20 June 2013

Mountfield Group Plc

(“Mountfield” or the “Company”)

Preliminary Unaudited Results

Mountfield, the AIM listed construction company specialising in building and refurbishing data centres, is pleased to announce the preliminary unaudited results for the year ended 31 December 2012.

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CHAIRMAN AND CHIEF EXECUTIVE’S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012.

The Company is pleased to present the Group’s unaudited financial statements for the year ended 31 December 2012.

- Group revenues increased by 22.5% to £13.6m.
- Trading loss of £836,330 in 2011 converted to a trading profit (pre-tax) of £218,505 in 2012.
- Increase in Gross margin from 7% in 2011 to 13%.
- Revival in Group’s levels of activity noted in 2011 continued into 2012.

We are very pleased to be able to report that in 2012 the Group moved back into profit after an extremely difficult three years during which its turnover dropped substantially and it declared trading losses.

A turnaround of £1,050,000 was achieved during 2012 and a loss on trading operations of £836,330 in 2011 became a trading profit of £218,505 in 2012 on turnover that increased by 22.5%. This was accompanied by an increase in gross margin from 7% in 2012 to 13% in 2013.

Notwithstanding the increase in turnover and profitability, the Group’s cash flow did not ease to the extent that the Directors had anticipated during 2012. However, they are confident that as a result of the increase in the rate at which new contracts are being won this will have improved significantly by the third quarter of 2013.

Results

	2012 £m	2011 £m
Revenue	**13.6**	11.1
Gross Profit	**1.8**	0.8
Profit/(loss) before tax	**0.2**	(4.3)

Mountfield Building Group Limited ("MBG")

MBG's principal business is the design and construction of data centres and IT installations. The recession in the construction sector, whose impact was first noted in the first quarter of 2009, affected companies such as MBG whose skills, client bases and reputations were concentrated in a particular area. The Company is now gaining from the increased levels of activity in the data centre sector and also from the strategic decision that was made in 2011 to concentrate on other markets such as leisure, hotels and office fit-outs where its skills would be in demand.

The increased levels of activity in the data centre market that were referred to in the statement that accompanied last year's accounts continued throughout 2012 with MBG being instructed on the construction and fit-out of data centres in Birmingham, Hampshire, Swindon and London. Two of these contracts were with data centre developers who are new clients to MBG.

The Directors believe that the sector will remain active for at least the next 5 years as it is driven by the need to refurbish and enlarge the previous generation of data centres and the increased demand for data centres from on-line retail companies and global internet operators.

The Directors' decision to target business for MBG from other sectors showed satisfactory returns in 2012 with contracts being won for office fit-out work and residential refurbishment. The prospects for increasing the proportion of the Company's revenue that derives from the non-data centre sector are regarded as being excellent.

MBG made a trading loss of £7,500 (2011: £0.8m) on turnover of £9.9m (2011: £7.6m) after eliminating inter-company trading.

Contracts with a gross value of approximately £8.2m were won in 2012 and these included:

- Refurbishment work on an office building at St Pauls.
- Fit-out of a data centre in Swindon.
- Fit-out of a data centre in Farnborough, Hampshire.
- Refurbishment work at the House of Commons.
- Fit-out of a data centre in Docklands

- A residential refurbishment in Brighton

Connaught Access Flooring Limited ("Connaught")

Connaught is a provider of flooring systems to both main contractors and corporate end users, primarily focused on the data centre market and the refurbishment and fitting out of commercial offices. The Company has established itself as one of the few recognised specialists in the supply and installation of raised access flooring for data centre and IT installations.

The decline after 2008 in the data centre market impacted heavily on the Company's revenue and as a result it paid greater attention to gaining work in the office construction and refurbishment market where it faced increased competition from the large number of companies competing for that business. The increased levels of activity in the data centre market have enabled the Company to focus again on the sector in which it has gained its reputation for expertise but it will continue to seek business from specialist companies in the office refurbishment market that require its levels of expertise.

Connaught made a pre-tax (profit) of £197000 (2011: £314,000) on turnover of £3.7m (2011: £3.6m).

Contracts with a gross value of £3.0m were won in 2012 and these included flooring work on:

- A data centre in Farnborough, Hampshire.
- A data centre in Birmingham.
- A data centre in Leicester.
- An office refurbishment in London.

Board Changes

Tom Spanner who was appointed as a non-executive director of the Group in August 2011 is not offering himself for re-election because of pressures on his time from his other business activities. The Group intends to appoint another person of suitable skills and experience to the Board as a non-executive director and is currently looking for a suitable candidate.

Strategy

The Group's principal strategy is to continue operating as a leading player, on a nationwide basis in the data centre market, while also offering the full range of its skills to other markets.

The latter draws it increasingly to those parts of the office refurbishment, hotel and leisure markets where the ability to deliver high quality construction projects on time is of particular importance to the client. Its entry to these markets has been made through marketing the Group's services to its existing client base and will also be made through its joint venture with Hub Group Limited, a construction consultant in which MBG has a 20% shareholding.

Financial

The Group continues to hold 7,500,000 ordinary shares in treasury but as these have not been re-issued they will be cancelled in the near future.

At the balance sheet date The Group had net current borrowings of £1.9m (2011: £1.6m) and net non-current borrowings of £3.7m (2011: £4.1m).

Outlook

The improvement in trading performance during 2012 has continued into 2013 with contracts having already been signed with a value in excess of 70% of 2012's turnover.

The recent announcements of contract wins for MBG in respect of refurbishment work at Bush House, Aldwych for £1m, enabling works for a new data centre in Cambridge and fit-out works for a franchisee of Anytime Fitness and the winning by Connaught of the contract worth in excess of £3m for the flooring of the first stage of a substantial data centre in Finland underpin the Directors' confidence in the prospects for the Group.

Connaught's performance has shown signs of significant improvement as evidenced by it winning a contract worth circa £3m to supply and install raised access flooring in the first phase of a major new data centre that is being built in Finland and by the increased number of enquiries and tenders with which it is currently involved.

Although competitive pressures and pressures on margins remain features of the trading environment the return in confidence and activity have had the result of strengthening the position of those contractors who have been able to retain their reputations for the quality of their completed product and timely delivery.

On behalf of the Board we would like to thank the staff whose dedication and hard work have helped the Group come through a difficult trading period and who are now able to see the results of their efforts and commitment.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Unaudited 2012 £	Audited 2011 £
Continuing operations		
Revenue	**13,556,918**	11,063,041
Cost of sales	**(11,797,502)**	(10,289,113)

Gross profit	**1,759,416**	773,928
Administrative expenses	**(1,570,199)**	(1,482,741)
Operating profit/ (loss) – before impairment	**189,217**	(708,813)
Impairment of Goodwill	**-**	(3,500,000)
Operating profit/(loss) – continuing operations	**189,217**	(4,208,813)
Net finance income/(costs)	**29,288**	(127,517)
Profit/(loss) before income tax – continuing operations	**218,505**	(4,336,330)
Income tax (charge)/credit	**(135,554)**	102,028
Profit/(loss) for the year from continuing operations	**82,951**	(4,234,302)
Discontinued operations		
Loss for the year from discontinued operations	**-**	(1,565,286)
Total comprehensive profit/(loss) for the year	**82,951**	(5,799,588)
Loss per share		
Basic and diluted profit/(loss) per share:		
Continuing operations	**0.04p**	(2.11)p
Discontinued operations	**-**	(0.78)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Unaudited 2012 £	Audited 2011 £
ASSETS		
Non-current assets		
Intangible assets	**10,788,521**	10,788,521
Property plant and equipment	**116,432**	127,590
Deferred income tax assets	**599,986**	728,849
	11,504,939	11,644,960
Current assets		
Inventories	**82,005**	75,567
Trade and other receivables	**2,228,480**	2,292,624
Cash and cash equivalents	**223,337**	328,344
	2,533,822	2,696,535
TOTAL ASSETS	**14,038,761**	14,341,495

EQUITY AND LIABILITIES		
Issued share capital	**216,744**	216,744
Share premium	**1,120,432**	1,120,432
Share based payments reserve	**320,961**	294,022
Merger reserve	**12,951,180**	12,951,180
Reverse acquisition reserve	**(2,856,756)**	(2,856,756)
Retained earnings	**(6,832,250)**	(6,915,201)
TOTAL EQUITY	**4,920,311**	4,810,421
Current liabilities		
Trade and other payables	**3,442,863**	3,836,328
Short-term borrowings	**1,934,147**	1,619,442
Finance lease liabilities	**8,496**	8,482
Income tax	**6,691**	-
	5,392,197	5,464,252
Non-current liabilities		
Loan notes	**3,718,921**	4,051,513
Finance lease liabilities	**7,332**	15,309
Provision for deferred taxation	**-**	-
	9,118,450	9,531,074
TOTAL EQUITY AND LIABILITIES	**14,038,761**	14,341,495

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Unaudited 2012 £	Audited 2011 £
Cash flows from operating activities			
Operating profit/(loss) – continuing operations		**189,217**	(708,813)
Operating profit/(loss) – discontinued operations		**-**	141
Adjusted for:			
Depreciation		**17,916**	26,968
Loss on disposal of property, plant and equipment		**3,606**	1,400
Share option charge		**26,939**	-
(Increase)/decrease in inventories		**(6,438)**	814
Decrease/(increase) in trade and other receivables		**64,144**	(68,216)
(Decrease)/increase in trade and other payables		**(393,465)**	520,651
Cash used in operations		**(98,081)**	(227,055)
Finance costs		**25,407**	(57,484)
Finance income		**3,881**	13
Net cash outflow from operating activities		**(68,793)**	(284,526)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,864)**	(5,358)
Proceeds from sale of fixed assets		**2,500**	1,800
Net cash used in investing activities		**(10,364)**	(3,558)

Cash flows from financing activities		
Proceeds from issue of shares	**-**	621,490
Costs of shares issued	**-**	(67,699)
Finance lease rentals	**(7,963)**	(10,108)
Repayment of non-convertible loan notes	**(346,892)**	(472,992)
(Repayment)/proceeds from short-term loans	**(25,000)**	280,700
Net cash flows (used in)/generated from financing activities	**(379,855)**	351,391
Net cash (decrease)/increase in cash and cash equivalents	**(459,012)**	63,307
Cash and cash equivalents brought forward	**(299,206)**	(362,513)
Cash and cash equivalents carried forward	**(758,218)**	(299,206)