12 September 2017

Mountfield Group Plc

Half-yearly report to 30 June 2017

Mountfield Group Plc ("the Group"), the AIM listed commercial flooring and specialist construction services company announces its half-yearly report to 30 June 2017.

- Net profit before tax for the first half of 2017 was £305k (2016: £316k).
- The Board expects a markedly improved performance from the Group for 2017 over 2016.
- Connaught Access Flooring Limited ("CAF" or "Connaught") has won over £6m worth of contracts since the beginning of 2017.
- The Board anticipates that CAF is about to win another significant contract - one with an initial value of c£4m.
- Mountfield Building Group Limited ("MBG") is in negotiation over a number of valuable opportunities and its performance in the second half of the year is expected to be substantially stronger.

Andy Collins – Group CEO said:

"The first half of 2017 saw exciting developments for both Companies.

CAF has successfully tendered for £6m of new business since 1 January 2017 and expects shortly to confirm the gaining of a new, substantial contract. Together, this demonstrates the progress it has made in establishing itself as one of the few top-tier commercial flooring suppliers and installers. It also underlines its status as one of the very few commercial flooring companies that major construction companies and developers will trust when choosing a specialist able to take on a complex and valuable project, and one that has the proven ability to produce a very high quality product within a tight time schedule.

This level of turnover (the aggregate won in the first six months is more than it has previously won in a twelve month period) will ensure a strong performance during the current year and provide it with a strong start for 2018.

With a number of exciting opportunities under negotiation with both existing and new clients, the Board expects MBG to perform strongly in the second half of the year in terms of the profitable delivery of current projects and in securing significant new ones for completion in 2018 in line with its recently adopted business criteria and strategy."

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Mountfield Group Plc (the "Company" or "the Group") Half-yearly report to 30 June 2017

Chairman and CEO's Statement

The first half of 2017 saw the Group's net profit before tax (£305k) a figure that was in line with that earned in the corresponding period of 2016 (£316k).

The Board is very pleased with the progress that the Group has made in the first half of 2017 and expects a stronger performance in the second half of the year over that achieved in 2016 and that, as a result the full year figures will reflect a marked improvement compared with those for the 2016 financial year.

Connaught

CAF has had an extremely satisfactory first half and achievement is reflected in the net profit of £408k earned during the first half (2016: £397k) but more particularly in the new business it has acquired to be undertaken during 2017-8. The first three of these contracts had already been announced and of them two were separate contract stages in respect of a single property that were announced on 7 March 2017 (value of £1.2m) and on 29 August 2017 with a value of £1.5m to be undertaken in the 12 months from October 2017. In addition, the Company was awarded a contract valued at £2.5m (announced on 7 March 2017) for completion during 2017.

In addition to these contracts the Board is confident that CAF is about to be awarded a particularly significant contract – one with an initial value of circa £4m - to supply and install flooring at another major office development in the City of London.

The Board expects that the Company's successes in 2017 are unlikely to be limited to these contracts. The market remains strong in terms of tender activity and CAF expects to secure additional works including some to be undertaken in 2018.

MBG

MBG's levels of activity and involvement in tendering and contract negotiations in the first half of the year were not reflected in its performance and in particular in the net profit of £44k (2016: £71k). The announcement on 6 September of it having won contracts for a single client with an aggregate value of approximately £750k and another where the client has provided MBG with a letter of intent enabling it to procure essential materials in advance of the commencement of a contract with a value in excess of £1m. These contracts are expected by the Board to be followed by a series of other contract wins during the remaining months of 2017.

The Board anticipates the Group performing well in the second half of the year and also CAF and MBG securing further business that will ensure a strong backbone for 2018.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2017

	Note	**6 months to 30 June 2017 (unaudited) £**	6 months to 30 June 2016 (unaudited) £	12 months to 31 December 2016 (audited) £
Revenue		5,683,667	4,915,089	9,634,979
Cost of sales		(4,653,137)	(3,892,054)	(7,787,965)
Gross profit		1,030,530	1,023,035	1,847,014
Administrative expenses		(714,696)	(695,182)	(1,377,194)
Operating profit		**315,834**	**327,853**	**469,820**
Net finance costs		(10,815)	(11,436)	(27,276)
Profit before income tax		305,019	316,417	442,544
Income tax expense	3	(84,414)	(68,871)	(108,805)
Total comprehensive profit for the period		220,605	247,546	333,739
Earnings per share	4			
Basic & diluted		**0.086p**	**0.097p**	**0.131p**

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 2017

	30 June 2017	30 June 2016	31 December 2016
	(Unaudited)	(Unaudited)	(audited)
	£	£	£
ASSETS			
Non-current assets			
Intangible assets	**6,874,308**	6,874,308	6,874,308
Property, plant and equipment	**85,389**	97,612	90,956
Deferred income tax assets	**269,030**	329,932	295,268
	7,228,727	7,301,852	7,260,532
Current assets			
Inventories	**100,601**	84,870	88,272
Trade and other receivables	**2,916,039**	2,743,903	1,776,611
Cash and cash equivalents	**-**	396,024	-
	3,016,640	3,224,797	1,864,883
TOTAL ASSETS	**10,245,367**	10,526,649	9,125,415
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**2,524,426**	254,244	2,524,426
Share premium	**1,490,682**	1,490,682	1,490,682
Share based payments reserve	**68,871**	68,871	68,871
Capital redemption reserve	**7,500**	7,500	7,500
Merger reserve	**4,051,967**	12,951,180	4,051,967
Reverse acquisition reserve	**(2,856,756)**	(2,856,756)	(2,856,756)
Retained earnings	**(358,581)**	(9,564,591)	(579,186)
TOTAL EQUITY	**4,928,109**	2,351,130	4,707,504
Current liabilities			
Trade and other payables	**3,357,051**	3,590,023	2,894,439
Short-term borrowings	**1,434,896**	1,620,615	897,579
Finance lease liabilities	**-**	2,399	583
Current tax payable	**115,946**	52,499	57,770
	4,907,893	5,265,536	3,850,371
Non-current liabilities			
Loan notes	**297,911**	2,909,983	393,857
Bank Loan	**111,454**	-	173,683
TOTAL LIABILITES	**5,317,258**	8,175,519	4,417,911
TOTAL EQUITY & LIABILITIES	**10,245,367**	10,526,649	9,125,415

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2017

	Share capital £	Share premium £	Share based payments reserve £	Capital redemption reserve £	Reverse Acquisition reserve £	Merger reserve £	Retained earnings £	Total £
Balance at 1 January 2016	254,244	1,490,682	68,871	7,500	(2,856,756)	12,951,180	(9,812,138)	2,103,583
Total comprehensive income	-	-	-	-	-	-	247,546	-
Balance at 30 June 2016	254,244	1,490,682	68,871	7,500	(2,856,756)	12,951,180	(9,564,591)	2,351,130
Balance at 1 July 2016	254,244	1,490,682	68,871	7,500	(2,856,756)	12,951,180	(9,564,591)	2,351,130
Total comprehensive income	-	-	-	-	-	-	86,193	86,193
Conversion of loan notes	2,270,182	-	-	-	-	-	-	2,270,182
Transfer	-	-	-	-	-	(8,899,213)	8,899,213	-
Balance at 31 December 2016	2,524,426	1,490,682	68,871	7,500	(2,856,756)	4,051,967	(579,186)	4,707,504
Balance at 1 January 2017	2,524,426	1,490,682	68,871	7,500	(2,856,756)	4,051,967	(579,186)	4,707,504
Total comprehensive income	-	-	-	-	-	-	220,605	220,605
Balance at 30 June 2017	**2,524,426**	**1,490,682**	**68,871**	**7,500**	**(2,856,756)**	**4,051,967**	**(358,581)**	**4,928,109**

Condensed consolidated cash flow statement
For the six months ended 30 June 2017

	6 months to 30 June 2017 (unaudited) £	6 months to 30 June 2016 (unaudited) £	12 months to 31 December 2016 (audited) £
Cash from operating activities:			
Operating profit	**315,834**	327,853	469,820
Adjusted for:			
Depreciation	**6,453**	6,861	13,516
(Increase)/ decrease in inventories	**(12,329)**	(12,035)	(15,437)
(Increase)/ decrease in trade and other receivables	**(1,139,428)**	(398,109)	569,187
(Decrease)/ increase in trade and other payables	**740,843**	2,483	(614,007)
Cash (used in)/ generated by operations	**(88,627)**	(72,947)	423,079
Finance costs	**(10,815)**	(11,436)	(27,276)
Finance income	**-**	-	-
Taxation paid	**-**	-	-
Net cash (outflow)/inflow from operating activities	**(99,442)**	(84,383)	395,803
Cash flows from investing activities			
Purchase of equipment	**(886)**	(2,259)	(2,259)
Net cash flows from used in investing activities	**(886)**	(2,259)	(2,259)
Cash flows from financing activities:			
Finance lease rentals	**(583)**	(1,747)	(3,564)
Repayment of non-convertible loan notes	**(95,946)**	(137,437)	(283,381)
Facility repayments	**(62,229)**	-	(51,858)
New facility loan	**-**	-	350,000
Net cash flows from financing activities	**(158,758)**	(139,184)	11,197
Net (decrease)/increase in cash and cash equivalents	**(259,086)**	(225,826)	404,741
Cash and cash equivalents brought forward	**(20,247)**	(424,988)	(424,988)
Cash and cash equivalents carried forward	**(279,333)**	(650,814)	(20,247)

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

	As at 30 June 2017 £	As at 30 June 2016 £	As at 31 December 2016 £
Cash at bank and in hand	**-**	396,024	-
Bank overdraft	**(279,333)**	(1,046,838)	(20,247)
	(279,333)	(650,814)	(20,247)

1. Notes to the Interim Report

Basis of preparation
The Group's interim financial statements for the six months ended 30 June 2017 were authorised for issue by the directors on 12 September 2017.

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 2016 have been filed with the Registrar of Companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2016 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 2017 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 2016.

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.

Segmental operating performance

	Six months to 30 June 2017		Six months to 30 June 2016		Twelve months to 31 December 2016	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction	1,298	44	1,734	71	4,346	232
Fit –out	4,386	408	3,198	397	5,321	307
	5,684	452	4,932	468	9,667	539
Inter-segmental revenue and unallocated costs	-	(147)	(17)	(152)	(32)	(97)
	5,684	305	4,915	316	9,635	442

Business segments assets and liabilities

	Six months to 30 June 2017		Six months to 30 June 2016		Twelve months to 31 December 2016	
	Segment assets £'000	**Segment liabilities £'000**	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Construction	**953**	**2,693**	2,469	3,727	713	2,599
Fit-out	**2,406**	**1,774**	1,184	1,831	1,223	594
	3,359	**4,467**	3,653	5,558	1,936	3,193
Goodwill - Construction	**2,000**	**-**	2,000	-	2,000	-
Goodwill – Fit-out	**4,874**	**-**	4,874	-	4,874	-
Other unallocated assets & liabilities	**12**	**850**	-	2,565	315	1,225
	10,245	**5,317**	10,527	8,123	9,125	4,418

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

Revenue is attributable to the United Kingdom and other EU markets.

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 2017 (unaudited)	6 months to 30 June 2016 (unaudited)	12 months to 31 December 2016 (audited)
	£	£	£
Current tax on income for the period	**(58,176)**	(52,499)	(57,769)
Deferred tax (expense)	**(26,238)**	(16,372)	(51,036)
Income tax (expense)/credit in the income statement	**(84,414)**	(68,871)	(108,805)

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 2017 (unaudited)	6 months to 30 June 2016 (unaudited)	12 months to 31 December 2016 (audited)
	Number	Number	Number
Basic ordinary shares of 0.1p each	256,514,636	254,244,454	254,339,045
Dilutive ordinary shares from warrants & options	-	-	-
Total diluted	256,514,636	254,244,454	254,339,045

In the six months to 30 June 2017, 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 2017 (unaudited)	6 months to 30 June 2016 (unaudited)	12 months to 31 December 2016 (audited)
Continuing operations			
Basic earnings per share	**0.086p**	0.097p	0.131p
Diluted earnings per share	**0.086p**	0.097p	0.131p