07 September 2015

Mountfield Group Plc

Half-yearly report to 30 June 2015

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 2015.

- Gross profit of £1.1m (2014: £0.8m) on revenue of £7.3m (£5.6m).
- Mountfield Building Group Limited ("Mountfield") revenues increased by 55% to £3.4m.
- Connaught Access Flooring Limited ("Connaught") revenues increased by 15% to £3.9m
- Cash generated in operations was £113k against cash used in operations of £430k in the corresponding period of 2014.
- Administrative expenses decreased to £0.80m (£0.82m) with those for Mountfield having been halved.
- Group's secured order book for 2015 currently £13.5m with additional contracts being negotiated.
- Recommendations from completed Strategic Review have been implemented and Board has seen evidence of resulting increase in Group profitability.

Andy Collins – Group CEO said:

"The increasing optimism of the Board for the Group has been evident as the half year has progressed and I am satisfied that real improvements have been achieved during this period. This turnaround will provide the basis for further organic growth and also potential inorganic growth.

The Board is extremely pleased with the progress that has been made and believes that the Group's prospects are better now than they have been for a number of years."

Mountfield Group Plc
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Mountfield Group Plc (the "Company" or "the Group") Half-yearly report to 30 June 2015

Chairman and CEO's Statement

The first half of the year saw an increase in the unaudited pre-tax profits of the Group from £4k to £245k represents a pleasing recovery for the Group from its performance in 2014. The Board believes that the recovery in the first half of the year demonstrates the continued strength of the business of Connaught Access Flooring Limited **("CAF")** and also an indication that the substantial strategic changes and cost reduction exercise put in place by the Board in that period are bearing fruit and will produce increasing profitability in future periods.

That CAF's operating profit has reduced from £546k (2014) to £321k, is indicative only of the drawdown times for its current substantial contract in the City of London and the Board expects that at the year-end its performance will exceed that achieved in 2014. Its secured pipeline for 2015 currently stands at £7.5m with further contracts awaiting negotiation.

The Board is pleased with the manner in which CAF has adopted one of the key conclusions of the recent Strategic Review – that it should extend its business strategy beyond seeking substantial contracts for the supply and installation of raised access flooring. It has already developed a sustainable new income stream for its business and there are strong indications that it will succeed in developing another that will have even greater significance for the Group.

The first was CAF's decision to open a new division that will concentrate on the lower value but strong margin flooring contracts that it had previously not pursued. The results have already been impressive and the Company is forecasting that in 2015, its first year, the division is likely to contribute around £1.6m to the Company's turnover.

The Board is particularly excited by the potential for the Group of CAF's other new strategy – that of seeking to replicate its position as an industry lead player in the raised access flooring sector in another key sector of the fit-out market - the supply and installation of specialist partitioning for commercial buildings, including data centres. After a series of discussions with lead suppliers, it has begun negotiations with main contractors with whom it already has strong links and is optimistic that these will result in increased turnover for CAF.

We have referred previously to the need for substantial strategic changes that were highlighted by the problems encountered last year by the Group's construction arm Mountfield Building Group Limited **("MBG")** on its contracts for the provision of builders work packages. At the beginning of this year the Board decided that the benefits from undertaking such contracts were outweighed by the commercial risks and the high level of operating costs.

By concentrating on those contracts where it is the main contractor and being more selective in its approach to potential business MBG has over the last six months been able to almost halve its operating costs and thereby make a suitable contribution to the Group's profitability.

The improvement in the performance of MBG during the half-year (an operating profit of £46k against a loss of £413k in the same period of 2014) does not fully reflect the benefits that will flow in a full year from the cost reductions. In addition the Company's profit during the period would have been greater had not resources been utilised in completing two legacy builders work type contracts.

Whilst applying its new criteria to work selection MBG has been able to secure contracts with a value of approximately £6m for 2015 and is currently negotiating others that would (in whole or in part) accrue for the benefit of the Group in 2015. The contracts won include four where it has acted in its preferred role as main contractor.

In Q1 of this year the Board concentrated on ensuring that the causes of the Group's poor performance in 2014 and in particular of the construction division's recent record of low profitability and losses were analysed and that appropriate corrective action was taken. In addition, the Board has concentrated on those areas where

Group profitability can be increased substantially. The Board is extremely pleased with the progress that has been made and believes that the Group's prospects are better now than they have been for a number of years.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2015

	Note	**6 months to 30 June 2015**	6 months to 30 June 2014	12 months to 31 December 2014
		(unaudited)	(unaudited)	(audited)
		£	£	£
Revenue		7,253,265	5,608,294	11,802,018
Cost of sales		(6,179,663)	(4,765,697)	(10,005,744)
Gross profit		1,073,602	842,598	1,796,274
Administrative expenses		(796,210)	(824,105)	(1,721,889
Operating Profit – before impairment and exceptional income		277,392	18,493	74,385
Impairment of Goodwill		-	-	(3,914,213)
Operating profit/(loss)		**277,392**	**18,493**	**(3,839,828)**
Net finance costs		(31,751)	(14,102)	(24,141)
Profit/(loss) before income tax		245,640	4,391	(3,863,969)
Income tax expense	3	(43,862)	(7,481)	(35,605)
Total comprehensive profit/(loss) for the period		201,778	(3,090)	(3,899,574)
Earnings per share	4			
Basic & diluted		**0.08p**	**(0.001)p**	**(1.534p)**

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 2015

	30 June 2015	30 June 2014	31 December 2014
	(Unaudited)	(Unaudited)	(audited)
	£	£	£
ASSETS			
Non-current assets			
Intangible assets	**6,874,308**	10,788,521	6,874,308
Property, plant and equipment	**109,490**	111,672	108,966
Deferred income tax assets	**407,032**	428,756	407,032
	7,390,830	11,328,949	7,390,306
Current assets			
Inventories	**88,279**	79,474	82,299
Trade and other receivables	**4,024,658**	2,688,090	3,435,142
Cash and cash equivalents	**355,571**	678,567	185,064
	4,468,508	3,446,131	3,702,505
TOTAL ASSETS	**11,859,338**	14,775,081	11,092,811
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**254,244**	254,244	254,244
Share premium	**1,490,682**	1,490,682	1,490,682
Share based payments reserve	**76,369**	342,779	73,584
Merger reserve	**12,951,180**	12,951,180	12,951,180
Reverse acquisition reserve	**(2,856,755)**	(2,856,755)	(2,856,756)
Retained earnings	**(9,726,749)**	(6,326,064)	(9,928,527)
TOTAL EQUITY	**2,188,971**	5,856,066	1,984,407
Current liabilities			
Trade and other payables	**4,674,126**	3,538,910	4,252,826
Short-term borrowings	**1,976,600**	2,114,600	1,783,833
Finance lease liabilities	**3,564**	8,735	6,635
Current tax payable	**57,743**	98,831	13,882
	6,712,034	5,761,076	6,057,176
Non-current liabilities			
Loan notes	**2,956,001**	3,152,893	3,046,947
Finance lease liabilities	**2,332**	5,046	4,281
TOTAL LIABILITES	**9,670,367**	8,919,015	9,108,404
TOTAL EQUITY & LIABILITIES	**11,859,338**	14,775,081	11,092,811

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2015

	Share capital	Share premium	Other reserves	Capital redemption reserve	Reverse Acquisition reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
Balance at 1 January 2014	254,244	1,490,682	329,781	7,500	(2,856,755)	12,951,180	(6,322,975)	5,853,656
Total comprehensive income	-	-	-	-	-	-	(3,090)	(3,090)
Share based payments	-	-	5,498	-	-	-	-	5,498
Balance at 30 June 2014	254,244	1,490,682	335,279	7,500	(2,856,755)	12,951,180	(6,326,065)	5,856,066
Balance at 1 July 2014	254,244	1,490,682	335,279	7,500	(2,856,755)	12,951,180	(6,326,065)	5,856,066
Total comprehensive income	-	-	-	-	-	-	(3,896,484)	(3,896,484)
Cost of shares issued	-	(34,750)	-	-	-	-	-	(34,750)
Share based payments	-	-	24,827	-	-	-	-	24,827
Lapsed Warrants	-	-	(294,022)	-	-	-	294,022	-
Balance at 31 December 2014	254,244	1,490,682	66,084	7,500	(2,856,755)	12,951,180	(9,928,527)	1,984,407
Balance at 1 January 2015	254,244	1,490,682	66,084	7,500	(2,856,755)	12,951,180	(9,928,527)	1,984,407
Total comprehensive income	-	-	-	-	-	-	201,778	201,778
Share based payment	-	-	2,785	-	-	-	-	2,785
Balance at 30 June 2015	**254,244**	**1,490,682**	**68,869**	**7,500**	**(2,856,755)**	**12,951,180**	**(9,726,749)**	**2,188,971**

Condensed consolidated cash flow statement

For the six months ended 30 June 2015	**6 months to 30 June 2015**	6 months to 30 June 2014	12 months to 31 December 2014
	(unaudited)	(unaudited)	(audited)
	£	£	£
Cash from operating activities:			
Operating profit	**277,392**	18,493	74,385
Adjusted for:			
Depreciation	**7,035**	7,248	15,172
Loss on disposal of property, plant and equipment	**-**	-	-
Share based payment provision	**2,787**	5,500	30,325
(Increase)/ decrease in inventories	**(5,980)**	1,014	(1,811)
(Increase)/ decrease in trade and other receivables	**(601,891)**	555,820	(191,229)
(Decrease)/ increase in trade and other payables	**433,673**	(1,018,480)	(79,564)
Cash (used in)/ generated by operations	**113,016**	(430,405)	(152,722)
Finance costs	**(35,412)**	(17,565)	(31,145)
Finance income	**3,661**	3,463	7,004
Taxation paid	**-**	-	(91,349)
Net cash (outflow)/inflow from operating activities	**81,265**	(444,507)	(268,212)
Cash flows from investing activities			
Purchase of equipment	**(6,884)**	(4,538)	(9,753)
Proceeds from sale of equipment	**-**	-	-
Net cash flows from used in investing activities	**(6,884)**	(4,538)	(9,753)
Cash flows from financing activities:			
Finance lease rentals	**(5,696)**	(2,863)	(5,730)
Repayment of non-convertible loan notes	**(90,946)**	(219,636)	(325,582)
Proceeds from short-term loans	**(74,999)**	200,000	(107,469)
Net cash flows from financing activities	**(171,641)**	(22,499)	(438,781)
Net (decrease)/increase in cash and cash equivalents	**(97,261)**	(471,544)	(716,746)
Cash and cash equivalents brought forward	**(502,739)**	214,006	214,006
Cash and cash equivalents carried forward	**(600,000)**	(257,538)	(502,740)

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

	As at 30 June 2015	As at 30 June 2014	As at 31 December 2014
	£	£	£
Cash at bank and in hand	**355,571**	678,567	185,064
Bank overdraft	**(955,571)**	(936,10)	(687,804)
	(600,000)	(257,538)	(502,740)

1. Notes to the Interim Report

Basis of preparation
The Group's interim financial statements for the six months ended 30 June 2015 were authorised for issue by the directors on 07 September 2015.

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 2014 have been filed with the registrar of companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2014 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 2015 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 2014.

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 2015	Six months to 30 June 2014	Twelve months to 31 December 2014

	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction	3,405	46	2,244	(413)	6,809	(4,490)
Fit –out	3,934	321	3,371	546	5,374	241
Land sourcing	-	-	-	-	-	-
	7,339	367	5,615	133	12,183	(4,249)
Inter-segmental revenue and unallocated costs	(86)	(165)	(7)	(129)	(381)	385
	7,253	202	5,608	4	11,802	(3,864)

Business segments assets and liabilities

	Six months to 30 June 2015		Six months to 30 June 2014		Twelve months to 31 December 2014	
	Segment assets £'000	**Segment liabilities £'000**	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Construction	**2,823**	**4,253**	1,764	3,681	2,652	4,649
Fit-out	**2,096**	**1,871**	2,151	1,385	1,560	887
Land sourcing	**-**	**2**	-	2	-	2
	4,919	**6,126**	3,915	5,068	4,212	5,538
Goodwill - Construction	**2,000**	**-**	5,914	-	2,000	-
Goodwill – Fit-out	**4,874**	**-**	4,874	-	4,874	-
Goodwill – Land sourcing	**-**	**-**	-	-	-	-
Other unallocated assets & liabilities	**66**	**3,544**	72	3,844	7	3,570
	11,859	**9,670**	14,775	8,912	11,093	9,108

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 2015 (unaudited) £	6 months to 30 June 2014 (unaudited) £	12 months to 31 December 2014 (audited) £
Current tax on income for the period	**(43,862)**	(7,481)	(13,881)
Deferred tax (expense)/credit	**-**	-	(21,724)
Income tax (expense)/credit in the income statement	**(43,862)**	(7,481)	(35,605)

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 2015 (unaudited)	**6 months to 30 June 2014 (unaudited)**	**12 months to 31 December 2014 (unaudited)**
	Number	**Number**	**Number**
Basic ordinary shares of 0.1p each	**254,244,454**	254,244,454	254,244,454
Dilutive ordinary shares from warrants & options	-	-	-
Total diluted	**254,244,454**	254,244,454	254,244,454

In the six months to 30 June 2015, 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

Continuing operations	**6 months to 30 June 2015 (unaudited)**	**6 months to 30 June 2014 (unaudited)**	**12 months to 31 December 2014 (unaudited)**
Basic earnings/(loss) per share	**0.08p**	(0.001p)	(1.534p)
Diluted earnings/(loss) per share	**0.08p**	(0.001p)	(1.534p)