27 September 2018

Mountfield Group Plc

Half-yearly report to 30 June 2018

Mountfield Group Plc ("the Group"), the AIM quoted commercial flooring and specialist construction services company announces its half-yearly report to 30 June 2018.

- A substantial increase in net profit before tax for the first half of the year - £695k (2017: £305k).
- Turnover increased to £8.87m (2017: £5.68m)
- The Board expects an improved performance from the Group for 2018 over 2017.
- The Group has secured orders in excess of those held at this stage of 2017.

Peter Jay (Non-Executive Chairman) and Andy Collins (Group CEO) said:

We are pleased to report that the improvement in the Group's performance and profitability that we have seen over the last few years has accelerated and enabled the Group to perform very strongly in the first half of 2018.
The Group is expected to perform well in the year overall.

Connaught Access Flooring Limited ("CAF") and Mountfield Building Group Limited ("MBG") are both performing strongly and have a combined order book of £9.1m which is scheduled to be delivered in the remainder of this year and next year. In addition both companies are in the process of negotiating or in tenders for substantial new contracts.

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Mountfield Group Plc (the "Company" or "the Group") Half-yearly report to 30 June 2018

Chairman and CEO's Statement

The first half of 2018 saw the Group's turnover grow significantly to £8.87m from the same period last year (2017 - £5.68m) and this resulted in net profit before tax of £695k which is also a significant increase over that earned in the corresponding period of 2017 (2017 - £305k).

The Board is very pleased that the performance of the Group has continued to build on the results from 2017 particularly in the second half of that year and expects the overall results for 2018 to be ahead of those for 2017.

CAF

CAF has had a good first half of the year with its turnover increasing to £5.1m from £4.4m with a profit before tax of £392k generated during the period being broadly consistent with that of the previous year (2017 - £408k).

CAF continues to be a market leader in its sector and has a proven track record of successfully delivering some of the largest contracts in the raised access flooring market.

MBG

MBG has had a very strong six months following on from a very good year last year and has generated profits before tax in the first half of the year of £456k (2017 - £44k). This was achieved due to turnover increasing to £3.8m from £1.3m over the corresponding period last year, together with a keen control of its operating expenditure.

This increase in turnover and profitability has been achieved by continuing to successfully deliver projects to its clients including those major contracts that have previously been announced.

Group

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 platform for 2019.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2018

	Note	**6 months to 30 June 2018 (unaudited)**	6 months to 30 June 2017 (unaudited)	12 months to 31 December 2017 (audited)
		£	£	£
Revenue		8,866,607	5,683,667	12,692,126
Cost of sales		(7,271,248)	(4,653,137)	(10,467,673)
Gross profit		1,595,359	1,030,530	2,224,453
Administrative expenses		(892,188)	(714,696)	(1,322,171)
Operating profit		**703,171**	**315,834**	**902,282**
Net finance costs		(8,554)	(10,815)	(37,910)
Profit before income tax		694,617	305,019	864,372
Income tax expense	4	(133,503)	(84,414)	(218,999)
Total comprehensive profit for the period		**561,114**	**220,605**	**645,373**
Earnings per share	5			
Basic & diluted		**0.221p**	**0.086p**	**0.254p**

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 2018

	30 June 2018 (Unaudited) £	30 June 2017 (Unaudited) £	31 December 2017 (audited) £
ASSETS			
Non-current assets			
Intangible assets	**6,874,308**	6,874,308	6,874,308
Property, plant and equipment	**101,969**	85,389	80,434
Deferred income tax assets	**199,330**	269,030	199,330
	7,175,607	7,228,727	7,154,072
Current assets			
Inventories	**107,809**	100,601	88,301
Trade and other receivables	**3,915,220**	2,916,039	3,651,516
Cash and cash equivalents	**163,244**	-	520,301
	4,186,273	3,016,640	4,260,118
TOTAL ASSETS	**11,361,880**	10,245,367	11,414,190
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued share capital	**2,524,426**	2,524,426	2,524,426
Share premium	**1,490,682**	1,490,682	1,490,682
Share based payments reserve	**-**	68,871	-
Capital redemption reserve	**7,500**	7,500	7,500
Merger reserve	**4,051,967**	4,051,967	4,051,967
Reverse acquisition reserve	**(2,856,756)**	(2,856,756)	(2,856,756)
Retained earnings	**696,172**	(358,581)	135,058
TOTAL EQUITY	**5,913,991**	4,928,109	5,352,877
Current liabilities			
Trade and other payables	**4,154,056**	3,357,051	4,712,512
Short-term borrowings	**850,341**	1,434,896	958,020
Current tax payable	**257,552**	115,946	124,050
	5,261,949	4,907,893	5,794,582
Non-current liabilities			
Loan notes	**179,006**	297,911	200,000
Bank Loan	**6,934**	111,454	66,731
TOTAL LIABILITES	**5,447,889**	5,317,258	6,061,313
TOTAL EQUITY & LIABILITIES	**11,361,880**	10,245,367	11,414,190

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2018

	Share capital	Share premium	Share based payments reserve	Capital redemption reserve	Reverse Acquisition reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
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
Balance at 1 July 2017	2,524,426	1,490,682	68,871	7,500	(2,856,756)	4,051,967	(358,581)	4,928,109
Total comprehensive income	-	-	-	-	-	-	424,768	424,768
Transfer	-	-	(68,871)	-	-	-	68,871	-
Balance at 31 December 2017	2,524,426	1,490,682	-	7,500	(2,856,756)	4,051,967	135,058	5,352,877
Balance at 1 January 2018	2,524,426	1,490,682	-	7,500	(2,856,756)	4,051,967	135,058	5,352,877
Total comprehensive income	-	-	-	-	-	-	561,114	561,114
Balance at 30 June 2018	**2,524,426**	**1,490,682**	**-**	**7,500**	**(2,856,756)**	**4,051,967**	**696,172**	**5,913,991**

Condensed consolidated cash flow statement
For the six months ended 30 June 2018

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

	6 months to 30 June 2018 (unaudited)	6 months to 30 June 2017 (unaudited)	12 months to 31 December 2017 (audited)
	£	£	£
Cash from operating activities:			
Operating profit	**703,171**	315,834	902,282
Adjusted for:			
Depreciation	**5,715**	6,453	11,595
Profit on Disposal	**(4,400)**	-	(1,294)
(Increase)/ decrease in inventories	**(19,508)**	(12,329)	(29)
(Increase)/ decrease in trade and other receivables	**(263,707)**	(1,139,428)	(1,874,903)
(Decrease)/ increase in trade and other payables	**(278,858)**	740,843	1,508,009
Cash (used in)/ generated by operations	**142,413**	(88,627)	545,660
Finance costs	**(5,964)**	(10,815)	(37,910)
Taxation paid	**-**	-	(56,782)
Net cash (outflow)/inflow from operating activities	**136,449**	(99,442)	450,968
Cash flows from investing activities			
Purchase of equipment	**(27,249)**	(886)	(3,782)
Proceeds from sale of property, plant and equipment	**4,400**	-	4,003
Net cash flows from used in investing activities	**113,600**	(886)	221
Cash flows from financing activities:			
Finance lease rentals	**-**	(583)	(583)
Repayment of non-convertible loan notes	**(20,993)**	(95,946)	(190,901)
Movement in supplier financing facility	**(387,795)**	-	387,795
Repayment of short-term loans	**(61,869)**	(62,229)	(106,952)
Net cash flows from financing activities	**(470,657)**	(158,758)	89,359
Net (decrease)/increase in cash and cash equivalents	**(357,057)**	(259,086)	540,548
Cash and cash equivalents brought forward	**520,301**	(20,247)	(20,247)
Cash and cash equivalents carried forward	**163,244**	(279,333)	520,301

	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
	£	£	£
Cash at bank and in hand	**163,244**	-	520,301
Bank overdraft	**-**	(279,333)	-
	163,244	(279,333)	520,301

1. Notes to the Interim Report

Basis of preparation

The Group's half-yearly financial statements for the six months ended 30 June 2018 were authorised for issue by the directors on 27 September 2018.

The consolidated half-yearly 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 2017 have been filed with the Registrar of Companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2017 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 2018 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 2017.

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. Changes in accounting policies and disclosures

IFRS 15 'Revenue from Contracts with Customers'
The Group has applied this accounting standard from 1 January 2018 and has adopted the modified retrospective approach to its adoption which would result in any adjustments for contracts in progress at 1 January 2018 being made to opening retained earnings at that date.

The Group has considered how contracts are accounted for in accordance with IFRS 15 using the 5 step approach set out in that standard. In undertaking this exercise the Group has not identified any material changes in how revenue would be recognised for the contracts in progress at 31 December 2017 nor with those that have been undertaken in the six months to 30 June 2018.

The Group expects that the adoption of this standard could have an impact if loss making contracts occur but other than those does not currently foresee any material changes from the previous accounting policy.

IFRS 9 'Financial Instruments'
The Group has applied this standard from 1 January 2018 but it has had no material effect on the Group's financial statements.

IFRS 16 'Leases'
The Group is working with its advisors to assess the potential impact of IFRS 16 'Leases', including consideration of transition method. The standard is expected to only affect the Group in respect of leases that it has in place that are currently treated as operating leases in accordance with current standards.

The Group only acts as a lessee and will be required to recognise operating leases on the balance sheet when the new standard is implemented. It is likely that the modified retrospective approach will be adopted meaning the Group will only recognise such leases on the balance sheet as at 1 January 2019.

3. 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
Direct contracting and trade contracting services to both main contractors and corporate end users.

Fit-out
Providing raised flooring systems to both main contractors and corporate end users.

Segmental operating performance

	Six months to 30 June 2018		Six months to 30 June 2017		Twelve months to 31 December 2017	
	Segmental revenue £'000	**PBT £'000**	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction	**3,786**	**456**	1,298	44	4,292	289
Fit –out	**5,081**	**392**	4,386	408	8,420	568
	8,867	**848**	5,684	452	12,712	857
Inter-segmental revenue and unallocated costs	**-**	**(153)**	-	(147)	(20)	7
	8,867	**695**	5,684	305	12,692	864

Business segments assets and liabilities

	Six months to 30 June 2018		Six months to 30 June 2017		Twelve months to 31 December 2017	
	Segment assets £'000	**Segment liabilities £'000**	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
Construction	**1,248**	**2,272**	953	2,693	1,300	2,633
Fit-out	**3,666**	**2,376**	2,406	1,774	3,238	2,579
	4,914	**4,648**	3,359	4,467	4,538	5,212
Goodwill - Construction	**2,000**	**-**	2,000	-	2,000	-
Goodwill – Fit-out	**4,874**	**-**	4,874	-	4,874	-
Other unallocated assets & liabilities	**7**	**1,234**	12	850	2	849
	11,795	**5,882**	10,245	5,317	11,414	6,061

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.

4. Income tax (expense)/credit (continuing operations)

	6 months to	6 months to	12 months to

	30 June 2018 (unaudited)	30 June 2017 (unaudited)	31 December 2017 (audited)
	£	£	£
Current tax on income for the period	**(133,503)**	(58,176)	(123,061)
Deferred tax (expense)	**-**	(26,238)	(95,938)
Income tax (expense)/credit in the income statement	**(133,503)**	(84,414)	(218,999)

5. 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 2018 (unaudited)	6 months to 30 June 2017 (unaudited)	12 months to 31 December 2017 (audited)
	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

Earning attributable to equity shareholders of the parent

	6 months to 30 June 2018 (unaudited)	6 months to 30 June 2017 (unaudited)	12 months to 31 December 2017 (audited)
	£	£	£
Continuing operations			
Basic earnings per share	**0.221p**	0.086p	0.254p
Diluted earnings per share	**0.221p**	0.086p	0.254p