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Mountfield Group plc
14 June 2019

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Mountfield Group Plc ("Group")

and its subsidiary Connaught Access Flooring Limited ("CAF") and Mountfield Building Group Limited ("MBG")

Final Results for the Year Ended 31 December 2018

The Directors of Mountfield Group Plc are pleased to announce its Final Results for the year ended 31 December 2018 ("Final Results").

The Group also announces that its Annual General Meeting will be held at 10 a.m. on 9 July 2019 at the offices of DAC Beachcroft LLP at 25 Walbrook, London EC4N 8AF.

The Annual Report and Accounts for the year ended 31 December 2018, together with the Notice of Annual General Meeting will shortly be posted to shareholders and uploaded to the Group's website on: www.mountfieldgroupplc.com .

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information, please contact:

Mountfield Group plc	**01268 561 516**
Peter Jay, Chairman	
Andy Collins, Chief Executive Officer	
Cairn Financial Advisers LLP	**020 7213 0880**

Jo Turner / Tony Rawlinson

CHAIRMAN'S REPORT

The Board of Mountfield Group Plc ("the Group") is able to report another extremely successful year with Net Profit Before Tax having increased by 28%. Both of the Group subsidiaries, Mountfield Building Group Limited ("MBG") and Connaught Access Flooring Limited ("CAF"), have traded successfully and provided the Group with an increasing volume of business and an active and growing order book.

The Board is of the view that the Group's is very well placed to capture significant new quantities of business that is expected to flow from the data centre and telecoms sectors as a result of the introduction of 5G networking technology beginning in 2020.

5G, described as a "transformative technology", has been forecast to have as fundamental an impact on the telecoms sector as the development of mobile phone technology (1G) had in the 1980s. The Directors believe that the requirement for its customers to upgrade and replace new telecom infrastructure will continue to create significant additional demand for the Group's services over the next decade.

The Group's financial performance does not yet reflect any material amount of income that is referable to the introduction of the new technology. The Directors believe that demand for the services of MBG and CAF could increase substantially over the next few years as a result of both the development and continued growth of its existing operations and from the introduction of new technologies driving its clients to upgrade existing infrastructure.

<u>Key Features</u>

- **Annual PBT increases by 28% to £1,109,332** (2017: £864,372) **and has risen by 250% over the last three years.**
- **Group's secured order book currently stands at £16.4m**
- **Turnover**: £16.2m (2017: £12.7m) and has increased by 168% over the last three financial years.
- **Operating profit**: £1,129,173 (2017: £902,282)
- **Earnings per share**: 0.268p (2017: 0.254p)
- **Net cash position**: £677,747 (2017: £520,301)
- **Gross Margin**: 15.5% (2017: 17.5%)

- **Operating Margin**: 7.0% (2017: 7.1%)
- **The Board expects** the Group to produce another strong performance in 2019.

Financial Performance

The Directors are delighted to announce that over the last three financial years **Net Profit Before Tax** has **increased by 250%.**

Even though **gross margin** has been reduced during the year (as a result of the lower margins on some of the larger contracts) **operating profits** have increased significantly because the Group's overhead base has not increased during a year when turnover increased substantially.

About the Group

The Group was formed in October 2008 by its acquisition of the shares of MBG and CAF. This was followed by the admission of its shares onto AIM in the same month.

The two subsidiaries each supply specialist construction services to areas of the telecom and data centre sectors. **CAF**, a top tier commercial flooring supplier and installer (and one of the few that are able to tender for the largest contracts) has considerable expertise and experience in the installation of the raised access flooring systems that are employed in data centres and also in the dealing floors of banks and other financial institutions. It also contracts to supply and install other commercial flooring systems.

In recent years CAF has successfully supplied and installed flooring for three major banking and finance clients in contracts that have been part of some of the largest awarded for developments in Central London. Interspersed with these have been contracts for flooring systems in data centres in the UK and Mainland Europe.

MBG has, since the early days of mobile technology concentrated on providing the services that were required by developers of data centres and telecoms infrastructure.

A substantial proportion of MBG's turnover is now tied up providing construction services for the development or enlargement of data centres and structures connected with them. In addition, one of its largest clients, a World leading telecom company, regularly retains it to undertake construction work on its substantial property estate.

<u>The Companies</u>

Connaught

CAF's turnover in the year to 31 December 2018 was £8.2m *(2017* - £8.4m*)* and its profit before tax £313,512 *(2017* - £568,651). Although activity levels remained high there was a reduction in both turnover and net profit due to pauses between the end of one substantial contract and the beginning of new ones. The Company has been concentrating (with considerable success) on building up its order book of smaller contracts (those with a value of £100k or less) to provide a continuing revenue stream during periods when it is not fully engaged on large contracts.

The largest contract undertaken during the year was that to supply and install flooring over 70,000 sq metres for the new headquarters building of a leading investment bank. The contract (which is in its last stages) is likely to have a value in excess of £7m over three financial years.

Mountfield Building Group

MBG's turnover in the year to 31 December 2018 was £8.0m (2017 - £4.3m) and its profit before tax was £780,502 (2017 - £283,015) after excluding the waiver of a debt from its subsidiary. This was an extremely good year for the Company as its strategy of focussing on the demands of its data centre and telecom customers proved timely as they increased their levels of activity and their demand for its services.

The year saw a substantial number of new contracts won in direct negotiation and by tender, including a number of new security upgrades for its largest telecoms client; these are part of a continuing, multi-year upgrading programme.

<u>Outlook for the Group</u>

CAF and MBG both operate in markets where demand for specialist construction services for the telecoms sector is strong and is likely to increase. With the benefit of their low-cost operations, excellent client bases and reputations for completing contracts on time and to an extremely high standard, they have the potential to capture a greater share of work from existing or new clients.

The outlook for **CAF**, with its leading position in the commercial flooring market based on the demand for high quality, large commercial flooring contracts continues to be highly favourable. In addition to the continued demand for large floor-plate trading and office areas there is the return of demand, both in the UK and in Europe for extra data centre capacity and as a result the Board believes that the outlook for CAF remains increasingly bright.

The Board takes a similar view of **MBG**'s prospects. With its extensive contacts within the telecoms field and its long-established connection with a leading telecoms operators and data centre developers it is well positioned to benefit from the 5G revolution and from the expected growth in demand for telecoms infrastructure.

The 5G revolution is expected to result in numerous additional appliances and devices (including autonomous cars and robotics and whole cities) being networked and thus increasing the need for data capacity and this, in turn will drive the need for new data centres and the expansion of existing units.

The Directors believe that the impact of the introduction of 5G networks for companies such as MBG and CAF which already have deep roots in the telecoms sector in terms of skill, expertise, recognition and client base could be profound. The impact for the sector could equal that which it experienced when the first wave of data centres was commissioned at the end of the last century.

Peter Jay

Non-Executive Chairman

CEO's REPORT

The **Group Board** currently comprises:

Peter Jay - Non-Executive Chairman - in addition to being Group Chairman Peter also manages the Group's relationships with its nomad, brokers and professional advisers. Peter was formerly a corporate lawyer and a partner in DAC Beachcroft LLP.

Andrew Collins - Group Chief Executive - Andy is responsible for managing the business of the Group and also that of its subsidiary, CAF, a specialist supplier and installer of flooring for commercial properties whose business and reputation he has developed significantly since appointment in 2004. Before joining the Group, Andy was a Divisional Financial Director at ISG Plc.

Graham Read - Managing Director of MBG - Graham founded the business of MBG in 1986 and has had over 40 years' experience in the construction industry.

The Board is supported by **Andy May**, a partner in the firm of Barnes Roffe LLP. Andy attends meetings of the Group's Board in an advisory-only capacity and also assists the Board in overseeing the Group's accounting and finance functions.

The Board is also supported by **Chris Adlam**, a director of JDC Corporate Finance. Chris attends meetings of the Group's Board in an advisory-only capacity to provide advice on business finance and aspects of corporate finance.

Group Companies

The Group is comprised of two principal trading companies, Connaught Access Flooring Limited ("CAF") and Mountfield Building Group Limited ("MBG").

CAF is one of the leading suppliers and installers of raised access flooring systems to main contractors and corporate end users for office and data centre installations.

It has established itself as one of the few recognised specialists for the flooring elements of fitting out contracts in new and refurbished commercial office space and for the Data Centre market. These projects are undertaken both direct with the end user and for leading Construction companies.

The current demand for construction of high quality, high tech banking and office HQ buildings plays to CAF's strengths as it enables the Company to present its professionalism and credentials and compete on quality of service, expertise and experience, rather than simply on price.

MBG comprises the construction division of the Group and in addition to its extensive experience of undertaking work for the data centre sector MBG also undertakes specialist construction work for end user clients.

2018 saw MBG continue to develop its long term relationship undertaking building fabric repair and maintenance works on a nationwide basis for a large proportion of the property portfolio of a leading telecoms operator.

Finance

The Group is financed from the cash it generates from its operations, with the support of a bank overdraft facility of £250,000 and a term loan of £71,558, the group also had a supplier financing arrangement however this has lapsed as it is no longer required.

The construction market

The Group continues to experience extremely strong levels of activity in terms of enquiries and tenders and the Board is confident as to the strength and sustainability of the current strong demand for services provided by the Group.

Group's strategy

The Board strategy is for the Group to become a highly profitable, mid-sized operation that provides specialist construction and flooring services in a number of diverse but related areas but with a particular focus on the fit-out sector. The Group's reputation has been built on its ability to undertake and to manage specialist construction services to a high level of quality and to deliver the completed project to the client on time. This will remain at the core of its strategy.

Principal risks

The principal risks and uncertainties facing the Group relate to:

Attraction and retention of key employees

The Group's future success is substantially dependent on the continued services and performance of its directors, senior management and other key personnel and its ability to continue to attract and retain highly skilled and qualified personnel.

The senior executive directors of the business all have significant shareholdings in the parent company and are all permanent employees.

Economic downturn and other macroeconomic factors

The Group's success is substantially dependent on the general level of economic activity and economic conditions in the United Kingdom.

Many of the Group's contracts, including renewals or extensions of previous contracts, are awarded through competitive bidding processes. Any downturn in the economy, or any other macroeconomic factor, either in the UK or globally, may reduce the number of contracts coming up for bidding.

The competitive bidding processes present a number of additional risks, including the incurrence of substantial cost and managerial time to prepare bids and proposals for contracts that the Group may not ultimately win. The Group may face additional competition in the bidding process either from existing competitors or new market entrants.

The Company is seeking to mitigate its exposure to the sectors in which it currently operates by diversifying its client base and in particular expanding into closely aligned areas of activity.

Reliance on key customers and clients

The business of the Group is dependent upon the continuing contracts that it has, and relationships that it has developed, with certain customers.

Whilst signed contracts are in place with key customers, the successful completion and timing of contracted projects are not guaranteed and are susceptible to external factors outside of the control of the Group. Similarly, contracted projects may in some circumstances be susceptible to delays or variation by customers or be affected by unforeseen changes in circumstances relating to the market, technology, legislation, economic or other business factors. This may affect the cash flow and subsequent performance of the Group.

The Group works with a well-established client base and the performance of individual projects is monitored on at least a monthly basis by board members to identify any issues with specific projects.

Reliance on Subcontractors

The Group utilises subcontractors on a project-by-project basis to meet contractual obligations. Such projects will rely on the subcontractors performing their duties and obligations, not only in terms of timely delivery but also in terms of their performance obligations. Any such non-performance may result in time and cost over-runs on the Group's projects and reduce the value of its returns.

Subcontractors are vetted by senior management and normally engaged to work on closely defined and managed aspects of contracts. Most subcontractors have a long standing trading history with the Group.

Health and safety

The Group undertakes Construction activities, often working within difficult conditions and with heavy machinery which if improperly used could result in personal injury or in extreme cases, fatalities.

The Group takes the health and safety of its employees and clients very seriously and employs Health and Safety advisors on all significant contracts. It also has a firm of Health and Safety Advisors with whom it consults on a regular basis.

Key performance indicators

The Directors use a number of performance indicators which are used to manage the business but, as with most businesses the focus in the Statement of Comprehensive Income at the top level is on sales, margins, and profit before tax. In the Statement of Financial Position the focus is on managing working capital. The key performance indicators are disclosed in the Strategic Report.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in note 19 to the financial statements.

Andrew Collins

Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Revenue		**16,220,768**	12,692,126
Cost of sales		**(13,713,296)**	(10,467,673)
Gross profit		**2,507,472**	2,224,453
Administrative expenses	**5**	**(1,378,299)**	(1,322,171)
Operating profit		**1,129,173**	902,282
Net finance costs	**5**	**(19,841)**	(37,910)
Profit before income tax		**1,109,332**	864,372
Income tax expense	**6**	**(426,758)**	(218,999)
Profit for the year and total comprehensive income		**682,574**	645,373
Earnings per share	**7**		

	2018	2017
Basic earnings per share	**0.268p**	0.254p
Diluted earnings per share	**0.268p**	0.254p

There are no recognised gains and losses other than those passing through the Statement of Comprehensive Income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	2018	2017

	£	£
ASSETS		
Non-current assets		
Intangible assets	**6,874,308**	**6,874,308**
Property, plant and equipment	**102,655**	**80,434**
Deferred income tax assets	**-**	**199,330**
	6,976,963	**7,154,072**
Current assets		
Inventories	**115,302**	**88,301**
Trade and other receivables	**2,411,068**	**3,651,516**
Cash and cash equivalents	**1,236,162**	**520,301**
	3,762,532	**4,260,118**
TOTAL ASSETS	**10,739,495**	**11,414,190**
EQUITY AND LIABILITIES		
Issued share capital	**2,524,426**	**2,524,426**
Share premium	**1,490,682**	**1,490,682**
Share based payments reserve	**-**	**-**
Capital redemption reserve	**7,500**	**7,500**
Merger reserve	**4,051,967**	**4,051,967**
Reverse acquisition reserve	**(2,856,756)**	**(2,856,756)**
Retained earnings	**817,632**	**135,058**
TOTAL EQUITY	**6,035,451**	**5,352,877**
Current liabilities		
Trade and other payables	**3,305,728**	**4,712,512**
Short-term borrowings	**1,107,528**	**958,020**
Corporation tax liability	**229,782**	**124,050**
	4,643,038	**5,794,582**
Non-current liabilities		
Loan notes	**61,006**	**200,000**
Bank loan	**-**	**66,731**
	4,704,044	**6,061,313**
TOTAL EQUITY AND LIABILITIES	**10,739,495**	**11,414,190**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Cash flows from operating activities		
Operating profit	**1,129,173**	902,282
Adjusted for:		
Depreciation	**12,556**	11,595

Profit on Disposal	**(4,400)**	(1,294)
(Increase) in inventories	**(27,001)**	(29)
Decrease/(increase) trade and other receivables	**1,240,449**	(1,874,903)
Increase/(Decrease) in trade and other payables	**(1,374,996)**	1,508,009
Cash generated in operations	**975,781**	545,660
Finance costs	**(19,841)**	(37,910)
Taxation paid	**(121,696)**	(56,782)
Net cash inflow from operating activities	**834,244**	450,968
Cash flows from investing activities		
Purchases of property, plant and equipment	**(34,777)**	(3,782)
Proceeds from sale of property, plant and equipment	**4,400**	4,003
Net cash (used in)/generated from investing activities	**(30,377)**	221
Cash flows from financing activities		
Finance lease rentals	**-**	(583)
Repayment of non-convertible loan notes	**(138,994)**	(190,901)
Movement on supplier invoicing facility	**(387,795)**	387,795
Repayment of short-term loans	**(119,632)**	(106,952)
Net cash flows (used in)/generated from financing activities	**(646,421)**	89,359
Net cash increase in cash and cash equivalents	**157,446**	540,548
Cash and cash equivalents brought forward	**520,301**	(20,247)
Cash and cash equivalents carried forward	**677,747**	520,301

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	**Share premium**	**Share based payment reserve**	**Capital redemption reserve**	**Merger reserve**	**Reverse acquisition reserve**	**Retained earnings**	**Total**
	£	£	£	£	£	£	£	£
At 1 January 2017	2,524,426	1,490,682	68,871	7,500	4,051,967	(2,856,756)	(579,186)	4,707,504

Total comprehensive income for the year	-	-	-	-	-	-	645,373	645,373
Conversion of loan notes	-	-	(68,871)	-	-	-	68,871	-
At 31 December 2017	**2,524,426**	**1,490,682**	**-**	**7,500**	**4,051,967**	**(2,856,756)**	**135,058**	**5,352,877**
Total comprehensive income for the year	-	-	-	-	-	-	682,574	682,574
At 31 December 2018	**2,524,426**	**1,490,682**	**-**	**7,500**	**4,051,967**	**(2,856,756)**	**817,632**	**6,035,451**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 General information

Mountfield Group plc is a public company incorporated in England and Wales. The registered number of the Company is 06374598. The address of its registered office is 3C Sopwith Crescent, Wickford Business Park, Wickford, Essex SS11 8YU.

Above is an extract from the Final Results for the year ended 31 December 2018. The Final Results, which will shortly be posted to all shareholders and available on the Group's website, should be read in full.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), IFRIC Interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The adoption of these standards has not resulted in any changes to the Group's accounting policies and has not affected amounts reported in prior years. The financial statements have been prepared under the historical cost basis.

2 Changes in accounting policies

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 12 months to 31 December 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 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. The group will adopt the modified retrospective approach will be adopted meaning the Group will only recognise such leases on the balance sheet as at 1 January 2019. It is anticipated the Group will recognise right-of-use assets in respect of the properties it leases with a value of approximately £49k being attributed to right-of-use assets and a lease liability of the same amount.

IFRS 9 'Financial Instruments'

From 1 January 2018, the group is required to recognise a loss allowance for expected credit losses on these financial assets. The new standard states that if the credit risk on a financial instrument has significantly increased since initial recognition, the loss allowance must be measured using the lifetime expected credit loss. Given the majority of the Groups invoicing is to large companies with an assessed low credit risk we do not deem the impact on the Group's financial statements to be material.

3 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. The diluted earnings per share is calculated by dividing the earnings attributable to equity shareholders by the weighted average number of shares in issue plus the number of warrants and share options. The share options are not considered dilutive as the shares would be issued for greater than the average market price of the ordinary shares in 2018 and 2017.

	2018	2017
Basic earnings per share	**£**	£
Profit for the financial year	**682,574**	645,373
Weighted average number of shares	**254,244,454**	254,244,454

	2018	2017
Diluted earnings per share	**£**	£
Profit for the financial year	**682,574**	645,373
Number of shares	**254,244,454**	254,244,454

4 Availability of Report and Accounts and Notice of Annual General Meeting

The Group will shortly post the Annual Report and Accounts for the year ended 31 December 2018 and Notice of Annual General Meeting to shareholders.

The Annual General Meeting will be held at the offices of DAC Beachcroft LLP, 25 Walbrook, London EC4N 8AF on 9 July 2019 at 10 a.m. A copy of the Annual Report and Accounts for the year ended 31 December 2018 and Notice of Annual General Meeting will be available to be downloaded from the Group's website at www.mountfieldgroupplc.com.