts in the year and retentions	**16,220,768**	12,692,126
For contracts in progress at the balance sheet date:		
Aggregate cost incurred to date	**14,062,292**	8,033,523
Recognised profit to date	**4,271,569**	2,273,947
Retentions due	**551,301**	267,210

Major customers

Total Group revenue to four customers all relating to construction and fit-out, totalled £15,114,202 *(2017 - £8,345,364)* split as follows:

Construction	**2018**	2017
	£	£
Customer 1	**6,085,230**	2,161,106
Customer 2	**1,099,488**	493,127
Customer 3	**123,026**	598,670
Customer 4	**627,515**	
	7,935,259	3,252,903

Fit-out	**2018**	2017
	£	£
Customer 1	**6,135,556**	3,074,037
Customer 2	**1,043,387**	-
Customer 3	**-**	2,018,424
	7,178,943	5,092,461

4 Cost of sales

	2018	2017
	£	£
Direct costs	**13,713,296**	10,467,673
Total cost of sales	**13,713,296**	10,467,673

5 Other income and expenses

	2018	2017
	£	£
Finance expenses		
Other interest	**(8,796)**	(1,428)
Bank interest	**(11,045)**	(36,482)
Interest paid	**(19,841)**	(37,910)

Administrative expenses include:

	2018	2017
	£	£
Depreciation of property, plant and equipment		
- owned by the Group	**12,556**	11,595
Operating lease rentals - other	**35,400**	37,346
Auditor's remuneration		
Fees payable to the company's auditor for the audits of the parent company, consolidated financial statements and the subsidiaries	**39,000**	39,000

Mountfield Group Plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

5 Other income and expenses (continued)

Average number of employees

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

	2018 **No.**	2017 No.
Administration	**7**	7
Cost of sales	**12**	13
Management	**5**	5
	24	25

Wages and salaries

	2018 **£**	2017 £
Wages and salaries	**1,409,818**	1,205,019
Social security costs	**163,988**	131,063
Post-employment benefits	**74,244**	45,054
Employee healthcare benefit	**18,335**	18,174
	1,666,385	1,399,310

Key management personnel compensation

	2018 **£**	2017 £
Short-term employee benefits	260,317	67,010
Post-employment benefits	19,250	42,000
	279,567	109,010

Directors' remuneration

	Salaries and fees £	**Benefits in kind** £	**Post-employment benefit** £	**2018** **Total** **£**	2017 Total £
G Read	-	5,666	-	**5,666**	4,830
A Collins	250,000	4,651	19,250	**273,901**	54,180
P Jay	49,996	-	-	**49,996**	50,000
	299,996	10,317	19,250	**329,563**	109,010

The number of Directors for whom retirement benefits are accruing under money purchase pension schemes was 1 (2017 - 1).

6 Income tax expense

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the period	**227,428**	123,061
Total current tax		
Deferred tax		
Deferred tax debit – losses utilised	**-**	61,848
Deferred tax debit – change in tax rates	**-**	34,090
Deferred tax debit – reversed	**199,330**	
	199,330	95,938
Income tax expense	**426,758**	218,999
Factors affecting tax charge		
Profit before income tax –continuing operations	**1,109,332**	864,372
Profit before income tax multiplied by effective rate of UK corporation tax of 19% *(2017: 19.25%)*	**210,773**	166,361
Effects of:		
Expenses not deductible for tax purposes	**21,949**	17,369
Depreciation for period in excess of capital allowances	**(5,170)**	1,179
Tax losses not utilised and carried forward	**(124)**	-
Deferred tax movement	**-**	34,090
Other adjustments	**-**	-
Current tax charge	**227,428**	218,999

In the Finance Act 2016 the UK Government announced its intention to reduce the standard corporation tax rate to 17% by 2020. The measure to reduce the rate to 17% for the financial year beginning 1 April 2020 was substantively enacted on 15 September 2016 and has been reflected in the calculation of deferred tax in the financial statements to 31 December 2018.

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. The share options are not considered dilutive as the shares would be issued for greater than the average market price of the ordinary shares in 2018 and 2017.

	2018 £	2017 £
Basic earnings per share		
Profit for the financial year	**682,574**	645,373
Weighted average number of shares	**254,244,454**	254,244,454

	2018 £	2017 £
Diluted earnings per share		
Profit for the financial year	**682,574**	645,373
Number of shares	**254,244,454**	254,244,454

8 Intangible assets

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

	Goodwill £
Cost	
At 1 January 2017	15,816,529
Additions	-
At 31 December 2017	15,816,529
Additions	-
At 31 December 2018	**15,816,529**
Amortisation and impairment	
At 1 January 2017	8,942,221
Impairment	-
Balance at 31 December 2018	**8,942,221**
Net book value	
At 31 December 2018	**6,874,308**
At 31 December 2017	**6,874,308**

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 12.11% (2017 – 7.36%)

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.

9 Property, plant and equipment

	Freehold & leasehold £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2017	183,418	58,814	52,499	63,565	358,296
Additions	-	2,896	886	-	3,782
Disposals	-	(1,650)		(16,313)	(17,963)
At 31 December 2017	183,418	60,060	53,385	47,252	344,115
Additions	-	4,408	7,497	22,872	34,777
Disposals	-	-	-	(13,610)	(13,610)
At 31 December 2018	**183,418**	**64,468**	**60,882**	**56,514**	**365,282**
Depreciation					
At 1 January 2017	131,641	51,949	30,172	53,578	267,340
Charge for the year	1,657	2,818	2,208	4,912	11,595
On disposals	-	(946)	-	(14,308)	(15,254)
At 31 December 2017	133,298	53,821	32,380	44,182	263,681
Charge for the year	1,647	2,987	2,580	5,342	12,556
On disposals	-	-	-	(13,610)	(13,610)
At 31 December 2018	**134,945**	**56,808**	**34,960**	**35,914**	**262,627**
Net book value					
At 31 December 2018	**48,473**	**7,660**	**25,922**	**20,600**	**102,655**
At 31 December 2017	50,120	6,239	21,005	3,070	80,434

The net book value of freehold and leasehold property includes an amount of £Nil *(2017 - £1,522)* in respect of leasehold improvements to a property leased by Connaught Access Flooring Limited.

10 Inventories

	2018	2017
	£	£
Materials and finished goods	**115,302**	88,301

The amount of inventories recognised as an expense during the year was £277,335 *(2017 - £132,534)*.

11 Trade and other receivables

	2018	2017
	£	£
Trade receivables	**650,666**	1,116,954
Contract retentions	**686,656**	586,709
Other receivables	**12,296**	20,438
Prepayments	**48,325**	70,687
Amounts recoverable on long term contracts	**1,013,125**	1,856,728
Total trade and other receivables	**2,411,068**	3,651,516

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.

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 £131,298 *(2017 - £78,812)*.

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

	2018	2017
	£	£
Balance at 1 January	**12,000**	12,000
Charge/(credit) to the statement of comprehensive income	**-**	-
Balance at 31 December	**12,000**	12,000

11 Trade and other receivables (continued)

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

	2018	2017
	£	£
Trade receivables		
Three to six months	**16,554**	20,456
Six to nine months	**-**	-
Nine to twelve months	**1,054**	-
More than twelve months	**25,237**	21,815
	42,845	42,271
Contract retentions		
Three to six months	**59,117**	16,212
Six to nine months	**33,557**	14,938
Nine to twelve months	**31,911**	5,618
More than twelve months	**44,263**	62,510
	168,848	99,278

12 Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	**1,236,162**	520,301

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 £71,558 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 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 2018:

	2018	2017
	£	£
Cash at bank and in hand	**1,236,162**	520,301
Bank overdraft	**(558,415)**	-
	677,747	520,301

13 Share capital

	2018		2017	
	Number	**£**	Number	£
Allotted, called up and fully paid				
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**	2,270,182	2,270,182
		2,524,426		2,524,426

2,270,182 Founder shares were issued in 2016. 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 2018, 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 at 1 January 2017	4,000,000	1.19	3.00
Granted	-		
Cancelled	-		
Lapsed	(2,000,000)		
Brought forward at 1 January 2018	2,000,000	0.60	3.00
Granted	-		
Cancelled	-		
Lapsed	(2,000,000)		
Carried forward at 31 December 2018	-	-	-

13 Share capital (continued)

Share Options (continued)

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

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

14 Trade and other payables (current)

	2018 £	2017 £
Trade payables	**2,093,802**	3,542,709
Other payables	**44,854**	456,363
Accruals	**893,173**	513,762
Other taxes and social security costs	**273,899**	199,678
	3,305,728	4,712,512

The directors consider that the carrying amount of trade payables approximate their fair value.

Included within other payables is an amount of £Nil *(2017 - £387,795)* in respect of unsecured supplier financing.

15 Borrowings

	2018 £	2017 £
Current		
Bank overdrafts	**558,415**	-
Bank loan	**71,558**	124,459
Short-term unsecured loan from Director	**194,599**	550,605
Unsecured non-convertible loan notes	**282,956**	282,956
	1,107,528	958,020
Non - current		
Unsecured non-convertible loan notes	**61,006**	200,000
Bank loan	**-**	66,731
	61,006	266,731
Total borrowings	**1,168,534**	1,224,751

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

During the year, interest of £24,726 on the loan notes was waived.

The short-term unsecured loan from a Director accrues interest at 6% per annum but all interest to 31 December 2018 was waived.

15 Borrowings (continued)

	2018 £	2017 £
Non-current borrowings		
Analysis		
Repayable between one and two years	**61,006**	218,315
Repayable between two and five years	**-**	48,416
	61,006	266,731

16 Deferred taxation

	2018 £	2017 £
Deferred tax analysis:		
Deferred tax losses	**-**	(199,330)
Deferred tax expense relating to origination and reversal of temporary differences	**-**	-
	-	(199,330)

	2018 £	2017 £
Movement in deferred tax during the year		
At 1 January	**(199,330)**	(295,268)
Debit for the year	**199,330**	95,938
At 31 December	**-**	(199,330)

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

17 Capital commitments

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

18 Operating lease commitments

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

	2018	2017
	£	£
Less than one year	**31,000**	31,000
Between two and five years	**18,083**	49,083
	49,083	80,083

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

	2018	2017
	£	£
Financial assets		
Loans and receivables at amortised cost including cash and cash equivalents:		
Cash and cash equivalents	**677,750**	520,301
Trade and other receivables	**2,362,348**	3,580,345
Total	**3,040,098**	4,100,646
Financial liabilities		
Trade and other payables	**3,226,428**	5,063,438
Unsecured non-convertible loan notes	**343,962**	482,956
Secured borrowings	**71,558**	191,190
	3,641,946	5,737,584
Net	**(601,848)**	(1,636,938)

Cash and cash equivalents

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

General risk management principles

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

19 Financial instruments (continued)

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

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

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

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

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

The Group's credit risk is primarily attributable to trade receivables 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 2018 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.

The tables below summarise the maturity profile of the combined Group's non-derivative financial liabilities at each financial year end based on contractual undiscounted payments:

2018	**Less than 1 year**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities	**£**	**£**	**£**
Borrowings (current and non-current)	1,107,528	61,006	-
Trade payables	2,093,802	-	-
Other payables	548,535	-	-
Contract accruals and accruals	893,173	-	-
	4,643,038	**61,006**	**-**

19 Financial instruments (continued)

2017	**Less than 1 year**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities	**£**	**£**	**£**
Borrowings (current and non-current)	958,020	218,315	48,416
Trade payables	3,542,709	-	-
Other payables	780,091	-	-
Contract accruals and accruals	513,762	-	-
	5,794,582	**218,315**	**48,416**

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 £74,244 *(2017 - £45,054)*. The amount payable at the year-end was £3,518 *(2017 - £932)*.

21 Directors' guarantees

Andrew Collins, Graham Read and Peter Jay have given a guarantee limited to £800,000 in respect of the Group's bank loan and overdraft facility.

22 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Related party transactions are considered to be conducted at arm's length.

As at 31 December 2018, balances remaining unpaid on the unsecured non-convertible loan notes to Graham Read and Andrew Collins amounted to £300,000 *(2017: £400,000)* and £43,962 *(2017: £82,956)* 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 £356,006 to Graham Read *(2017: £Nil).* The balance outstanding on the short term unsecured loan at 31 December was £194,599 *(2017: £550,605).* Interest is charged at 6% per annum on this loan but has been waived for 2018.

During the year, Zeme Limited invoiced £75,000 *(2017: £30,000)* for the services of Peter Jay as a director of Mountfield Group Plc. As at 31 December 2018, £48,432 *(2017: £43,931)* was due to Zeme Limited, a company controlled by Peter Jay.

During the year, the Group was invoiced £Nil *(2017: £2,500)* for accountancy and bookkeeping services by Read & Co, a Chartered accountancy practice controlled by Graham Read's brother. As at 31 December 2018 the balance owed by Read & Co was £Nil *(2017: £414).*

During the year Connaught Access Flooring Limited made sales of £14,701 *(2017 - £6,335)* and purchases of £946 *(2017 - £301)* from Corinthian Ceramics Limited, a company of which Andrew Collins is a director.

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 2018

Company no. 06374598

	Note	**2018** £	2017 £
ASSETS			
Non-current assets			
Investments	2	**9,049,000**	6,874,000
Current assets			
Other receivables	3	**11,398**	11,561
Cash and cash equivalents	4	**-**	-
		11,398	11,561
TOTAL ASSETS		**9,060,398**	6,885,561
EQUITY AND LIABILITIES			
Issued share capital	5	**2,524,426**	2,524,426
Share premium		**1,490,682**	1,490,682
Capital redemption reserve		**7,500**	7,500
Merger reserve		**1,579,436**	1,579,436
Retained losses		**(304,286)**	(2,488,468)
TOTAL EQUITY		**5,297,758**	3,113,576
Current liabilities			
Trade and other payables	6	**2,781,497**	2,912,369
Short-term borrowings	7	**629,932**	308,563
Loan notes	7	**282,956**	282,956
Corporation tax liability		**7,249**	1,366
		3,701,634	3,505,254
Non-current liabilities			
Loan notes	7	**61,006**	200,000
Bank loan	7	**-**	66,731
		3,762,640	3,771,985
TOTAL EQUITY AND LIABILITIES		**9,060,398**	6,885,561

The financial statements were approved by the board on 13 June 2019.

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 profit for the year ended 31 December 2018 was £2,184,182 *(2017 - £5,733)*.

Andrew Collins
Director

Mountfield Group Plc

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Operating profit		**20,953**	29,847
Adjusted for:			
(Increase) in trade and other receivables		**(235)**	(5,643)
Decrease in trade and other payables		**(15,606)**	(53,654)
Cash generated in operations		**5,112**	(29,450)
Finance costs		**(5,888)**	(22,748)
Net cash outflow operating activities		**(776)**	(52,198)
Cash flows from financing activities			
Loan repayments		**(119,632)**	(106,952)
Loans (repaid)/received from subsidiary undertakings		**(114,868)**	163,265
Repayment of non-convertible loan notes		**(138,994)**	(190,901)
Net cash flows used in from financing activities		**(373,494)**	(134,588)
Net cash decrease in cash and cash equivalents		**(374,270)**	(186,786)
Cash and cash equivalents brought forward		**(184,104)**	2,682
Cash and cash equivalents carried forward	4	**(558,374)**	(184,104)

Mountfield Group Plc

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2018

	Share capital	Share premium	Share based payment reserve	Capital redempt'n reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2017	2,524,426	1,490,682	68,869	7,500	1,579,436	(2,563,070)	3,107,843
Total comprehensive income for the year	-	-	-	-	-	5,733	5,733
Transfer	-	-	(68,869)	-	-	68,869	-
At 31 December 2017	2,524,426	1,490,682	-	7,500	1,579,436	(2,488,468)	3,113,576
Total comprehensive income for the year	-	-	-	-	-	2,184,182	2,184,182
At 31 December 2018	2,524,426	1,490,682	-	7,500	1,579,436	(304,286)	5,297,758

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.

Share Capital
Share capital represents the nominal value of shares that have been issued.

Share premium
Share premium represents the difference between the nominal value of shares issued and the total consideration received.

Capital redemption reserve
Capital redemption reserve represents amounts transferred following the purchase of own shares.

Retained earnings
Retained earnings represent cumulative profit or losses, net of dividends and other adjustments

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

1 ACCOUNTING POLICIES
The accounting policies of the Company are shown in the Consolidated Financial Statements on pages 18 to 24.

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

2 Investment in subsidiary undertakings

	Shares in subsidiary undertakings
Cost	£
At 1 January 2017	19,365,817
Additions	-
At 31 December 2017	19,365,817
Capital contribution	2,175,000
At 31 December 2018	**21,540,817**
Accumulated Impairment provisions	
At 1 January 2017	12,491,817
Impairment provision	-
At 31 December 2017	12,491,817
Impairment provision	-
Balance at 31 December 2018	**12,491,817**
Net book value	
At 31 December 2018	9,049,000
At 31 December 2017	6,874,000

During the year certain of the companies waived intercompany loans with each other. This has resulted in a deemed distribution to the Company of £2.175m which in turn has been shown as a capital contribution to subsidiaries.

The following companies are the principal subsidiary undertakings at 31 December 2018 and are all consolidated:

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

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

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

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

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

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 2018 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	**(160,190)**	(7,271)

3 Trade and other receivables

	2018 £	2017 £
Prepayments	**2,707**	2,472
Other tax and social security	**8,691**	9,089
	11,398	11,561

4 Cash and cash equivalents

	2018 £	2017 £
Cash at bank	**-**	-

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December 2018:

	2018 £	2017 £
Bank overdraft	**(558,374)**	(184,104)

Mountfield Group Plc

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

5 Share capital

	2018		2017	
	Number	**£**	Number	£
Allotted, called up and fully paid				
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**	2,270,182	2,270,182
		2,524,426		2,524,426

6 Trade and other payables

	2018	2017
	£	£
Trade payables	**121,628**	118,090
Amounts owed to subsidiary undertakings	**2,618,516**	2,733,384
Accruals	**41,353**	60,895
	2,781,497	2,912,369

7 Borrowings

	2018	2017
	£	£
Current liabilities		
Bank loans and overdraft	**629,932**	308,563
Unsecured non-convertible loan notes	**282,956**	282,956
	912,888	591,519
Non-current liabilities		
Unsecured non-convertible loan notes	**61,006**	200,000
Bank loans	**-**	66,731
	61,006	266,731
	973,894	858,250

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 2018

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 £Nil *(2017: net balance in Group's bank accounts was £Nil).*

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

	2018	2017
	£	£
Financial assets		
Cash and cash equivalents	**-**	-
Loans and receivables at amortised cost	**-**	-
	-	-
Financial liabilities		
Trade and other payables	**2,781,497**	2,912,369
Secured borrowings	**629,932**	375,294
Unsecured non-convertible loan notes	**343,962**	482,956
	3,755,391	3,770,619
	(3,755,391)	(3,770,619)