



30 September 2014

**Mountfield Group Plc**  
**Half-yearly report to 30 June 2014**

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 2014.

- Gross profit of £0.8m (2013: £1.0m) on revenue of £5.6m (£5.2m).
- Group margins decreased from 19.6% to 15.0%.
- Mountfield Building Group Limited ("Mountfield") revenues reduced by 14% to £2.2m due to contract starts delayed into H2. Margins fell from 18.6% to 4.3% due to less payment than anticipated being received on a major contract and also extra staff costs of employees recruited to increase the number of contracts that the Group is able to process.
- Connaught Access Flooring Limited ("Connaught") revenues increased by 20% to £3.4m with a improvement in margins from 19.9% to 22.1%.
- Cash used in operations was £430k against cash generated from operations of £197k in the corresponding period of 2013.
- Administrative expenses increased to £0.82m (£0.76m)
- Pre-tax profits decreased to £4k from £236k.
- Group pipeline and level of activity remain high.
- Directors confident for Group's prospects for 2014 and beyond.

**Graham Read, Chief Executive Officer, said:**

"Demand for the Group's services remaining strong in the first half of 2014 but as a result of margins coming under pressure (in particular on one of Mountfield's contracts) and starts being deferred on some others, pre-tax profits during the period were reduced to a level (£4k) below those achieved in the same period of 2013 (£236k). This reduction does not reflect a general weakening in the Group's business or of its prospects as the change in strategy for Mountfield that put increased emphasis on fit-out and building fabric repair work is producing additional work, contacts and opportunities and demand for its services in the data centre construction area remain strong. It does however reflect a lower than expected payment being received from the main contractor on a major contract.

In addition Connaught has made another strong contribution to the Group's performance.

The Directors do not believe that the problems that affected the Group profits in the first half of 2014 will impact on the Group in the longer term. The Group is currently in late stage negotiations on a number of significant contracts which, if concluded as expected, will result in a satisfactory performance for the year as a whole."

**Mountfield Group Plc**

Peter Jay, Chairman

Graham Read, Chief Executive Officer

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*Chairman and CEO's Statement*

The reduction in the Group's pre-tax profits in the first half of 2014 from £236k (2013) to £4k despite revenue increasing to £5.6m from £5.3m (2013) was caused principally by the reduction in projected margin on a major contract that was undertaken by Mountfield referred to above and the delayed start on certain of its other contracts.

The composition of the Group's construction activities continues to change as it makes increased efforts to acquire business in the areas of fit-out of office, industrial and leisure premises and on building fabric repair work. These efforts have led in recent weeks to Mountfield being awarded contracts for work with an aggregate value of £1.5m. In addition demand for the Group's services, both in terms of construction (Mountfield) and flooring (Connaught) in the data centre field, remain high. With the Group's pipeline remaining at high levels the prospects for the second half of the year remain extremely encouraging.

The first half of the year saw Group margins slip back to the figure last seen in 2012 (15.0%) but an improvement is anticipated in the second half of the year as the Group's undertakes more higher margin work.

The first half of 2014 has seen another strong performance by Connaught. Its reputation for completing large flooring projects has produced contracts in respect of major new office developments with new ones being already under negotiation.

The Directors do not believe that the problems that affected the Group profits in the first half of 2014 will impact on the Group in the longer term. The Group is currently in late stage negotiations on a number of significant contracts which, if concluded as expected, will result in a satisfactory performance for the year as a whole."

**Condensed consolidated statement of comprehensive income**  
**For the six months ended 30 June 2014**

		<b>6 months to 30 June 2014</b>	6 months to 30 June 2013	12 months to 31 December 2013
		<b>(unaudited)</b>	(unaudited)	(audited)
	Note	£	£	£
<b>Revenue</b>		5,608,294	5,227,055	12,312,140
Cost of sales		(4,765,697)	(4,203,485)	(9,865,759)
<b>Gross profit</b>		842,598	1,023,570	2,446,381
Administrative expenses		(824,105)	(756,566)	(1,601,870)
<b>Operating Profit</b>		18,493	267,004	844,512
Net finance (costs)/income		(14,102)	(31,169)	(79,173)
<b>Profit before income tax</b>		4,391	235,835	765,339
Income tax expense	3	(7,481)	(57,756)	(262,279)
<b>Total comprehensive (loss)/profit for the period</b>		(3,090)	178,079	502,760
<b>Earnings per share</b>	4			
<b>Basic &amp; diluted</b>		<b><u>(0.001)p</u></b>	<u>0.08p</u>	<u>0.22p</u>

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 2014**

	<b>30 June 2014</b>	30 June 2013	31 December 2013
	<b>(Unaudited)</b>	(Unaudited)	(audited)
	£	£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<b>10,788,521</b>	10,788,521	10,788,521
Property, plant and equipment	<b>111,672</b>	121,814	114,384
Deferred income tax assets	<b>428,756</b>	599,986	428,756
	<b>11,328,949</b>	11,510,321	11,331,661
<b>Current assets</b>			
Inventories	<b>79,474</b>	78,588	80,488
Trade and other receivables	<b>2,688,090</b>	2,851,689	3,243,910
Cash and cash equivalents	<b>678,567</b>	195,038	313,675
	<b>3,446,131</b>	3,125,314	3,638,073
<b>TOTAL ASSETS</b>	<b>14,775,081</b>	14,635,636	14,969,734
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued share capital	<b>254,244</b>	216,744	254,244
Share premium	<b>1,490,682</b>	1,120,432	1,490,682
Share based payments reserve	<b>342,779</b>	329,771	337,279
Merger reserve	<b>12,951,180</b>	12,951,180	12,951,180
Reverse acquisition reserve	<b>(2,856,755)</b>	(2,856,756)	(2,856,756)
Retained earnings	<b>(6,326,064)</b>	(6,654,170)	(6,322,974)
<b>TOTAL EQUITY</b>	<b>5,856,066</b>	5,107,201	5,853,656
<b>Current liabilities</b>			
Trade and other payables	<b>3,538,910</b>	4,181,966	4,557,390
Short-term borrowings	<b>2,114,600</b>	1,718,892	1,087,665
Finance lease liabilities	<b>8,735</b>	5,439	6,917
Current tax payable	<b>98,831</b>	64,478	91,350
	<b>5,761,076</b>	5,970,775	5,743,322
<b>Non-current liabilities</b>			
Loan notes	<b>3,152,893</b>	3,553,475	3,363,029
Finance lease liabilities	<b>5,046</b>	4,184	9,727
<b>TOTAL LIABILITIES</b>	<b>8,919,015</b>	9,528,435	9,116,078
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>14,775,081</b>	14,635,636	14,969,734

**Condensed consolidated statement of changes in equity  
For the six months ended 30 June 2014**

	Share capital	Share premium	Other reserves	Capital redemption reserve	Reverse Acquisition reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2013</b>	216,744	1,120,432	320,960	-	(2,856,755)	12,951,180	(6,832,250)	4,920,310
Total comprehensive income	-	-	-	-	-	-	178,079	178,079
Share based payments	-	-	8,811	-	-	-	-	8,811
<b>Balance at 30 June 2013</b>	216,744	1,120,432	329,771	-	(2,856,755)	12,951,180	(6,654,171)	5,107,201
<b>Balance at 1 July 2013</b>	216,744	1,120,432	329,771	-	(2,856,755)	12,951,180	(6,654,171)	5,107,201
Total comprehensive income	-	-	-	-	-	-	324,681	324,681
Shares issued in period	45,000	405,000	-	-	-	-	-	450,000
Share cancelled in period	(7,500)	-	-	7,500	-	-	-	-
Cost of shares issued	-	(34,750)	-	-	-	-	-	(34,750)
Share based payments	-	-	6,524	-	-	-	-	6,524
Cancelled share options	-	-	(6,516)	-	-	-	6,516	-
<b>Balance at 31 December 2013</b>	254,244	1,490,682	329,779	7,500	(2,856,755)	12,951,180	(6,322,974)	5,853,656
<b>Balance at 1 January 2014</b>	254,244	1,490,682	329,779	7,500	(2,856,755)	12,951,180	(6,322,974)	5,853,656
Total comprehensive loss	-	-	-	-	-	-	(3,090)	(3,090)
Share based payment	-	-	5,500	-	-	-	-	5,500
<b>Balance at 30 June 2014</b>	<b>254,244</b>	<b>1,490,682</b>	<b>335,279</b>	<b>7,500</b>	<b>(2,856,755)</b>	<b>12,951,180</b>	<b>(6,326,064)</b>	<b>5,856,066</b>

**Condensed consolidated cash flow statement  
For the six months ended 30 June 2014**

	<b>6 months to 30 June 2014</b>	6 months to 30 June 2013	12 months to 31 December 2013
	(unaudited) £	(unaudited) £	(audited) £
<b>Cash from operating activities:</b>			
Operating profit	<b>18,493</b>	267,004	844,512
<b>Adjusted for:</b>			
Depreciation	<b>7,248</b>	8,299	18,042
Loss on disposal of property, plant and equipment	-	-	-
Share based payment provision	<b>5,500</b>	8,810	15,335
(Increase)/ decrease in inventories	<b>1,014</b>	(3,021)	1,517
(Increase)/ decrease in trade and other receivables	<b>555,820</b>	(623,205)	(1,015,430)
(Decrease)/ increase in trade and other payables	<b>(1,018,480)</b>	570,540	1,114,529
<b>Cash (used in)/ generated by operations</b>	<b>(430,405)</b>	228,427	978,505
Finance costs	<b>(17,565)</b>	(34,850)	(86,393)
Finance income	<b>3,463</b>	3,681	7,220
Taxation paid	-	-	(6,692)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(444,507)</b>	197,257	892,640
<b>Cash flows from investing activities</b>			
Purchase of equipment	<b>(4,538)</b>	(13,679)	(15,994)
Proceeds from sale of equipment	-	-	-
<b>Net cash flows from used in investing activities</b>	<b>(4,538)</b>	(13,679)	(15,994)
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares	-	-	450,000
Costs of shares issued	-	-	(34,750)
Finance lease rentals	<b>(2,863)</b>	(6,205)	816
Repayment of non-convertible loan notes	<b>(219,636)</b>	(165,446)	(351,392)
Proceeds from short-term loans	<b>200,000</b>	150,000	30,904
Net cash flows from financing activities	<b>(22,499)</b>	(21,651)	95,578
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(471,544)</b>	161,927	972,224
<b>Cash and cash equivalents brought forward</b>	<b>214,006</b>	(758,219)	(758,218)
<b>Cash and cash equivalents carried forward</b>	<b>(257,538)</b>	(596,292)	214,006

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

	<b>As at 30 June 2014</b>	As at 30 June 2013	As at 31 December 2013
	£	£	£
Cash at bank and in hand	<b>678,567</b>	195,038	313,675
Bank overdraft	<b>(936,10)</b>	(791,330)	(99,669)
	<b>(257,538)</b>	(596,292)	(214,006)

## **1. Notes to the Interim Report**

### **Basis of preparation**

The Group's interim financial statements for the six months ended 30 June 2014 were authorised for issue by the directors on 30 September 2014.

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 2013 have been filed with the registrar of companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2013 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 2014 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 2013.

### **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 2014		Six months to 30 June 2013		Twelve months to 31 December 2013	
	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction	2,244	(413)	2,606	14	6,681	(15)
Fit –out	3,371	546	2,714	359	5,791	365
Land sourcing	-	-	-	-	-	-
			5,320	373	12,472	350
Inter-segmental revenue and unallocated costs	(7)	(129)	(93)	(138)	(160)	415
	<b>5,608</b>	<b>4</b>	<b>5,227</b>	<b>236</b>	<b>12,312</b>	<b>765</b>

## Business segments assets and liabilities

	Six months to 30 June 2014		Six months to 30 June 2013		Twelve months to 31 December 2013	
	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Construction	<b>1,764</b>	<b>3,681</b>	1,456	3,935	2,388	4,195
Fit-out	<b>2,151</b>	<b>1,385</b>	2,311	1,543	1,764	1,059
Land sourcing	-	<b>2</b>	-	<b>2</b>	-	<b>2</b>
	<b>3,915</b>	<b>5,068</b>	3,767	5,480	4,152	5,254
Goodwill - Construction	<b>5,914</b>	-	5,914	-	5,914	-
Goodwill – Fit-out	<b>4,874</b>	-	4,874	-	4,874	-
Goodwill – Land sourcing	-	-	-	-	-	-
Other unallocated assets & liabilities	<b>72</b>	<b>3,844</b>	81	4,048	30	3,862
	<b>14,775</b>	<b>8,912</b>	14,636	9,528	14,970	9,116

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

	<b>6 months to 30 June 2014 (unaudited) £'000</b>	6 months to 30 June 2013 (unaudited) £'000	12 months to 31 December 2013 (audited) £'000
United Kingdom	<b>5,431</b>	3,624	9,092
Other EU	<b>177</b>	1,603	3,220
	<b>5,608</b>	5,227	12,312

Total assets including property, plant and equipment and intangible assets are all held in the UK.



### 3. Income tax (expense)/credit (continuing operations)

	<b>6 months to 30 June 2014 (unaudited)</b>	6 months to 30 June 2013 (unaudited)	12 months to 31 December 2013 (audited)
	£	£	£
Current tax on income for the period	(7,481)	(57,756)	(91,350)
Deferred tax (expense)/credit	-	-	(171,229)
Income tax (expense)/credit in the income statement	<b>(7,481)</b>	<b>(57,756)</b>	<b>(262,579)</b>

### 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:

	<b>6 months to 30 June 2014 (unaudited)</b>	6 months to 30 June 2013 (unaudited)	12 months to 31 December 2013 (audited)
	Number	Number	Number
Basic ordinary shares of 0.1p each	<b>254,244,454</b>	216,744,454	231,169,112
Dilutive ordinary shares from warrants & options	-	-	-
Total diluted	<b>254,244,454</b>	216,744,454	231,169,112

In the six months to 30 June 2014, 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

	<b>6 months to 30 June 2014 (unaudited)</b>	6 months to 30 June 2013 (unaudited)	12 months to 31 December 2013 (audited)
<b>Continuing operations</b>			
Basic earnings/(loss) per share	<b>(0.001)p</b>	0.08p	0.22p
Diluted earnings/(loss) per share	<b>(0.001)p</b>	0.08p	0.22p