Mountfield Group Plc (the "Company" or "the Group")
Half-yearly report to 30 June 2011

Chairman's Statement

The first half of 2011 has been very exciting for the Mountfield Group Plc. There has been strong activity across all of the business units with both Mountfield Building Group ("MBG") and Connaught Access Flooring ("Connaught") performing particularly strongly reflecting the resurgence in demand for data centre building and refurbishment, which represents our core business.

Sales for the six-month period to 30 June 2011 of £5.3m (2010: £4.8m) have enabled the Group to make a small post-tax profit of £25,000 (2010: £35,000). These figures do not reflect the change in activity levels that have recently occurred in the data centre market and the Board is optimistic as to the future performance of the Group.

In May 2011 the Group completed a successful fundraising of £560,000, before expenses, to fund working capital required for the delivery of new contract wins. This resulted in a widening of the Company's shareholder base and we welcome those new shareholders to the Group. As the Group's activities expand, the Board will carefully monitor the Group's working capital position.

The significant increase in tendering activity has resulted in confirmed orders in the 6 month period to 30 June 2011 of approximately £14.0m. As a result, the order book for the Group is now at the levels experienced in 2008 and, based on the information our key clients are providing us on their own expansion and refurbishment plans, the market looks to be firm for the next three to five years. Historically, MBG and Connaught have experienced a high rate of success in winning business that they have tendered for and, assuming that the Group is able to continue this trend, the Board remain optimistic as to the future prospects of the Group.

The market for new data centres was weak in 2009 and 2010, not only in terms of construction but also, more worryingly, enquiries. General construction and fit-out work also suffered due to the difficult economic environment and margins on contracts won remained under pressure. As a result of this downturn, the Group undertook measures to reduce costs and protect margins. The Group is now benefitting from those initiatives with the result that the Company has seen an improvement in margins against 2010 as a whole.

During the period under review MBG has been in discussion with developers in relation to tenders for the building and refurbishment of high value residential and hotel properties. The Board believes that these discussions have resulted from the reputation that the Group has built up in its core data centre business where quality of build and adherence to deadlines are vital considerations. The Board believes this is an exciting opportunity for the Group and anticipates additional revenue streams being generated from this new activity.

As announced on 1 August 2011, we welcome Tom Spanner to the board of Mountfield Group PLC. His expertise and experience in the area of high value property development will be very helpful in consolidating the new business opportunities that are being progressed.

Chief Executive Officer's Review

The first half of the year for the Group has been the busiest period that we have had for the past three years. Turnover was £5.3m for the 6 months to 30 June 2011 compared to £8.5m for the 12 months to 31 December 2010. Significant improvement occurred in MBG where we have seen a very strong return in demand for the construction of new data centres. In May 2011, the Group announced that it had been awarded three contracts with an aggregate value of approximately £5 million to fit out various data centres in the UK for leading data centre operators.

This was followed in June 2011 with an award of an additional £9.0m of contracts giving us an order book that will underpin revenues for the second half of 2011 and into 2012. With the increasing number of tenders that we are participating in and the increased number of enquiries we are receiving, we anticipate that the order book will be further enhanced during the second half of 2011 and that the level of tendering activity will be continued.

Whilst the main recovery has been seen in MBG, Connaught has maintained the level of activity which it achieved in 2010 and which supported the revenues of the Group during the time when market conditions for the data centre business were extremely tough. Growth in its business during the first half means that MBG is back to providing 60% of the Group's turnover during the period under review

As an organisation, we have built a reputation for both quality and reliability, which has enabled us to develop strong business relationships with our clients who are represented in the top 10 telecoms and data handling companies in the UK. Much of the business we have gained in the first half of the year has come from existing clients and we have been advised by them that they have long term growth plans to satisfy the expansion of data that has to be handled and stored securely. It is estimated that there will be some 15 billion hand held electronic devices in the world by 2015. The demand for additional data storage for this market alone creates a significant demand for new and refurbished facilities from which we are in a prime position to benefit.

We are, therefore, confident that not only will there be more demand for us to tender for business but also that we will be able to maintain the success rate that we are currently achieving. This will put us back on track to achieve the performance targets that we had for the Group when we floated in 2008, just prior to the banking collapse and loss in confidence in the market. With that now behind us and an organisation that is more efficient we are well placed to be able to grow the business both in our core area but also in other areas where our skills and expertise will enable us to win profitable new contracts. We will also look at strategic acquisitions to enhance our position as a high quality specialist contractor.

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Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2011

	Note	**6 months to 30 June 2011**	6 months to 30 June 2010	12 months to 31 December 2010
		(unaudited)	(unaudited)	(audited)
		£	£	£
Revenue		**5,253,046**	4,785,243	8,498,436
Cost of sales		**(4,441,691)**	(3,815,063)	(7,694,878)
Gross profit		**811,355**	970,180	803,558
Administrative expenses		**(717,546)**	(820,141)	(1,601,582)
Operating profit/(loss)		**93,809**	150,039	(798,024)
Net finance costs		**(55,647)**	(86,150)	(74,191)
Profit/(loss) before income tax		**38,162**	63,889	(872,215)
Income tax (expense)/credit	3	**(12,691)**	(29,351)	244,044
Total comprehensive profit/(loss) for the period		**25,471**	34,538	(628,171)
Earnings/(loss) per share				
Basic (p)	4	**0.01**	0.02	(0.36)
Diluted (p)	4	**0.01**	0.02	(0.36)

All amounts relate to continuing operations.

Condensed consolidated statement of financial position
As at 30 June 2011

	30 June 2011	30 June 2010	31 December 2010
	(Unaudited)	(Unaudited)	(audited)
	£	£	£
ASSETS			
Non-current assets			
Intangible assets	**15,816,529**	15,816,529	15,816,529

Property, plant and equipment	**131,283**	154,239	140,587
Deferred income tax assets	**651,549**	409,689	664,240
	16,599,361	16,380,457	16,621,356
Current assets			
Inventories	**80,357**	109,449	76,381
Trade and other receivables	**4,327,333**	2,651,492	2,224,408
Cash and cash equivalents	**415,981**	921,394	600,852
	4,823,671	3,682,335	2,901,641
TOTAL ASSETS	**21,423,032**	20,062,792	19,522,997
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**216,744**	171,311	175,311
Share premium	**1,120,432**	492,074	608,074
Share based payments reserve	**294,022**	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	**(1,090,142)**	(452,904)	(1,115,613)
TOTAL EQUITY	**10,635,481**	10,598,927	10,056,218
Current liabilities			
Trade and other payables	**4,493,724**	3,440,634	3,245,601
Short-term borrowings	**1,853,362**	761,337	1,786,357
Finance lease liabilities	**8,943**	25,845	8,573
Current tax payable	**30**	19,607	30
	6,356,059	4,247,423	5,040,561
Non-current liabilities			
Loan notes	**4,412,705**	5,216,442	4,412,705
Finance lease liabilities	**18,787**	-	13,513
TOTAL LIABILITES	**10,787,551**	9,463,865	9,466,779
TOTAL EQUITY & LIABILITIES	**21,423,032**	20,062,792	19,522,997

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2011

	Share capital	**Share premium**	**Other reserves**	**Reverse Acquisition reserve**	**Merger reserve**	**Retained earnings**	**Total**
	£	£	£	£	£	£	£
Balance at 1 January 2010	171,311	492,074	294,022	(2,856,756)	12,951,180	(487,442)	10,564,389
Total comprehensive loss	-	-	-	-	-	34,538	34,538
Balance at 30 June 2010	171,311	492,074	294,022	(2,856,756)	12,951,180	(452,904)	10,598,927
Balance at 1 July 2010	171,311	492,074	294,022	(2,856,756)	12,951,180	(452,904)	10,598,927
Total comprehensive loss	-	-	-	-	-	(662,709)	(662,709)
Shares issued in period to settle creditor	4,000	116,000	-	-	-	-	120,000
Balance at 31 December 2010	175,311	608,074	294,022	(2,856,756)	12,951,180	(1,115,613)	10,056,218

Balance at 1 January 2011	175,311	608,074	294,022	(2,856,756)	12,951,180	(1,115,613)	10,056,219
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)**	**10,635,481**

Condensed consolidated cash flow statement
For the six months ended 30 June 2011

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 December 2010
	(unaudited)	(unaudited)	(audited)
	£	£	£
Cash from operating activities:			
Profit/(loss) from operations before interest and tax	**93,809**	150,039	(798,024)
Adjusted for:			
Depreciation	**20,632**	24,858	46,839
Loss on disposal of fixed asset	**258**	2,708	3,091
(Increase)/ Decrease in inventories	**(3,976)**	16,475	49,543
(Increase)/ Decrease in receivables	**(2,102,925)**	715,278	1,008,542
Increase/ (Decrease) in payables	**1,213,123**	(610,896)	(778,501)
Cash (used in)/ generated by operations	**(779,079)**	298,462	(468,510)
Finance costs	**(20,659)**	(20,545)	(37,501)
Finance income	**12**	83	1,570
Taxation paid	**-**	(32,424)	100,663
Net cash (outflow)/inflow from operating activities	**(799,726)**	245,576	(403,778)
Cash flows from investing activities			
Purchase of equipment	**(14,528)**	(818)	(9,630)
Proceeds from sale of equipment	**2,942**	7,841	7,941
Net cash flows from used in investing activities	**(11,586)**	7,023	(1,689)
Cash flows from financing activities:			
Proceeds from issue of shares (net of expenses)	**553,792**	-	120,000
Finance lease rentals	**5,644**	(12,356)	(16,115)
Repayment of non-convertible loan notes	**(271,346)**	(89,876)	(420,621)
Proceeds from short-term loans	**350,000**	-	350,000
Net cash flows from financing activities	**638,090**	(102,232)	33,264
Net (decrease)/increase in cash and cash equivalents	**(173,222)**	150,367	(372,203)
Cash and cash equivalents brought forward	**(362,513)**	9,690	9,690
Cash and cash equivalents carried forward	**(535,735)**	160,057	(362,513)

1. Notes to the Interim Report

Basis of preparation
The Group's interim financial statements for the six months ended 30 June 2011 were authorised for issue by the directors on 23 September 2011.

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 2010 have been filed with the registrar of companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2010 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 2011 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 2010.

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:

Construction and fit-out
Direct contracting and trade contracting services and a provider of 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 2011		Six months to 30 June 2010		Twelve months to 31 December 2010	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction and fit-out	**5,253**	**184**	4,786	305	8,498	(644)
Land sourcing	**-**	**-**	-	-	-	(1)

	5,253	**184**	4,786	305	8,498	(645)
Inter-segmental revenue and unallocated costs	**-**	**(146)**	-	(241)	-	(227)
	5,253	**38**	4,786	64	8,498	(872)

Business segments assets and liabilities

	Six months to 30 June 2011		Six months to 30 June 2010		Twelve months to 31 December 2010	
	Segment assets £'000	**Segment liabilities £'000**	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Construction and fit-out	**5,215**	**5,765**	3,889	3,856	3,317	4,205
Land sourcing	**38**	**9**	38	168	38	9
	5,253	**5,774**	3,927	4,024	3,355	4,214
Inter-segmental revenue and unallocated costs	**16,170**	**5,014**	16,136	5,440	16,168	5,253
	21,423	**10,788**	20,063	9,464	19,523	9,467

Unallocated assets consist of Goodwill, 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

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 December 2010
	(unaudited)	(unaudited)	(audited)
	£	£	£
Current tax on income for the period	**-**	(14,000)	(4,844)
Deferred tax expense/(credit)	**12,691**	43,351	(239,200)
Income tax expense/(credit) in the income statement	**12,691**	29,351	(244,044)

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 were:

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 December 2010
	(unaudited)	(unaudited)	(audited)
	Number	Number	Number

Basic ordinary shares of 0.1p each	**184,797,389**	171,311,687	172,648,673
Dilutive ordinary shares from warrants	**-**	-	-
Total diluted	**184,797,389**	171,311,687	172,648,673

In the six months to 30 June 2011, the conditions attached to the warrants were not met and as such there is no dilutive effect on the average weighted number of ordinary shares or the diluted earnings per share.

Earning attributable to equity shareholders of the parent

	6 months to 30 June 2011	6 months to 30 June 2010	12 months to 31 December 2010
	(unaudited)	(unaudited)	(audited)
Basic earnings/(loss) per share (p)	**0.01**	0.02	(0.36)
Diluted earnings/(loss) per share (p)	**0.01**	0.02	(0.36)