

MILESTONE GROUP PLC

("Milestone" or the "Company")

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 2017.

HIGHLIGHTS

- Nexstar JV distributes first Independent Film, Brash Young Turks
- Nexstar expanded offering to include BankHub
- Post period, Nexstar launches KYC / AML platform
- Cooperation agreement signed with the Social Stock Exchange
- Launch of unique Alchemy digital media platform at the Apprenticeships 4 England event
- Launch of Alchemy TV, 24/7 online over-the-top TV streaming service
- OnGuard contract renewals and extensions agreed
- £748,720 raised through Equity Issues during the period and £305,000 since the period end
- Board taking action to recover £1.25m from the Company sourced placee from October 2016 placing

Deborah White, Chief Executive, said:

"The last six months have been the most challenging during my time at Milestone, however the opportunities made available via Nexstar's innovative and disruptive technology applications continue to attract attention from a growing number of market sectors. With additional sales and marketing resources to support the Company's revised strategic focus it is only a matter of time before their revenue potential becomes apparent and the results of our efforts from 2016 begin to manifest."

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CHIEF EXECUTIVE'S STATEMENT

The last six months have been the most challenging during my time at Milestone. The positive developments and industry momentum built during the course of 2016 were halted abruptly in Q4 2016 when £1.25 million of funding failed to materialise from the Company sourced placee. This funding was needed to on-board additional sales and marketing resources and was key to the future expansion of the Company. The failure to bring in the additional resource put additional pressure on a small team and slowed the development of revenues across the board. The Company has since concentrated its efforts on seeking an effective resolution to the matter, reducing its cost base and supporting the development of its subsidiary, Nexstar's growing suite of products and services. Post end of period the Company has taken the opportunity to review its strategy and has resolved to reposition the primary focus of the business towards the provision of technology products primarily within the Financial Services and Media arena. As such it will be reducing focus on some of its legacy business areas including Passion Project.

Nexstar

Nexstar has a clearly defined development roadmap in media and fintech. The existing media development continues to gain momentum with Brash Young Turks the first independent film distributed through services such as Amazon Prime. A growing selection of music artists are using its products and services with a new version of the music-publishing platform in development, which will allow artists to self-publish. We fully expect a good take-up of these platforms as word of their efficiency and costs savings filters round the sector and we build a marketing team.

The historical commerce contracts have been brought back on track with additional services from the newly released virtual banking suite now being added to the services required. The joint venture continues to expand its product offering with BankHub, the cash management platform announced in the 30 March 2017 Annual General Meeting Statement, going live during the period followed by the more recent announcement of a Know Your Customer / Anti-Money Laundering application. Additional complimentary developments will be announced soon.

Passion Project

During the period, the Passion Project signed a co-operation agreement with the Social Stock Exchange and a strategic partnership agreement with the Royal College of Arts to work on the Social Design of the Passion Project initiative. These agreements demonstrate that the commercial opportunities, made possible through cross-sector collaboration combined with the potential social outcomes of the Passion Project, are of interest to the marketplace. This distribution network offers a significant commercial distribution opportunity to the developing suite of products made available via Nexstar.

Milestone Foundation

Divert, a youth engagement initiative operated by the Milestone Foundation in collaboration with the Metropolitan Police is currently operating in two London Boroughs. The operation and staffing of this initiative is now fully funded for the next 12 months by successful grant applications, with further funding being sought to expand across all 32 London Boroughs.

Alchemy

The Alchemy platform was well received at the Apprenticeships 4 England launch event in January 2017 and continues to attract attention from charities and corporate clients. The platform is a commercial product designed to support the Passion Project partner network, showcase social initiatives and engage commercial consumers for the Company's products and services.

Active discussions are ongoing with a number of corporate clients interested in using the product for Corporate Social Responsibility initiatives and staff engagement and a growing number of charitable enquiries are developing as a result.

OnGuard

The OnGuard platform products continue to grow in terms of user base, with three contract renewals and extensions during the period. In January 2017, our security services client in Manchester renewed their agreement for a further 12 months, also increasing the contract value three-fold. Renewals and annual payments were also received after the period for STM Cleaning and Charlton Athletic Community Trust.

The platform has also been introduced in the management of Divert.

Disorder Magazine

Following his appointment as Editor in April 2016, Oliver Horton has delivered on his task of rebuilding the Disorder brand and increasing readership numbers, as well as delivering a consistent product to the marketplace that could be sold both in hard copy and digitally.

Winning in the Game of Life

Winning in the Game of Life has had successful results from the 100 schools project with consistent feedback supporting the value of the materials in delivering improvement in educational learning and behavioural issues. The focus has been on attracting a distribution partner in the educational sector to take the product to market and support the development of Level 2. A version of this material for young people is also being made available through the Passion Project for trial with the participants of Divert.

Management Changes

The Board are making a number of management changes to strengthen and support the refocus of the Company's operational and commercial activities. In February 2017, David Hill resigned from his position as Non-Executive Director following six years with the Company. The Board are in the process of appointing a replacement and are in active discussions with additional key personnel in support of the revised strategy that are anticipated to be announced shortly following regulatory due diligence.

Funding

During the period, the Company continued to raise funds through the issue of shares to support the development of the business. The Company raised £1,998,720 through the issue of shares for cash and settled £45,701 of services through the issue of shares. As announced in November 2016, £1,385,000 of this cash raised did not materialise. £135,000 has subsequently settled by the Company's Broker, however £1,250,000 from the Company sourced placee remains outstanding. The Board continues to seek a resolution to this situation and expect to provide an update in the near future. The Company continues to carefully manage its working capital position and is currently considering a number of funding opportunities. Further announcements will be made in due course.

Outlook

Moving forward, the opportunities made available via Nexstar's innovative and disruptive technology applications continue to attract attention from a growing number of market sectors. With additional sales and marketing resources to support the Company's revised strategic focus it is only a matter of time before their revenue potential becomes apparent and the results of our efforts from 2016 begin to manifest.

Deborah White
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Audited year ended 30 Sept 2016
	£	£	£
Revenue	22,272	50,408	71,359
Cost of sales	(1,964)	(12,916)	(13,856)
Gross profit	20,308	37,492	57,503
Other operating income	-	-	1,738
Administrative expenses	(1,153,253)	(780,356)	(1,820,652)
	<u>(1,152,882)</u>	<u>(780,356)</u>	<u>(1,818,914)</u>
Loss from operations	(1,132,945)	(742,864)	(1,761,411)
Net Finance income/(expense)	9	7	(2,104)
Loss before taxation	(1,132,936)	(742,857)	(1,763,515)
Taxation charge	-	-	96,245
Total comprehensive loss for the year	(1,132,936)	(742,857)	(1,667,270)
Attributable to equity shareholders of the parent	(1,132,936)	(742,857)	(1,667,270)
Total basic and diluted loss per share	(0.12)	(0.12)	(0.25)

There were no comprehensive income and expense items (2016: 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 2017	Unaudited six months ended 31 March 2016	Audited year ended 30 Sept 2016
		£	£	£
Non-current assets				
Intangible fixed assets		1	1	1
		1	1	1
Current assets				
Trade and other receivables		101,872	67,602	187,836
Unpaid called up share capital		1,250,000	-	-
Cash and cash equivalents		33,794	119,430	128,462
		1,385,666	187,032	316,298
Current liabilities				
Trade and other payables		(1,346,944)	(1,942,442)	(1,201,928)
Interest-bearing loans		(163,027)	(259,647)	(134,027)
		(1,509,971)	(2,202,089)	(1,335,955)
Net Liabilities		(124,305)	(2,015,056)	(1,019,656)
Capital and reserves attributable to equity holders of the company				
Share capital	4	1,082,141	625,163	783,998
Share premium account		16,831,053	13,669,203	15,073,350
Shares to be issued		29,695	609,500	63,081
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		(31,919,683)	(30,771,411)	(30,792,574)
Total Equity		(124,305)	(2,015,056)	(1,019,656)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Audited year ended 30 Sept 2016
	£	£	£
Loss for the period	(1,132,936)	(742,857)	(1,667,270)
<i>Adjustments for:</i>			
Amortisation of intangible assets	-	18,913	18,913
Net bank and other interest (income) / charges	9	7	2,104
Issue of share options / warrant charge	5,827	20,628	883,878
Services settled by the issue of shares	57,126	30,619	45,799
Net (loss) before changes in working capital	(1,069,974)	(672,690)	(716,576)
Decrease / (increase) in trade and other receivables	85,965	(4,124)	(124,358)
Increase in trade and other payables	144,997	167,976	(572,523)
Cash from operations	(839,012)	(508,838)	(1,413,457)
Interest received	9	7	19
Interest paid	-	-	(623)
Net cash flows from operating activities	(839,003)	(508,831)	(1,414,061)
Financing Activities			
Issue of ordinary share capital	715,335	382,646	1,424,028
Repayment of loan	(25,000)	-	(65,000)
New loans raised	54,000	153,120	91,000
Net cash flows from financing activities	744,335	535,766	1,450,028
Net increase / (decrease) in cash	(94,668)	26,935	35,967
Cash and cash equivalents at beginning of period	128,462	92,495	92,495
Cash and cash equivalents at end of period	33,794	119,430	128,462

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 29 June 2017.

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 2017 and are unchanged from those disclosed in the Group's Directors' Report and consolidated financial statements for the year ended 30 September 2016.

The financial information for the six months ended 31 March 2017 and the six months ended 31 March 2016 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 2016 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 2016, the future business model of the Group is based around the generation of sustainable revenues and profits through strategic partnerships and joint ventures and from the Passion Project. 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 2016 accounts, the Group needs 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 of £1,998,720 through the issuing of shares for cash and settled £45,701 of services through the issue of shares. As stated in the Chairman's statement, £1,250,000 of this cash has not been received. The Board continues to seek a resolution to this situation. Since the period end further funds of £305,000 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 174,189,116 share options and 110,931,460 share warrants outstanding at 31 March 2017 (2016: 104,042,000 and nil), 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 2016 £	Weighted average number of shares	Per share amount (pence)	Loss for 6 months to 31 March 2016 £	Weighted average number of shares	Per share amount (pence)
(1,132,936)	975,529,255	(0.12)	(742,857)	607,057,128	(0.12)

4. Share Capital

	Number	31 March 2017 £	Number	30 Sept 2016 £
<i>Authorised</i>				
Ordinary shares of 0.1p	2,267,095,595	2,267,096	2,267,095,595	2,267,096
	<hr/>	<hr/>	<hr/>	<hr/>
	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	1,082,141,411	1,082,141	783,997,982	783,998
	<hr/>	<hr/>	<hr/>	<hr/>
	1,082,141,411	1,082,141	783,997,982	783,998

On 31 October 2016, the Company issued 92,333,332 ordinary shares at a price of 1.5 pence per share for a cash consideration of £1,385,000. As announced on 9 November 2016, the Company did not receive the funding. As announced on 13 December 2016 and 27 February 2017, the Company has now received £135,000 and continues to seek a resolution for the remainder.

On 4 November 2016, the Company issued 48,333,334 ordinary shares at a price of 1.5 pence per share for a cash consideration of £72,500 and 4,570,093 ordinary shares at a price of 1 penny per share for the settlement of outstanding trade payables of £45,700.93.

On 13 December 2016, the Company issued 196,406,670 ordinary shares at a price of 0.3 pence per share for a cash consideration of £541,220.

5. Note to the Consolidated Statement of Cash Flows

In addition to the cash flow statement, there is a non-cash transaction of £1,250,000 relating to the defaulting placement in October 2016. 83,333,332 ordinary shares were issued at a price of 1.5 pence per share. Funding has not been received for this share issue.

6. 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.