27 September 2012

Mountfield Group Plc

Half-yearly report to 30 June 2012

Mountfield Group plc (the "Group"), the AIM listed construction company specialising in building and refurbishing data centres, announces publication of its Half-yearly report to 30 June 2012.

- Group revenues increased by 63% to £8.6m
- Mountfield revenues up 115% to £7.0m, margins maintained at 13.5%.
- Connaught revenues fell by 18% to £1.6m, however margins improved from 18.0% to 20.6%
- Pre-tax profits increased to £371,000 from £38,000
- Cash generated by operations improved to £103,000 against a shortfall of £800,000 in the corresponding period of 2011
- Maiden construction contract for renewable energy project secured
- Strong start to second half with £3.9m contract wins since period end

Graham Read, Chief Executive Officer, said:

“We are now experiencing a healthy uplift in demand for our services, with the increases in activity and the strengthening of our pipeline of business, which we saw the first signs of in the middle of 2011, increasingly evident. This progress leads us to look at the second half of the year and 2013 with increasing optimism.”

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Mountfield Group Plc (the "Company" or "the Group")
Half-yearly report to 30 June 2012

Chairman's Statement

We are delighted to report that the first 6 months of 2012 has seen a continuation of the strong revival in the Group's fortunes.

Group revenues increased by 63% to £8.6m over the same period of 2011 and pre-tax profits increased to £371,000 from £38,000. Mountfield revenues (which derive from both contracts for work on data centres and general construction) were up 115% to £7.0m (6 months to June 2011: £3.2m) with margins maintained at approximately 13.5%. Connaught revenues fell by 18% from £2.0m to £1.6m with margins improved from 18.0% to 20.6% over the comparable period.

Also extremely pleasing was evidence that pressure on cash flow eased somewhat during the period and cash generated by operations improved to £103,000 in the period, as against a shortfall of £800,000 in the corresponding period of 2011.

We are now experiencing a healthy uplift in demand for our services, with the increases in activity and the strengthening of our pipeline of business, which we saw the first signs of in the middle of 2011, increasingly evident.

In Mountfield, contracts with a total value of £5.0m have been secured in the period since last year end, both from existing and new clients. Of these, contracts to the value of £2.3m were concluded following the period end and a number of further contracts are currently under negotiation.

In addition the planned expansion of our construction expertise and services into new areas is bearing fruit; from our joint venture with Hub (UK) Limited which is making steady progress to our initiative to seek business from developers in other sectors requiring skills similar to ours, which has led to our winning a contract on a renewable energy construction project. Similarly, our strategy of pursuing hotel and retail project work is proceeding well, and negotiations are advanced for the first two contracts in this area where work should begin prior to the end of this year.

Connaught Access Flooring has progressed well in a very tough environment for flooring companies and in the period since last year end has won contracts (including one large one) with a total value of £2.5 million. Of these contract wins, £1.6m were secured after the period end.

We believe that the results justify the optimism that we expressed at this time last year. Our strategy has been to build a company that concentrates on the data centre sector but which also has substantial involvement in the provision of high quality construction services in other commercial developments.

The progress that we are making in this direction leads us to look at the second half of this year and 2013 with increasing optimism.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2012

	Note	**6 months to 30 June 2012**	6 months to 30 June 2011	12 months to 31 December 2011
		(unaudited)	(unaudited)	(audited)
		£	£	£
Revenue		8,572,812	5,253,046	11,063,041
Cost of sales		(7,284,409)	(4,441,691)	(10,289,113)
Gross profit		1,288,403	811,355	773,928
Administrative expenses		(799,698)	(717,546)	(1,482,741)
Operating profit/(loss) – before impairment		488,705	93,809	(708,813)
Impairment of Goodwill		-	-	(3,500,000)
Operating profit/(loss) – continuing operations		488,705	93,809	(4,208,813)
Net finance costs		(117,240)	(55,647)	(127,517)
Profit/(loss) before income tax – continuing operations		371,465	38,162	(4,336,330)
Income tax (expense)/credit	3	(98,820)	(12,691)	102,028
Total comprehensive profit/(loss) for the period		272,645	25,471	(4,234,302)
Discontinued operations				
Loss for the year from discontinued operations		-	-	(1,565,286)
Total comprehensive profit/ (loss) for the year		272,645	25,471	(5,799,588)
Earnings/(loss) per share				
Continuing operations				
Basic & diluted	4	**0.13p**	0.01p	(2.11)p
Discontinued operations				
Basic & diluted		-	-	(0.78)p

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

Condensed consolidated statement of financial position
As at 30 June 2012

	30 June 2012	30 June 2011	31 December 2011
	(Unaudited)	(Unaudited)	(audited)
	£	£	£
ASSETS			
Non-current assets			
Intangible assets	**10,788,521**	15,816,529	10,788,521
Property, plant and equipment	**114,663**	131,283	127,590
Deferred income tax assets	**630,029**	651,549	728,849
	11,533,213	16,599,361	11,644,960
Current assets			
Inventories	**77,223**	80,357	75,567
Trade and other receivables	**2,479,518**	4,327,333	2,292,624
Cash and cash equivalents	**270,954**	415,981	328,344
	2,827,695	4,823,671	2,696,535
TOTAL ASSETS	**14,360,908**	21,423,032	14,341,495
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**216,744**	216,744	216,744
Share premium	**1,120,432**	1,120,432	1,120,432
Share based payments reserve	**300,997**	294,022	294,022
Merger reserve	**12,951,180**	12,951,180	12,951,180
Reverse acquisition reserve	**(2,856,756)**	(2,856,756)	(2,856,756)
Retained earnings	**(6,642,556)**	(1,090,142)	(6,915,201)
TOTAL EQUITY	**5,090,041**	10,635,480	4,810,421
Current liabilities			
Trade and other payables	**3,734,788**	4,493,725	3,836,328
Short-term borrowings	**1,635,500**	1,853,362	1,619,442
Finance lease liabilities	**8,682**	8,943	8,482
Current tax payable	**-**	30	-
	5,378,970	6,356,060	5,464,252
Non-current liabilities			
Loan notes	**3,880,567**	4,412,705	4,051,513
Finance lease liabilities	**11,330**	18,787	15,309
TOTAL LIABILITES	**9,270,867**	10,787,552	9,531,074
TOTAL EQUITY & LIABILITIES	**14,360,908**	21,423,032	14,341,495

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2012

	Share capital	Share premium	Other reserves	Reverse Acquisition reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£
Balance at 1 January 2011	175,311	608,074	294,022	(2,856,756)	12,951,180	(1,115,613)	10,056,218
Total comprehensive income	-	-	-	-	-	25,471	25,471
Shares issued in period	41,433	580,057	-	-	-	-	621,490
Expenses of share issue	-	(67,699)	-	-	-	-	(67,699)
Balance at 30 June 2011	216,744	1,120,432	294,022	(2,856,756)	12,951,180	(1,090,142)	10,635,480
Balance at 1 July 2011	216,744	1,120.432	294,022	(2,856,756)	12,951,180	(1,090,142)	10,635,480
Total comprehensive loss	-	-	-	-	-	(5,825,059)	(5,825,059)
Balance at 31 December 2011	216,744	1,120,432	294,022	(2,856,756)	12,951,180	(6,915,201)	4,810,421
Balance at 1 January 2012	216,744	1,120,432	294,022	(2,856,756)	12,951,180	(6,915,201)	4,810,421
Total comprehensive income	-	-	-	-	-	272,645	272,645
Share based payment	-	-	6,975	-	-	-	6,975
Balance at 30 June 2012	**216,744**	**1,120,432**	**300,997**	**(2,856,756)**	**12,951,180**	**(6,642,556)**	**5,090,041**

Condensed consolidated cash flow statement
For the six months ended 30 June 2012

	6 months to 30 June 2012	6 months to 30 June 2011	12 months to 31 December 2011
	(unaudited)	(unaudited)	(audited)
	£	£	£
Cash from operating activities:			
Operating profit – continuing operations	**488,705**	93,809	(708,313)
Operating profit – discontinued operations	**-**	-	141
Adjusted for:			
Depreciation	**14,461**	20,632	26,968
Loss on disposal of property, plant and equipment	**-**	258	1,400
Share based payment provision	**6,975**	-	-
(Increase)/ decrease in inventories	**(1,656)**	(3,976)	814
Increase in trade and other receivables	**(186,894)**	(2,102,925)	(68,216)
(Decrease)/ increase in trade and other payables	**(91,946)**	1,213,123	520,651
Cash generated by/(used in) operations	**229,645**	(779,079)	(227,055)
Finance costs	**(126,835)**	(20,659)	(57,484)
Finance income	**-**	12	13
Net cash inflow/(outflow) from operating activities	**102,810**	(799,726)	(284,526)
Cash flows from investing activities			
Purchase of equipment	**(1,534)**	(14,528)	(5,358)
Proceeds from sale of equipment	**-**	2,942	1,800

Net cash flows used in investing activities	**(1,534)**	(11,586)	(3,558)
Cash flows from financing activities:			
Proceeds from issue of shares (net of expenses)	**-**	553,792	553,791
Finance lease rentals	**(3,778)**	5,644	(10,108)
Repayment of non-convertible loan notes	**(170,946)**	(271,346)	(472,992)
Proceeds from short-term loans	**-**	350,000	280,700
Net cash flows (used in)/from financing activities	**(174,724)**	638,090	351,391
Net (decrease)/increase in cash and cash equivalents	**(73,448)**	(173,222)	63,307
Cash and cash equivalents brought forward	**(299,206)**	(362,513)	(362,513)
Cash and cash equivalents carried forward	**(372,654)**	(535,735)	(299,206)

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	As at 30 June 2012 £	As at 30 June 2011 £	As at 31 December 2011 £
Cash at bank and in hand	**270,954**	415,981	328,344
Bank overdraft	**(643,608)**	(951,716)	(627,550)
	(372,654)	(535,735)	(299,206)

1. Notes to the Interim Report

Basis of preparation

The Group's interim financial statements for the six months ended 30 June 2012 were authorised for issue by the directors on 26 September 2012.

The consolidated interim financial statements, which are unaudited, do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2011 have been filed with the registrar of companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2011 was unqualified and did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of Mountfield Group Plc for the year ended 31 December 2012 will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU ("IFRS"). Accordingly, these interim financial statements have been prepared using accounting policies consistent with those which will be adopted by the Group in the financial statements and in compliance with IAS 34 "Interim financial reporting".

The consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the annual financial statements for the year ended 31 December 2011.

Basis of consolidation

The Group financial information consolidates that of the company and its subsidiaries.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Segmental reporting

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure.

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 have 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 and costs relating to land used in more than one individual segment.

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

The Group comprises the following segments:

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

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

Land sourcing
Sourcing land and enhancing value.

Segmental operating performance

	6 months to 30 June 2012		6 months to 30 June 2011		12 months to 31 December 2011	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Mountfield	6,997	465	3,246	14	7,581	(811)
Connaught	1,659	159	2,032	170	3,672	(3,186)
Land sourcing	-	-	-	-	-	(1,528)
	8,656	624	5,278	184	11,253	(5,525)
Inter-segmental revenue and unallocated costs	(83)	(253)	(25)	(146)	(190)	(339)
	8,573	371	5,253	38	11,063	(5,864)

Business segments assets and liabilities

	6 months to 30 June 2012		6 months to 30 June 2011		12 months to 31 December 2011	
	Segment assets £'000	**Segment liabilities £'000**	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Mountfield	**1,956**	**3,982**	3,853	5,074	2,039	4,301
Connaught	**1,373**	**666**	1,363	691	1,236	505
Land sourcing	**-**	**2**	38	9	-	2
	3,329	**4,650**	5,254	5,774	3,275	4,808
Goodwill - Mountfield	**5,914**	**-**	5,914	-	5,914	-
Goodwill – Connaught	**4,874**	**-**	8,374	-	4,874	-
Goodwill – Land sourcing	**-**	**-**	1,528	-	-	-
Other unallocated assets & liabilities	**244**	**4,621**	353	5,014	278	4,723
	14,361	**9,271**	21,423	10,788	14,341	9,531

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

Revenue by geographical destination

All revenue is attributable to the United Kingdom market.

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

3. Income tax (expense)/credit (continuing operations)

	6 months to 30 June 2012	6 months to 30 June 2011	12 months to 31 December 2011
	(unaudited)	(unaudited)	(audited)
	£	£	£
Current tax on income for the period	**-**		-
Deferred tax (expense)/credit	**(98,820)**	(12,691)	102,028
Income tax (expense)/credit in the income statement	**(98,820)**	(12,691)	102,028

4. Earnings per share

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

The weighted average number of shares in the period was:

	6 months to 30 June 2012	6 months to 30 June 2011	12 months to 31 December 2011
	(unaudited)	(unaudited)	(audited)
	Number	Number	Number
Basic ordinary shares of 0.1p each	**216,744,454**	184,797,389	200,902,211
Dilutive ordinary shares from warrants & options	**-**	-	-
Total diluted	**216,744,454**	184,797,389	200,902,211

In the six months to 30 June 2012, the exercise price of the options and warrants exceeded the average market price of ordinary shares in the period, thus there is no dilutive effect on the weighted average number of ordinary shares or the diluted earnings per share.

Earning attributable to equity shareholders of the parent

	6 months to 30 June 2012	6 months to 30 June 2011	12 months to 31 December 2011
	(unaudited)	(unaudited)	(audited)
Continuing operations			
Basic earnings/(loss) per share	**0.13p**	0.01p	(2.11)p
Diluted earnings/(loss) per share	**0.13p**	0.01p	(2.11)p
Discontinued operations			
Basic loss per share	**-**	-	(0.78)p
Diluted loss per share	**-**	-	(0.78)p