

HALF YEARLY REPORT

Milestone Group PLC (“Milestone” or the “Company”), the AIM quoted (AIM: MSG) provider of digital media and technology solutions, announces its half yearly report for the six months ended 31 March 2014.

HIGHLIGHTS

- Passion Project engaged with over 2,000 young people through a London-wide football competition and has now launched full programme targeting over 250,000 young people over the next 18 months;
- Extended agreement with SFK to deliver bespoke training to teens and young people to help improve their emotional intelligence and job-readiness;
- Agreement signed with Poplar Housing and Regeneration Community Association (“Poplar HARCA”) for training of vulnerable young people;
- “Winning in the Game of Life” pilot complete and product rolling out to up to 22,000 UK Primary Schools;
- Appointment of Frank Sweeney as Programme Director of the Passion Project with an aim of delivering the existing youth engagement programme;
- OnGuard in paid pilot with STM Security Services (UK) Ltd and in use with Viper Cleaning Services Ltd;
- Post period end, acquisition of Disorder Magazine, a hub for developing young creative talent;
- Net loss for period £173,348 (six months to March 2013: Loss £487,589) and net liabilities £1,044,079 (31 September 2013: £1,017,950);
- £456,415 of new funds raised by way of placings (including in settlement for services received in the period) during the period and a further £126,000 raised post period end. These funds were raised at a significant premium to existing market price; and
- £375,470 of new funds raised by way of sale of held for sale investments. These investments were sold at a substantial premium to the purchase price.

Deborah White, Chief Executive, said:

“It is with great pleasure that the Board is now seeing the realisation of many of the Group’s product lines. I look forward to rolling these out over the next 18 months. The partners we are now working with are top class and we are confident from the feedback received from them that our products have great potential.”

For further information:

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CHIEF EXECUTIVE'S STATEMENT

These six-months has seen a period of positive consolidation across the Group, marking the end of a significant development phase for the business and the beginning of a new period of growth across the Group's product lines.

Relative

Following the revised strategy introduced during last financial year, the Group's digital media team have continued to build relationships with a number of major advertising agencies, positioning themselves as an innovative digital production studio. Consequently, they have worked for a number of major brands including Nike (England Shirt launch), Accenture (6 Nations statistics), Animals Asia (Peace by Piece campaign) and Motor Sport (90th Anniversary gala dinner).

Relative also became the official Digital Partner for Team GB, producing the visual content for the Sochi 2014 Winter Olympics fundraising gala dinner. They were also invited to attend South by South West; an annual music, film, and interactive conference and festival held in Austin, Texas as part of the Hackney House initiative to showcase and develop business opportunities for Hackney based businesses.

Business Solutions

During the period, Milestone signed an agreement with STM Security Group (UK) Ltd for an annual license of the OnGuard Product. OnGuard is a new mobile business software solution aimed at organisations with mobile workforces. Initially targeting the man-guarding sector, the product uses mobile technology to increase the efficiency of operations whilst improving risk-management, employee safety and information flow.

As part of the initial agreement, STM received a discount from the standard price of £108,000 for 500 users in exchange for assisting Milestone in further developing the product, testing and piloting both the initial release and subsequent releases. Post period end, Milestone announced that STM has increased their users by a further 250, and an additional contract has been signed by commercial cleaning organisation, Viper Cleaning Services Ltd for 5,000 locations, taking the product into a new sector.

This product has many applications for the facilities management sector, with interest being now shown by banking and healthcare organisations.

Winning in the Game of Life

The education sector saw the introduction of a new curriculum earlier this year, resulting in the official launch of the Winning in the Game of Life programme being delayed until schools could absorb the impact of these changes. The launch date for the programme is now set for July 14th and will mark the beginning of a London-wide initiative that will run until the summer of 2015, targeting schools across the Capital in collaboration with a network of key educational advisers.

The programme is aimed at primary school level students and addresses aspects of the Social, Moral, Spiritual and Cultural curriculum learning needs of pupils. "Winning in the Game of Life" will be marketed to all 22,000 primary schools in the UK and is expected to deliver gross revenues of between £500 and £1,000 per level, per school.

Training

In February, Milestone signed an agreement with US based Spirituality for Kids International Inc. ("SFK") to extend the scope of the existing license agreement.

The extended scope of the agreement enables Milestone and SFK to generate revenues from the delivery of co-developed and amended programmes targeted at teens and young people. With the Passion Project community engagement programme, the Company signed the first agreement with Poplar Housing and Regeneration Community Association ("Poplar

HARCA”) to deliver a pilot of the SFK resilience and emotional intelligence training to a number of vulnerable groups of young adults who are part of their hardest to engage residents. The Company sees this as the first of many programmes that will allow bespoke training programmes to reach those in the community who need support.

To assist with the programmes expansion Milestone recently engaged Chris Yiannakou to head the Training and Development of the Passion Project. Chris will support the delivery and funding of the existing youth engagement programmes as well as helping with the creation of bespoke training materials and programmes. Chris has over 30 years experience of working in training and development, and has held a number of successful and influential cross-college leadership roles with responsibilities for enterprise, innovation, funding, planning and delivering large contracts and projects.

Disorder

In April, post-period end, Milestone acquired all rights and title to the publication, Disorder UK Magazine (“Disorder”). The Disorder publication offers numerous new potential revenue streams for the Group arising from the commercialisation of the current print edition and its planned expansion into the digital marketplace.

The magazine fits well with Milestone’s portfolio and involves unemployed young creatives in every aspect of production; from photography, styling and fashion shoots to editorial, proving invaluable to those looking for a career in media, providing essential skills, industry contacts and experience.

Anthony Webb, having joined Milestone team in April 2013, will help expand and commercialise the combined opportunities offered by Disorder and the Passion Project. Anthony has incredible experience in the digital marketplace, and is credited with building the No 5 magazine with Rio Ferdinand - one of the world’s most successful online magazines. Anthony also brings a number of brands and celebrity clients with an interest in the youth marketplace. Discussions are already underway with distributors regarding the distribution of Disorder in international markets.

Passion Project

Milestone’s Passion Project piloted its first engagement event in this period, with a 32 London borough football competition. This was hosted in partnership with 10 of London’s professional football clubs’ community trusts and involved over 2,000 young people. The final event took place in February at the London Soccerdome and was won by Harrow Borough.

Since the period end, the Company announced the next phase of the Passion Project. This involves a series of events targeted to engage over 250,000 young people over the coming 18 months and features several high profile events including the Great British Carnival at the anniversary of the opening of the Olympic park in July, Parliament week at Portcullis House in November and the BE United Urban Quest (a 32 borough music and dance competition) with the finals at Wembley in the summer 2015.

The Passion Project is a large-scale youth employment initiative targeting 16 – 24 year olds, created to address youth unemployment by engaging young people in a mixture of physical events and digital interaction, providing assistance with career guidance, training and employment skills. Phase 1 of the digital portal is set for release in Summer 2014.

The Passion Project aims to engage young people with physical activity, supported by social media tools, news, games and competitions via our digital media platform. Our platform will offer an evaluation tool to help young people identify and match suitable vocations based on natural talent and areas of interest. We will create a social hub with rich media that will offer access to products, events, people and services to enhance their personal development and employment potential to provide access to employment and training opportunities.

While each product strand is positioned to offer the Company various new revenue opportunities, the time required to market and changes in the National Curriculum have resulted in delays in the period, postponing the anticipated revenues. The short-term delay has resulted in a requirement to raise further funds from the placing of shares.

During the period and post period end, good progress has been made in these areas. The Company raised £456,415 of new funds by way of a placing in the period and a further £126,000 since the period end. These funds were raised at a significant premium to the existing market price and have been used for working capital purposes as well as for development of the business. Further placings are expected in the near future to assist with cash flow in the short term, as profitable revenue streams are established. The Group has also continued to raise funds via the sale of available for sale investments, raising £375,470 in this period.

As stated in the accounts for the year end to 30 September 2013, the focus of the Group continues to be focused on revenue generation and growth.

Despite another challenging period, it is with great pleasure that the Board is seeing the realisation of many of the Group's product-lines and is looking forward to rolling each of these out over the next 18 months.

Deborah White
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 March 2014	Unaudited six months ended 31 March 2013	Audited year ended 30 Sept 2013
	£	£	£
Revenue	44,420	111,941	152,373
Cost of sales	(67,021)	(6,162)	(119,924)
Gross profit	(22,601)	105,779	32,449
Other operating income	50,536	(16,445)	2,500
Realised gain on disposal	335,304	-	440,605
Administrative expenses	(573,514)	(555,070)	(1,632,909)
	(187,674)	(571,515)	(904,804)
Loss from operations	(210,275)	(465,736)	(872,355)
Net Finance income/(expense)	36,927	(21,853)	(108,215)
Loss before taxation	(173,348)	(487,589)	(980,570)
Taxation credit	-	-	-
Net loss for period	(173,348)	(487,589)	(980,570)
Items which may be reclassified subsequently to profit or loss			
Adjustment in carrying value of available for sale investments	(14,080)	-	(23,160)
Recycling of realised gain on sale of available for sale financial assets	(335,304)	-	(440,605)
Total comprehensive loss for the year	(522,732)	(487,589)	(1,444,334)
Attributable to equity shareholders of the parent	(522,732)	(487,589)	(1,444,334)
Total basic and diluted loss per share	(0.12)	(0.13)	(0.24)

There were no comprehensive income and expense items (2013: nil) other than those reflected in the above income statement. All results relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited six months ended 31 March 2014	Unaudited six months ended 31 March 2013	Audited year ended 30 Sept 2013
		£	£	£
Non-current assets				
Property, plant & equipment		-	-	-
Intangible fixed assets		170,581	521,435	189,488
Investments		61,713	791,813	454,763
		232,294	1,313,248	644,251
Current assets				
Trade and other receivables		73,840	88,826	50,728
Cash and cash equivalents		64,327	24,391	17,025
		138,167	113,217	67,753
Current liabilities				
Trade and other payables		(1,339,813)	(1,210,789)	(1,259,017)
Interest-bearing loans		(74,727)	(404,514)	(470,937)
		(1,414,540)	(1,615,303)	(1,729,954)
Non Current Liabilities				
Deferred tax liabilities		-	-	-
Other payables		-	-	-
		-	-	-
Net Liabilities		(1,044,079)	(188,838)	(1,017,950)
Capital and reserves attributable to equity holders of the company				
Share capital	4	470,924	410,577	417,178
Share premium account		12,309,348	11,795,458	11,847,178
Shares to be issued		90,000	40,000	109,313
Merger reserve		11,119,585	11,119,585	11,119,585
Capital Redemption Reserve		2,732,904	2,732,904	2,732,904
Retained losses		(27,766,840)	(26,287,362)	(27,244,108)
Total Equity		(1,044,079)	(188,838)	(1,017,950)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 March 2014	Unaudited six months ended 31 March 2013	Audited year ended 30 Sept 2013
	£	£	£
Loss for the period	(173,348)	(487,589)	(980,570)
<i>Adjustments for:</i>			
Amortisation of intangible assets	18,907	18,907	37,814
Realised (gain) / loss on disposal of investments	(335,304)	20,945	(440,605)
Depreciation of tangible assets	-	-	-
Impairment of goodwill	-	-	313,040
Net bank and other interest (income) / charges	(38,161)	41,854	108,215
Issue of share options / warrant charge	-	-	-
Services settled by the issue of shares	17,049	30,000	16,768
Adjustment to deferred consideration payable	-	(159,450)	(280,000)
Release of deferred tax provisions	-	-	-
Net loss before changes in working capital	(510,857)	(535,333)	(1,225,338)
(Increase)/decrease in trade and other receivables	(23,114)	(1,631)	36,468
Increase/(decrease) in trade and other payables	172,298	22,803	275,219
Cash from operations	(361,673)	(514,161)	(913,651)
Interest received	4	3	17
Interest paid	(1,843)	(21,857)	(2,248)
Net cash flows from operating activities	(363,512)	(536,015)	(915,882)
Investing Activities			
Net proceeds from sale of held for sale investments	-	160,500	447,135
Net cash flows used in investing activities	-	160,500	447,135
Financing Activities			
Issue of ordinary share capital	431,554	377,097	407,500
Repayment of loan	(23,740)	(17,600)	(93,137)
New loans raised	3,000	-	131,000
Net cash flows from financing activities	410,814	359,497	445,363
Net increase in cash	47,302	(16,018)	(23,384)
Cash and cash equivalents at beginning of period	17,025	40,409	40,409
Cash and cash equivalents at end of period	64,327	24,391	17,025

NOTES TO THE HALF YEARLY REPORT

1. General information

The principal activity of Milestone Group PLC (“Milestone” or “the Company”) and its subsidiaries (together “the Group”) is the provision of multimedia and technology solutions.

Milestone is the Group's ultimate parent company and is incorporated in the United Kingdom with registration number 4689130. Milestone is domiciled in the United Kingdom and has its registered office at 1st Floor, 2 Royal Exchange, London EC3V 3DG, and this is its principal place of business.

Milestone's shares are quoted on the AIM market of the London Stock Exchange.

Milestone's consolidated financial statements are presented in Pounds Sterling (£).

This consolidated financial information has been approved for issue by the Board of Directors on 30 June 2014.

2. Basis of preparation

The financial information in the half yearly report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the half yearly report are those the Group expects to apply in its financial statements for the year ending 30 September 2014 and are unchanged from those disclosed in the Group's Directors' Report and consolidated financial statements for the year ended 30 September 2013.

The financial information for the six months ended 31 March 2014 and the six months ended 31 March 2013 is unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 30 September 2013 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies.

While the financial figures included in this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

Going concern

As stated in the accounts for the year to 30 September 2013, the future business model of the Group is based around the generation of sustainable revenues and profits through its wholly owned subsidiary, Oil Productions trading as Relative, and through its various projects. As described in the Chief Executive's statement, progress has been and continues to be made to develop the Group's activities and associated revenues. However, as also noted in the 30 September 2013 accounts, the Group needed to raise further funds from the placing of shares whilst the revenues and profits from these solutions are fully developed.

During the period the Group has raised funds through the placing of shares and the sale of held for sale investments of £456,415 and £375,470 respectively. Since the period end further funds of £126,000 have also been raised through further share placements.

In line with the plans and projections prepared by the Board, the Group's activities continue to build, however in accordance with those plans, in the short term the Group needs to continue to raise funds from a combination of trading and placement of shares to fund its activities.

3. Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the average weighted number of shares in issue during the period. The calculation of diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares and the post tax effect of dividends and interest, on the assumed conversion of all other dilutive options and other potential ordinary shares.

There were 19,085,000 share options outstanding at 31 March 2014 (2013: 19,765,000), however the figures have not been adjusted to reflect conversion of these share options as the effects would be anti-dilutive.

Loss for 6 months to 31 March 2014 £	Weighted average number of shares	Per share amount (pence)	Loss for 6 months to 31 March 2013 £	Weighted average number of shares	Per share amount (pence)
(522,732)	440,315,023	(0.12)	(487,589)	389,816,518	(0.13)

4. Share Capital

	Number	31 March 2014 £	Number	30 Sept 2013 £
<i>Authorised</i>				
Ordinary shares of 0.1p	2,267,095,595	2,267,096	2,267,095,595	2,267,096
	2,267,095,595	2,267,096	2,267,095,595	2,267,096
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 0.1p	470,924,639	470,924	417,178,253	417,178
	470,924,639	470,924	417,178,253	417,178

On 18 November 2013, the Company issued 25,638,735 ordinary shares. 19,238,735 ordinary shares were issued at a price of 1 penny per share for a cash consideration of £177,813.23 and for settlement of outstanding trade payables of £14,574.12. 6,400,000 ordinary shares were issued at a price of 0.75p as partial payment of the second tranche payable for the purchase of Oil Productions Ltd.

On 29 January 2014, the Company issued 8,347,500 ordinary shares at a price of 1 penny per share for a cash consideration of £81,000 and to certain creditors in lieu of £2,475 payable in respect of services provided to the Company.

On 19 March 2014, the Company issued 19,760,151 ordinary shares at a price of 1 penny per share for a cash consideration of £197,601.51.

5. Availability of the Half Yearly Report

Copies of the half yearly report are available to shareholders on the Company's website at www.milestonegroup.co.uk and from Milestone's registered office: 1st Floor, 2 Royal Exchange Steps, London EC3V 3DG.