22 December 2017

RNS Announcement: The information communicated in this announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

MBL GROUP PLC (AIM: MUBL)

(“MBL” or the “Group”)

Unaudited Interim Results for the Six Months Ended 30 September 2017, sales process update and result of investigation

The Board of MBL Group plc announces its interim results for the six months ended 30 September 2017.

Key points:

- Group revenue down 15% to £6.38 million (2016: £7.54 million)
- Group profit before taxation and exceptional items £0.1 million (2016: £0.2 million)
- Group loss before taxation £0.7 million (2016: loss £0.2 million)
- Net cash of £1.4 million (2016: £1.5 million) and the Group remains debt free
- No dividend is proposed

Anton Lane, Chairman of MBL, commented:

Since concluding the business review in December 2016, the Board has spent much of the first six months of this financial year focusing on driving forward the sales process and a lot of the exceptional costs incurred in the period relate to this exercise. Unfortunately, for the reasons set out in the letter to shareholders of 21 September 2017, the Board was unable to conclude a sale of either trading business despite having received a number of offers that would have generated significant value for shareholders. I joined the Board in late October and having now spent time examining the businesses in more detail and discussing matters with my fellow directors, it is my view that a continuation of the sales process of each trading business, as mandated by shareholders following the review, remains the best way to deliver value for all shareholders, and accordingly the Board intends to continue to look for buyers.

The Board has also had to deal with a number of issues raised by certain shareholders and has had to convene shareholder meetings in order to consider resolutions concerning the remuneration of the Board. These issues and meetings have proved to be a distraction and have led to costs being incurred by the Group that could otherwise have been avoided. However, the Board does accept that its relationship with shareholders needs to be improved and it is committed to seeking a transparent and positive relationship.

The Group’s interim results show a disappointing performance and this is attributable to an unexpected material under performance in the Home Entertainment division and the significant exceptional items incurred in relation to the sales process and other matters. The poor performance of the Home Entertainment division is attributable to a change to where sales originate, the competitive landscape and a loss of market share and this, combined with the exceptional costs incurred in the period, have led to a loss at Group level. The Board is of the opinion that exceptional costs will be significantly reduced in the future and we are actively looking at ways of reducing expenses without affecting the trading performance of the subsidiary businesses. To this end, certain consultancy agreements have recently been terminated which will generate annual savings of well in excess of £100,000. The Board will continue to monitor and review overheads and make changes as appropriate.

Recent expenses have been a concern for some shareholders and the Board has received a request from a shareholder to review the dilution of company assets over the past twenty-four months. The Board is currently working with the shareholder to ascertain the scope of such a review and the best way of dealing with the request without incurring further additional and unnecessary costs.

The trading performance of the subsidiaries is indicative of their commercial strength, although the Board is conscious that the trading and economic environment has changed dramatically for both divisions in the past year. There are new entrants to the market who are exceptionally competitive. In addition, suppliers and customers are being affected by economic conditions resulting in an overall increase in market competitiveness and pressure on pricing. The Board maintains its view that a third party may be better placed to develop the potential in the trading subsidiaries.

On 24 October 2017 the Board announced, following a consultation with certain substantial shareholders, the intention to look into concerns regarding the dilution of Company assets in recent times, and in particular an allegation regarding a breach of the Group's IT security. The Board had previously investigated this latter concern and had found no evidence of wrongdoing although it was prepared to work with the shareholders to further look into this matter. As a result of the request the Board requested the substantial shareholder provide support for the allegations to the Board and instructed a firm specialising in IT forensics. The work undertaken has been extensive and covered a period spanning several years. No evidence supporting the allegation of a breach of IT security has been identified and the Board regard this investigation as concluded with no further action being required.

To date, the second half of the financial year has improved for the Home Entertainment division and it has returned to a profitable position, at the operating level for the year to date. Operating profit at the Garden & Home division continues to track ahead of last year and the recent spell of cold weather has seen a marked increase in sales. Both businesses are cash generative for the year to date.

The Board would like to thank all of the Group's staff for their commitment and hard work during what has been a very testing and uncertain time. That the underlying businesses remain profitable at the operating level and cash generative is a testament to their efforts.

In accordance with the AIM Rules for Companies, a copy of the Unaudited Interim Results will be available on the Company's website – www.mblgroup.co.uk

For further information please contact:

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CHAIRMAN'S STATEMENT

Whilst the performance of each trading division was below target, the Garden & Home division was profitable and cash generative. The Home Entertainment division performed below budget in terms of both turnover and profit in the six months to 30 September 2017, although there has been a slight improvement in the period since then and this business has returned to profitability at the operating level for the year to date.

Operational Review

Home Entertainment

	30 September 2017 *£'000*	*30 September 2016* *£'000*
Revenue	3,300	*4,226*
Operating (loss)/profit before exceptional items	(9)	*151*

The Group's Home Entertainment division is one of the UK's leading suppliers of music and entertainment products to online and physical retailers around the world.

The division performed below expectations for the period due to lower sales to large existing customers, and saw reduced revenues of £3.3million (2016: £4.2 million). Gross profit margins were lower than the same period last year at 12.2% (2016: 13.4%) due to the decrease in turnover and overall sales mix. Reduced performance therefore led to an operating loss for the period of £44,000 (2016: profit £151,000). Increased overheads relating to premises and an exceptional item of £35,000 (being a loyalty bonus to a consultant) contributed to the operating loss.

Garden & Home

	30 September 2017 *£'000*	*30 September 2016* *£'000*
Revenue	3,064	*3,299*
Operating profit before exceptional items	203	*180*

Our Garden & Home division specialises in the online and mail order sale of garden bird food, aquatics supplies and associated wildlife products.

Sales during the period decreased by 7% to £3.1 million (2016: £3.3 million), however costs were tightly controlled leading to an increase in operating profit before exceptional items for the period of 13% to £203,000 (2016: £180,000). This, combined with expertise in buying and online marketing strategies, has helped to consolidate the business' position in this market. The business incurred exceptional costs in the period relating to the conclusion of pending and threatened litigation and this led to a loss after exceptional costs of £112,000 (2016: £180,000). These costs were one-off and no further costs in relation to these matters will be incurred in the second half of this financial year.

Financial Review

The Financial Statements have been prepared to separately present the financial performance of the Group's operations including the prior year comparatives. The Segmental Analysis in the Notes to the Financial

Statements presents the Group's consolidated revenue streams.

Overall, Group revenue for the year decreased by 15% to £6.4 million (2016: £7.5 million). Group gross margins increased slightly to 25.3% (2016: 25.2%).

The Group loss for the period before taxation was £0.7million (2016: £0.2 million) and this has been caused by fewer sales for Home Entertainment and a series of exceptional, one-off, costs in the period that have been incurred by the Company as part of the sales process that was being carried out during the period under review and the conclusion of pending and threatened litigation.

The Group is a relatively small business and as such it is possible for investment in future performance or operating challenges to have a disproportionate effect on our short term financial performance. We are also sensitive to the costs of maintaining an AIM listing and these costs have a sizeable impact on the costs of administering the Group.

Cash flow, working capital and borrowing facilities

The Group ended the period with cash balances of £1.4 million (2016: £1.5 million). The net cash outflow from operating activities was £0.2million (2016: £0.3 million). The Group remains debt free. Cash balances to date stand at £0.7m.

Dividends

The Board is not recommending the payment of a dividend.

Our people

Since my appointment on 24 October 2017, I have spent considerable time discussing the underlying trading subsidiaries with key employees. Time has not afforded as much interaction with employees these past two months due to prioritisation of tasks including the review of the alleged breach of IT security. I have had the fortune of speaking with employees from both trading subsidiaries and have been impressed at their loyalty and keenness to add value to the businesses. The staff are crucial to the ongoing performance and the future of the businesses. As such, the Board will be ensuring that the way it communicates with employees is improved and they are duly recognised for their work and dedication.

Board update

The Board has seen a number of changes this past year with both Tim Jackson-Smith and Peter Palframan indicating they would step down, shareholders not re-electing Peter at the AGM, my appointment and now the appointment of James Reynolds. More changes are ahead of us. The Board will also be seeking the appointment of a further independent non-executive director to ensure high levels of corporate governance are met, at which point Tim Jackson-Smith will step down from the Board.

Current Outlook

The second half of the financial year has improved for the Home Entertainment division as it returns to a profitable position for the year to date. Garden and Home operating profit before exceptional items continues to track ahead of the same period last year and the recent spell of cold weather has seen a marked increase in sales.

Anton Lane

Chairman

22 December 2017

Consolidated Statement of Comprehensive Income
For the period ended 30 September 2017

	Note	**Unaudited 6 months to 30 September 2017 £'000**	Unaudited 6 months to 30 September 2016 £'000	Audited Year ended 31 March 2017 £'000
Revenue		**6,378**	7,539	15,954
Cost of sales		**(4,765)**	(5,635)	(12,159)
Gross profit		**1,613**	1,904	3,795
Distribution expenses		**(426)**	(538)	(993)
Administrative expenses – normal		**(1,125)**	(1,147)	(2,317)
- exceptional	*4*	**(768)**	(453)	(693)
Operating (loss)/profit		**(706)**	(234)	(208)
Finance income		**-**	2	5
Finance Expense		**-**	-	5
(Loss)/profit before tax		**(706)**	(232)	(198)
Taxation expense	*5*	**(35)**	(19)	40
(Loss)/profit for the period		**(741)**	(251)	(158)
Total comprehensive (expense)/income for the period		**(741)**	(251)	(158)

There are no items other than those stated above that would comprise comprehensive income. All the items above are attributable to equity holders of the Company.

Earnings per share:

		Unaudited 6 months to 30 September 2017	Unaudited 6 months to 30 September 2016	Audited Year ended 31 March 2017
Basic and diluted (loss)/profit per share	*6*	**(4.3)p**	(1.4)p	(0.9)p

Consolidated Statement of Financial Position
As at 30 September 2017

	Note	**30 September 2017 £000**	30 September 2016 £000	31 March 2017 £000
Non-current assets				
Property, plant and equipment	*7*	**179**	232	208
Intangible assets		**140**	140	140
Deferred tax assets		**53**	29	88
Total non-current assets		**372**	401	436
Current assets				
Inventories		**747**	671	702
Trade and other receivables		**1,468**	1,817	1,682
Cash and cash equivalents		**1,354**	1,539	1,626
Total current assets		**3,569**	4,027	4,010
Total assets		**3,941**	4,428	4,446
Current liabilities				
Trade and other payables		**(1,181)**	(1,336)	(1,261)
Tax payable		**-**	-	-
Provisions	*8*	**(788)**	(472)	(472)
Total current liabilities		**(1,969)**	(1,808)	(1,733)
Net assets		**1,972**	2,620	2,713
Equity attributable to equity holders of the parent				
Share capital		**1,297**	1,297	1,297
Share premium		**-**	-	-
Retained earnings		**3,475**	4,123	4,216
Merger reserve		**(2,800)**	(2,800)	(2,800)
Total equity		**1,972**	2,620	2,713
Total equity and liabilities		**3,941**	4,428	4,446

Consolidated Statement of Changes in Equity
For the period ended 30 September 2017

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 April 2016	**1,297**	**-**	**(2,800)**	**4,374**	**2,871**
Total comprehensive expense for the period	-	-	-	(251)	(251)
At 30 September 2016	**1,297**	**-**	**(2,800)**	**4,123**	**2,620**
Total comprehensive income for the period	-	-	-	93	93
At 31 March 2017	**1,297**	**-**	**(2,800)**	**4,216**	**2,713**
Total comprehensive expense for the period	-	-	-	(741)	(741)
At 30 September 2017	**1,297**	**-**	**(2,800)**	**3,475**	**1,972**

Consolidated Statement of Cash Flows

For the period ended 30 September 2017

	Unaudited 6 months to 30 September 2017 £000	Unaudited 6 months to 30 September 2016 £000	Audited Year ended 31 March 2017 £000
Cash flows from operating activities			
(Loss)/profit for the period	**(741)**	(251)	(158)
Adjustments for:			
Depreciation	**31**	40	75
Financial income	**-**	(2)	(5)
Financial Expense	**-**	-	(5)
Taxation	**35**	19	(40)
	(675)	(194)	(133)
Decrease/(increase) in trade and other receivables	**214**	(113)	23
Decrease/(increase) in inventories	**(44)**	18	(13)
(Decrease)/increase in trade and other payables	**235**	(20)	(95)
	(270)	(309)	(218)
Tax paid	**-**	-	-
Net cash flow from operating activities	**(270)**	(309)	(218)
Cash flow from investing activities			
Interest received	**1**	2	5
Acquisition of property, plant and equipment	**(3)**	(9)	(21)
Net cash flow from investing activities	**(2)**	(7)	(16)
Cash flows from financing activities			
Interest paid	**-**	-	5
Net cash flow from financing activities	**-**	-	5
Net (decrease)/increase in cash and cash Equivalents	**(272)**	(316)	(229)
Cash and cash equivalents at 1 April	**1,626**	1,855	1,855
Cash and cash equivalents at end of period	**1,354**	1,539	1,626

Notes

1. Basis of preparation

MBL Group Plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The half-year financial report for the 6 month period to 30 September 2017 represents that of the Company and its subsidiaries (together referred to as the 'Group').

This half-year financial report is an interim management report as required by Rule 18 of the AIM Rules for Companies and was authorised for issue by the Board of Directors on 22 December 2017.

The half-year financial report is prepared in accordance with the EU endorsed standard IAS 34 'Interim Financial Reporting'. The comparative figures for the year ended 31 March 2017 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's Auditor and delivered to the Registrar of Companies. The Report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

The information contained in the half-year financial report for the 6 month period to 30 September 2017 and 30 September 2016 is unaudited and should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with the IFRS adopted by the European Union.

As required by AIM Rule 18, the half-year financial report has been prepared and presented in a form consistent with that which will be adopted in the preparation of the Company's annual report and accounts for the year ended 31 March 2018.

The Group's policy is to maintain the ability to continue as a going concern, in order to provide returns to the shareholder and benefits to other stakeholders. Accordingly the going concern basis has been adopted in preparing these interim results.

The consolidated financial statements of the Group for the year ended 31 March 2017 are available upon request from the Company's registered office at MBL Group plc, Unit 1 Millennium City Park, Millennium Road, Preston, Lancashire PR2 5BL.

2. Going concern

The financial report has been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts to 31 March 2019 taking account of reasonable possible changes in trading performance. These forecasts show the Group to be cash positive throughout the next 15 months and make a number of assumptions around revenue and profitability of the remaining business activity.

These forecasts demonstrate the Group has appropriate funds which the directors believe are sufficient for the Group to continue to trade for at least the next 12 month period. In addition the Group continues to reflect an overall net assets position and is debt free.

The Group had a cash balance of £1.4m as at 30 September 2017 and currently does not have a bank overdraft or loan facilities.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial report.

3. Unaudited segmental analysis

The Group comprises the following main business segments:

Home Entertainment	The sale of home entertainment products predominantly to the export market.
Garden & Home	The sale of garden bird, aquatics, wildlife and pet related products direct to consumer via mail order and online channels.
Other	A combination of revenue streams including the license of film and music rights for manufacture, sale and download.

Consolidated statement of comprehensive income for period ended 30 September 2017:

	Home Entertainment £'000	*Garden & Home £'000*	*Other £'000*	*Group Total £'000*
Gross revenue	3,300	3,064	14	**6,378**
Intersegment revenue	-	-	-	**-**
Net revenue	3,300	3,064	14	**6,378**
Operating profit/(loss) before exceptional and central costs	(9)	203	15	**209**
Central costs				**(147)**
Exceptional costs				**(768)**
Operating loss after exceptional and central costs				**(706)**
Finance income				**-**
Taxation				**(35)**
Total comprehensive expense for the period				**(741)**
Total assets and liabilities				
Total assets	1,656	833	1,312	**3,801**
Goodwill	-	140	-	**140**
Total liabilities	(701)	(291)	(977)	**(1,969)**
Total segment net assets	955	682	335	**1,972**
Capital expenditure				
Intangible assets	-	-	-	**-**
Tangible fixed assets	3	-	-	**3**
Depreciation	2	6	23	**31**

Consolidated statement of comprehensive income for period ended 30 September 2016:

	Home Entertainment £'000	*Garden & Home £'000*	*Other £'000*	*Group Total £'000*
Gross revenue	4,227	3,300	12	**7,539**
Intersegment revenue	-	-	-	**-**
Net revenue	4,227	3,300	12	**7,539**
Operating profit before exceptional and central costs	151	183	40	**374**
Central costs				**(155)**
Exceptional costs				**(453)**
Operating loss after exceptional and central costs				**(234)**
Finance income				**2**
Taxation				**(19)**
Total comprehensive expense for the period				**(251)**
Total assets and liabilities				
Total assets	1,777	601	1,909	**4,287**
Goodwill	-	140	-	**140**
Total liabilities	(582)	(295)	(930)	**(1,807)**
Total segment net assets	1,195	446	979	**2,620**
Capital expenditure				
Intangible assets	-	-	-	**-**
Tangible fixed assets	-	4	5	**9**
Depreciation	6	9	24	**39**

Consolidated statement of comprehensive income for period ended 31 March 2017:

	Home Entertainment £'000	*Garden & Home £'000*	*Other £'000*	*Group Total £'000*
Gross revenue	9,500	6,414	40	**15,954**
Intersegment revenue	-	-	-	**-**
Net revenue	9,500	6,414	40	**15,954**
Operating profit before exceptional and central costs	383	247	74	**704**
Central costs				**(219)**
Exceptional costs				**(693)**
Operating loss after exceptional and central costs				**(208)**
Finance income				**10**
Taxation				**40**
Total comprehensive expense for the period				**(158)**
Total assets and liabilities				
Total assets	1,725	641	1,940	**4,306**
Goodwill	-	140	-	**140**
Total liabilities	(703)	(387)	(643)	**(1,733)**
Total segment net assets	1,022	394	1,297	**2,713**
Capital expenditure				
Intangible assets	-	-	-	**-**
Tangible fixed assets	1	13	7	**21**
Depreciation	10	18	47	**75**

4. Exceptional items

The breakdown of exceptional items for the period is as follows:

	£'000
Conclusion of pending and threatened litigation	385
Sales process	188
Loyalty bonus for consultant at Windsong	35
Shareholder issues	51
Additional board remuneration dealing with above matters	109
Total	**768**

5. Taxation

The income tax charge has been estimated by the Group based on adjustments to tax payable in respect of previous years and the level of losses incurred in the period ending 30 September 2017.

6. Earnings per share

The calculation of the basic earnings per share is based on the loss after taxation divided by the weighted average number of shares in issue, being 17,296,068 *(2016:* 17,296,068*; year ended 31 March 2017: 17,296,068)*.

7. Property, plant and equipment

During the period, the Group acquired assets with a cost of £3,000 *(2016: £9,000; year ended 31 March 2017: £21,000).*

8. Provisions

	30 September 2017 £000	30 September 2016 £000	31 March 2017 £000
Current liabilities			
Lease Commitment	**472**	472	472
Conclusion of litigation	**316**	-	-
Total equity and liabilities	**788**	472	472