RNS Number : 9341O
Mountfield Group plc
26 September 2013

26 September 2013

Mountfield Group Plc

Half-yearly report to 30 June 2013

Mountfield Group plc (the "Group"), the AIM listed construction company specialising in building, fitting out and refurbishing commercial buildings and, in particular, data centres, announces its half-yearly report to 30 June 2013.

- Gross profit of £1.0m (2012: £1.3m) on revenue of £5.2m (£8.6m).
- Group margins improved from 15.0% to 19.6%.
- Mountfield Building Group Limited ("Mountfield") revenues fell by 62% to £2.6m due to contract starts delayed into H2. Margins improved from 13.5% to 18.6%.
- Connaught Access Flooring Limited ("Connaught") revenues increased by 64% to £2.7m with a slight reduction in margins from 20.6% to 19.9%.
- Cash generated by operations improved to £197k against an improvement of £103k in the corresponding period of 2012.
- Administrative expenses reduced to £0.76m (£0.80m)
- Pre-tax profits decreased to £236k from £371k.
- Group pipeline and level of activity remain high with order book now at £11m, a level not seen since 2008.
- Directors confident of meeting full year expectation.
- Successful raising of £450k to provide working capital and finance its increasingly strong order book.

Graham Read, Chief Executive Officer, said:

"Group tempo, in terms of demand for the Group's services, tendering and new opportunities, continues to increase as does the strengthening of our business pipeline. First half numbers, being behind the corresponding period for 2012, is solely a function of delays on starts of certain contracts which have now commenced and as a result of this and of levels of activity we look to the second half of the year and beyond with increasing optimism."

Mountfield Group Plc
Peter Jay, Chairman
Graham Read, Chief Executive Officer
+44 (0)1268 561 516

WH Ireland (Nominated Adviser)
Chris Fielding
+44 (0)20 7220 1666

Mountfield Group Plc (the "Company" or "the Group")
Half-yearly report to 30 June 2013

Chairman and CEO's Statement

Although the first half of the year saw a reduction in pre-tax profits from £371k (2012) to £236k on revenue of £5.2m (2012: £8.5m), as a result of the delayed start on certain contracts, we are pleased to report that the return to growth and profitability that the Group saw last year has been carried through into 2013.

Activity levels have been high, the pipeline continues to grow and the number and quality of new opportunities on offer to the Group are highly encouraging. With contracted work for completion in 2013 now exceeding £11m in value (the highest at this stage of the year since 2008) we are highly confident of meeting full year estimates albeit with a larger proportion of income falling within the second half of the year.

In addition, the Group's margins improved over the period from 15% to 19.6% and we expect this to continue into the second half.

Particular features for Mountfield have been the extension of is lead sub-contractor work on the office refurbishment and fit-out of a high profile building in Central London, where the value of works which were initially estimated at £1m, is now expected to substantially exceed that figure, its appointment as preferred contractor for the first part of a multi-stage data centre project in Northern Ireland and also for a complete refurbishment and enlargement of a leading members club in the West End of London. Both of these opportunities have arisen as a result of the policy of extending the Group's links with a number of architectural and professional engineering practices.

The first half of 2013 has seen a considerable increase in activity for Connaught. Although the time and efforts of its management have been devoted to its €3.4m contract to supply and install a raised access floor in a data centre in Finland, this has not been at the expense of further marketing and developing its business to take advantage of the recent increase in activity in the raised flooring market. Recent successes include winning a flooring contract at a site where Mountfield is undertaking a substantial fit-out and being chosen as flooring contractor on three substantial tenders.

The delayed starts on two of Mountfield's contracts (both of which have now commenced) will see postponed turnover appearing in the second half of the year.

The period saw an improvement in the Group's cash flow with cash generated improving to £197k against £103K in the first six months of 2012.

In the light of the increasing order book and improving gross margins, the Board remains highly optimistic about the Group's prospects for 2013 and beyond.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2013

	Note	**6 months to 30 June 2013 (unaudited) £**	6 months to 30 June 2012 (unaudited) £	12 months to 31 December 2012 (audited) £
Revenue		5,227,055	8,572,812	13,556,917
Cost of sales		(4,203,485)	(7,284,409)	(11,797,502)
Gross profit		1,023,570	1,288,403	1,759,416
Administrative expenses		(756,566)	(799,698)	(1,570,199)
Operating Profit		267,004	488,705	189,217
Net finance (costs)/income		(31,169)	(117,240)	29,288
Profit before income tax		235,835	371,465	218,504
Income tax expense	3	(57,756)	(98,820)	(135,555)
Total comprehensive profit for the period		178,079	272,645	82,950
Earnings per share	4			
Basic & diluted		**0.08p**	0.13p	0.04p

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

Condensed consolidated statement of financial position
As at 30 June 2013

	30 June 2013 (Unaudited) £	30 June 2012 (Unaudited) £	31 December 2012 (audited) £
ASSETS			
Non-current assets			
Intangible assets	**10,788,521**	10,788,521	10,788,521
Property, plant and equipment	**121,814**	114,663	116,432
Deferred income tax assets	**599,986**	630,029	599,986
	11,510,321	11,533,213	11,504,939
Current assets			
Inventories	**78,588**	77,223	82,005
Trade and other receivables	**2,851,689**	2,479,518	2,228,483
Cash and cash equivalents	**195,038**	270,954	223,337
	3,125,315	2,827,695	2,533,825
TOTAL ASSETS	**14,635,636**	14,360,908	14,038,764
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	**329,771**	300,997	320,961
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	**(6,654,170)**	(6,642,556)	(6,832,251)
TOTAL EQUITY	**5,107,201**	5,090,041	4,920,311
Current liabilities			
Trade and other payables	**4,181,966**	3,734,788	3,617,863
Short-term borrowings	**1,718,892**	1,635,500	1,759,147
Finance lease liabilities	**5,439**	8,682	8,496
Current tax payable	**64,478**	-	7
	5,970,775	5,378,970	5,392,198
Non-current liabilities			
Loan notes	**3,553,475**	3,880,567	3,718,921
Finance lease liabilities	**4,185**	11,330	7,332
TOTAL LIABILITES	**9,528,435**	9,270,867	9,118,452
TOTAL EQUITY & LIABILITIES	**14,635,636**	14,360,908	14,038,763

Condensed consolidated statement of changes in equity
For the six months ended 30 June2013

	Share capital £	Share premium £	Other reserves £	Reverse Acquisition reserve £	Merger reserve £	Retained earnings £	Total £
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 payments	-	-	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
Balance at 1 July 2012	216,744	1,120.432	300,997	(2,856,756)	12,951,180	(6,642,556)	5,090,041
Total comprehensive loss	-	-	-	-	-	(189,694)	(189,694)
Share based payments	-	-	19,964	-	-	-	19,964
Balance at 31 December 2012	216,744	1,120,432	320,961	(2,856,756)	12,951,180	(6,832,250)	4,920,311
Balance at 1 January 2013	216,744	1,120,432	320,961	(2,856,756)	12,951,180	(6,832,250)	4,920,311
Total comprehensive income	-	-	-	-	-	178,079	178,079
Share based payment	-	-	8,811	-	-	-	8,811
Balance at 30 June 2013	**216,744**	**1,120,432**	**329,772**	**(2,856,756)**	**12,951,180**	**(6,654,171)**	**5,107,201**

Condensed consolidated cash flow statement
For the six months ended 30 June 2013

	6 months to 30 June 2013	6 months to 30 June 2012	12 months to 31 December 2012
	(unaudited)	(unaudited)	(audited)

	£	£	£
Cash from operating activities:			
Operating profit	**267,004**	488,705	189,217
Adjusted for:			
Depreciation	**8,298**	14,461	17,916
Loss on disposal of property, plant and equipment	**-**	-	3,606
Share based payment provision	**8,811**	6,975	26,939
(Increase)/ decrease in inventories	**(3,021)**	(1,656)	(6,438)
(Increase)/ decrease in trade and other receivables	**(623,205)**	(186,894)	64,141
(Decrease)/ increase in trade and other payables	**570,540**	(91,946)	(218,463)
Cash (used in)/ generated by operations	**228,427**	229,645	76,917
Finance costs	**(34,850)**	(126,835)	25,407
Finance income	**3,680**	-	3,881
Net cash (outflow)/inflow from operating activities	**197,257**	102,810	106,205
Cash flows from investing activities			
Purchase of equipment	**(13,679)**	(1,534)	(12,864)
Proceeds from sale of equipment	**-**	-	2,500
Net cash flows from used in investing activities	**(13,679)**	(1,534)	(10,364)
Cash flows from financing activities:			
Finance lease rentals	**(6,205)**	(3,778)	(7,962)
Repayment of non-convertible loan notes	**(165,446)**	(170,946)	(346,892)
Proceeds from short-term loans	**150,000**	-	200,000
Net cash flows from financing activities	**(21,651)**	(174,724)	(554,854)
Net (decrease)/increase in cash and cash equivalents	**161,927**	(73,448)	(459,013)
Cash and cash equivalents brought forward	**(758,219)**	(299,206)	(299,206)
Cash and cash equivalents carried forward	**(596,292)**	(372,654)	(758,219)

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

	As at 30 June 2013	As at 30 June 2012	As at 31 December 2012
	£	£	£
Cash at bank and in hand	**195,038**	270,954	223,337
Bank overdraft	**(791,330)**	(643,608)	(981,555)
	(596,292)	(372,654)	(758,218)

1. Notes to the Interim Report

Basis of preparation

The Group's interim financial statements for the six months ended 30 June 2013 were authorised for issue by the directors on 24 September 2013.

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 2012 have been filed with the registrar of companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2012 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 2013 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 2012.

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

	Six months to 30 June 2013		Six months to 30 June 2012		Twelve months to 31 December 2012	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction	2,606	14	6,997	465	9,916	(8)
Fit -out	2,714	359	1,659	159	3,736	198
Land sourcing	-	-	-	-	-	-
	5,320	373	8,656	624	13,652	190
Inter-segmental					(95)	29

revenue and unallocated costs	(93)	(137)	(83)	(253)		
	5,227	236	8,573	371	13,557	219

Business segments assets and liabilities

	Six months to 30 June 2013		Six months to 30 June 2012		Twelve months to 31 December 2012	
	Segment assets £'000	**Segment liabilities £'000**	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Construction	**1,456**	**3,935**	1,956	3,982	2,078	4,335
Fit-out	**2,311**	**1,543**	1,373	666	1,072	632
Land sourcing	**-**	**2**	-	2	-	2
	3,767	**5,480**	3,329	4,650	3,150	4,808
Goodwill - Construction	**5,914**	**-**	5,914	-	5,914	-
Goodwill - Fit-out	**4,874**	**-**	4,874	-	4,874	-
Goodwill - Land sourcing	**-**	**-**	-	-	-	-
Other unallocated assets & liabilities	**81**	**4,048**	244	4,621	101	4,149
	14,636	**9,528**	14,361	9,271	14,039	9,118

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

	6 months to 30 June 2013 (unaudited) £'000	6 months to 30 June 2012 (unaudited) £'000	12 months to 31 December 2012 (audited) £'000
United Kingdom	**3,624**	8,573	13,557
Other EU	**1,603**	-	-
	5,227	8,573	13,557

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 2013 (unaudited) £	6 months to 30 June 2012 (unaudited) £	12 months to 31 December 2012 (audited) £
Current tax on income for the period	**(57,756)**	-	(6,692)
Deferred tax (expense)/credit	**-**	(98,820)	(128,863)
Income tax (expense)/credit in the income statement	**(57,756)**	(98,820)	(135,555)

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 2013 (unaudited) Number	6 months to 30 June 2012 (unaudited) Number	12 months to 31 December 2012 (audited) Number
Basic ordinary shares of 0.1p each	**216,744,454**	216,744,454	216,744,454
Dilutive ordinary shares from warrants & options	**-**	-	-
Total diluted	**216,744,454**	216,744,454	216,744,454

In the six months to 30 June 2013, 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 2013 (unaudited)	6 months to 30 June 2012 (unaudited)	12 months to 31 December 2012 (audited)
Continuing operations			
Basic earnings / (loss) per share	**0.08p**	0.13p	0.04p
Diluted earnings / (loss) per share	**0.08p**	0.13p	0.04p

END