

9 October 2020

Mountfield Group Plc

Half-yearly report to 30 June 2020

Mountfield Group Plc ("the Group"), the AIM quoted commercial flooring and specialist construction services company announces its unaudited half-yearly report to 30 June 2020 ("the Period").

- Net profit before tax for the first half of the year was £81k (2019: £719k).
- Turnover decreased from £9.14m to £5.82m over the corresponding period.
- The Board therefore anticipates that there will be a substantial reduction in turnover and net profit for the full 2020 calendar year.

The value of the Group's secured order book is, at £4.98m, lower than it was at the same point last year.

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

"We are disappointed to report that the Group's performance and profitability that had improved substantially over the last few years have deteriorated significantly in the current year. Turnover and net profit for the Period are substantially lower than those achieved in the corresponding periods of the previous two years.

The substantial deterioration in performance was caused primarily by the contraction in demand for construction services caused by the COVID-19 pandemic. At this relatively early stage it is not possible to determine whether the contraction is a temporary phenomenon or whether its effect will continue to be felt over the longer term.

The Group's Executive Directors are continually monitoring the market to ensure that the Group will be in a position to react quickly to any changes and opportunities as they arise."

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014.

M o untfieldGroupPlc

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M o untfield Group Plc (the "Company" or "the Group") Half-yearly report to 30 June 2020

Connaught Access Flooring Limited ("CAF")

In the first six months of the year turnover was £3.1m (2019 - £3.9m) and the underlying profit before tax was £71k (2019 - £502k).

The majority of the projects that CAF has undertaken during the period were secured prior to the onset of the COVID-19 pandemic. CAF has continued to deliver these contracts, whilst complying with the Government's imposed guidelines, however, this has generally resulted in longer programme durations. Whilst tender activity has remained reasonably strong, the number of new projects start-ups (the majority of which continue to be in commercial office space in the City of London and Canary Wharf) has slowed considerably.

Mountfield Building Group Limited ("MBG")

In the first six months of the year turnover was £2.7m (2019 - £5.2m) and the underlying profit before tax was £138k (2019 - £355k).

The demand for MBG services have dropped considerably over the first half of this year, due primarily to the effects of COVID-19, and our IT clients reluctance to have works carried out in their sites where their network is currently at high demand. They are therefore only considering non-risk and essential engineering works currently on their sites. We are not aware how long this situation will remain, but would anticipate no increased demand for our services will be required, until well into the middle of next year.

Group and outlook

Even though the results for the last full financial year resulted in a further improvement in the working capital position of the Group which assisted it when dealing with the impact of COVID-19 and its consequent effect on the economy the Group has been challenged by the need to adjust to the dramatically reduced demand for its services.

The Group's current secured order book is £4.98m, mainly comprised of contracts which will be completed in 2020. This figure is substantially lower than at the same point last year. The Board does not expect that a substantial amount of new turnover will be won and delivered by this year end and that the result will be a significant drop in the Group's performance for 2020 as compared to that in 2019.

The Board believes that as regards future prospects, the changes resulting from the COVID-19 epidemic may be of a fundamental nature and that these changes are likely to have a long term and materially negative impact on the markets in which the Group companies operate.

The sharp recession that resulted from the steps taken to limit the spread of the virus has impacted the construction business generally, having had a significant, negative effect on the demand for construction services and in activity levels in the industry generally. The Group has also suffered because both Group companies offer specialist services to small segments of their respective markets.

Whilst the current drop in the UK's GDP is expected to be reversible in the medium to long term, the changes in working practices caused by the virus are likely to result in major changes in the overall demand for construction services and particularly for those services provided by the Group companies. The increasing extent to which companies will rely upon home-based workers has and will continue to reduce demand for city centre located office space and, in turn, for the flooring of large new or refurbished office premises within the City or in neighbouring areas.

In the light of the above, the Group companies are taking a cautious approach to securing their current and mid-term turnover targets and will concentrate on servicing the requirements of core clients on contracts which are neither onerous nor carry a significant risk element. The Board acknowledges that this policy will impact of turnover and net profit

but believe that it is necessary and appropriate in order to protect the Group and the interests of shareholders in a period of unprecedented levels of uncertainty and risk.

The Board is continuing to monitor the changing market conditions and seek new contracts in the areas of construction that fall within the current specialisations of the Group companies.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2020

		6 months to 30 June 2020	6 months to	12 months to
		(unaudited)	30 June 2019	31 December 2019
	Note	£	(unaudited)	(audited)
			£	
Revenue		5,823,166	9,137,192	20,989,051
Cost of sales		(4,991,963)	(7,572,698)	(18,802,737)
Gross profit		831,203	1,564,494	2,186,314
Administrative expenses		(746,236)	(843,172)	(1,335,464)
Operating profit		84,967	721,322	850,850
Net finance costs		(4,362)	(2,266)	(10,111)
Profit before income tax		80,605	719,056	840,739
Income tax expense	3	(19,515)	(160,469)	(174,727)
Total comprehensive profit for the period		61,090	558,587	666,012
Earnings per share	4			
Basic & diluted		0.024p	0.220p	0.262p

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 2020

	30 June 2020	30 June 2019	31 December 2018
	(Unaudited) £	(Unaudited) £	(audited) £
ASSETS			
Non-current assets			
Intangible assets	6,874,308	6,874,308	6,874,308
Property, plant and equipment	111,365	145,387	101,600
Right-of-use assets	2,583	-	18,000
	6,988,256	7,019,695	6,993,908
Current assets			
Inventories	145,891	126,469	147,000
Trade and other receivables	3,004,533	5,292,106	3,543,300
Cash and cash equivalents	504,460	612,451	802,800
	3,654,884	6,031,026	4,493,200
TOTAL ASSETS	10,643,140	13,050,721	11,487,208
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
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	1,544,735	1,376,219	1,483,600
TOTAL EQUITY	6,762,554	6,594,038	6,701,400
Current liabilities			
Trade and other payables	3,134,972	5,517,202	4,199,000
Short-term borrowings	472,095	489,590	297,100
Lease liabilities	2,583	-	18,000
Current tax payable	200,936	388,885	181,400
	3,810,586	6,395,677	4,695,700
Non-current liabilities			
Loan notes	70,000	61,006	90,000
TOTAL LIABILITIES	3,880,586	6,456,683	4,785,700
TOTAL EQUITY & LIABILITIES	10,643,140	13,050,721	11,487,208

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2020

	Share capital	Share premium	Capital redemption reserve	Reverse Acquisition reserve	Merger reserve	Retained earnings
	£	£	£	£	£	£
Balance at 1 January 2019	2,524,426	1,490,682	7,500	(2,856,756)	4,051,967	817,632
Total comprehensive income	-	-	-	-	-	558,587
Balance at 30 June 2019	2,524,426	1,490,682	7,500	(2,856,756)	4,051,967	1,376,219
Balance at 1 July 2019	2,524,426	1,490,682	7,500	(2,856,756)	4,051,967	1,376,219
Total comprehensive income	-	-	-	-	-	107,426
Balance at 31 December 2019	2,524,426	1,490,682	7,500	(2,856,756)	4,051,967	1,483,645
Balance at 1 January 2020	2,524,426	1,490,682	7,500	(2,856,756)	4,051,967	1,483,645
Total comprehensive income	-	-	-	-	-	61,090
Balance at 30 June 2020	2,524,426	1,490,682	7,500	(2,856,756)	4,051,967	1,544,735

Condensed consolidated cash flow statement

For the six months ended 30 June 2020

	6 months to 30 June 2020 (unaudited) £	6 months to 30 June 2019 (unaudited) £	12 months to 31 December 2019 (audited) £
Cash from operating activities:			
Operating profit	84,967	721,322	850,851
Adjusted for:			
Depreciation	23,930	22,475	44,611

Profit on disposal	(600)	-	-
(Increase)/ decrease in inventories	1,142	(11,167)	(31,731)
(Increase)/ decrease in trade and other receivables	538,791	(2,881,044)	(1,132,254)
(Decrease)/ increase in trade and other payables	(1,122,555)	2,195,803	777,976
Cash (used in)/ generated by operations	(474,325)	47,389	509,453
Finance costs	(4,362)	(1,984)	(10,111)
Taxation paid	-	-	(223,088)
Net cash (outflow)/inflow from operating activities			
	(478,687)	45,405	276,254
Cash flows from investing activities			
Purchase of equipment	(18,195)	(16,126)	(12,557)
Proceeds from sale of property, plant and equipment	600	-	-
Net cash flows from / (used) in investing activities			
	(496,282)	29,279	263,697
Cash flows from financing activities:			
Lease repayments	(15,500)	(15,498)	(31,000)
Repayment of non-convertible loan notes	(27,961)	(18,000)	(36,001)
Movement of supplier financing facility	241,318	-	-
Repayment of short-term loans	-	(61,077)	(71,558)
Net cash flows from financing activities	197,857	(94,575)	(138,559)
Net (decrease)/increase in cash and cash equivalents	(298,425)	(65,296)	125,138
Cash and cash equivalents brought forward	802,885	677,747	677,747
Cash and cash equivalents carried forward	504,460	612,451	802,885

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

	As at 30 June 2020 £	As at 30 June 2019 £	As at 31 December 2019 £
Cash at bank and in hand	504,460	612,451	802,885
Bank overdraft	-	-	-
	504,460	612,451	802,885

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The Group's half-yearly financial statements for the six months ended 30 June 2020 were authorised for issue by the directors on 9 October 2020.

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 2019 have been filed with the Registrar of Companies at Companies House. The audit report on the statutory accounts for the year ended 31 December 2019 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 2020 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 2019.

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The Group financial information consolidates that of the company and its subsidiaries.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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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 2020		Six months to 30 June 2019		Twelve months to 31 December 2019	
	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000	Segmental revenue £'000	PBT £'000
Construction	2,743	138	5,216	355	13,223	117
Fit -out	3,080	71	3,921	502	7,766	724
	5,823	209	9,137	857	20,989	841
Inter-segmental revenue and unallocated costs		(128)	-	(138)	-	-
	5,823	81	9,137	719	20,989	841

Business segments assets and liabilities

	Six months to 30 June 2020		Six months to 30 June 2019		Twelve months to 31 December 2019	
	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000	Segment assets £'000	Segment liabilities £'000
	Construction	1,794	2,246	2,481	3,810	1,999
Fit-out	2,636	1,167	3,665	2,103	3,203	1,763
	4,430	3,413	6,146	5,913	5,202	4,345
Goodwill - Construction	2,000	-	2,000	-	2,000	-
Goodwill - Fit-out	4,874	-	4,874	-	4,874	-
Other unallocated assets & liabilities	17	1,145	30	543	1	1,031
	11,321	4,558	13,050	6,456	12,077	5,376

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 2020 (unaudited) £	6 months to 30 June 2019 (unaudited) £	12 months to 31 December 2019 (audited) £
Current tax on income for the period	(19,515)	(160,469)	(174,727)
Deferred tax (expense)	-	-	-
Income tax (expense)/credit in the income statement	(19,515)	(160,469)	(174,727)

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 2020 (unaudited)	6 months to 30 June 2019 (unaudited)	12 months to 31 December 2019 (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 2020 (unaudited)	6 months to 30 June 2019 (unaudited)	12 months to 31 December 2019 (audited)
	£	£	£
Continuing operations			
Basic earnings per share	0.024p	0.220p	0.262p
Diluted earnings per share	0.024p	0.220p	0.262p

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