



Aukett Swanke is an award-winning architecture, interior design and engineering practice, designing and delivering commercial projects throughout the United Kingdom,

Continental Europe and the Middle East

INTERIM STATEMENT

Overview

As previously announced, the results for the six months to 31 March show a decline in revenues and a loss for the period. Revenues are 9% lower at £9.1m (2016: £10.0m) and the loss after tax is £345,000 (2016: profit £466,000) which has been offset by a settlement claim in respect of a recent acquisition in the sum of £572,000.

The United Arab Emirates ("UAE") saw an increase in revenues of 44% but this was offset by the decline in United Kingdom ("UK") revenues of 32%, with our wholly owned Continental Europe offices' revenues continuing to fall. Whilst the results are well below recent performances the Group has continued to reshape the structure of its operations and has expanded its Middle East business, so that, as intended, our operations are now more evenly balanced as we move forward. This balance is a key strategic priority in order to provide the Group with some resilience to the cyclical markets in which we operate.

We are pleased to report that cash has held up well since the year end and stands at £1.56m (30 September 2016: £1.84m). The Group has conserved its cash position during the period to assist in mitigating the impact of the losses; to cover licensing requirements in the UAE and to maintain liquidity strength for the future. Net funds remain positive at £594,000 (30 September 2016: £790,000) and we have continued to reduce our long term debt (drawn down on the acquisition of Shankland Cox Limited ('SCL')), which is denominated in US dollars.

Highlights

- Revenues down 9% at £9.1m
- Net cash at £1.56m with net funds of £594,000
- Loss before tax of £358,000

Nicholas Thompson, Chief Executive Officer, commented:

All Group operations have worked hard to maintain revenues during the period although some markets have continued to weaken, resulting in decreased earnings.

This coupled with some specific write downs offset by claim recoveries, has resulted in losses which has hampered the development of our three hub structure.

We are, however, pleased to report that we have maintained our liquidity strength.



BIOMED REALTY, GRANTA PARK, CAMBRIDGE



RADIO HOUSE, CAMBRIDGE



VERDE SW1, LONDON SW1

United Kingdom

Revenues at £4.6m (2016: £6.7m) are disappointing and reflect a lack of new market instructions as historic projects came to a conclusion in the period.

During the first six month period and over the remainder of the year we have some 20 major project completions in London and the UK regions. These include: three offices in Cambridge with the Bradfield Centre, Biomed Realty at Granta Park and Radio House; two major refurbishments in the West End - Verde for Tishman Speyer and the Adelphi Building phase 3 on The Strand for Blackstone; and a number of Veretec (our specialist executive delivery operation) projects including a retail store in Durham, head office buildings on Bishopsgate and Liverpool Street, monitoring at Derwent's White Collar Factory at Old Street and a residential scheme at Earls Court. Around half that number of projects will continue onto site into 2018, reflecting the decline in UK construction output statistics, before new instructions begin to contribute.

Given the comparatively high fixed operating costs and the need to retain core staff, cost reductions could not exactly match falls in revenue, although some £1.4m of savings was achieved. The result was a loss of £211,000 (2016: profit £498,000). Cost reduction remains a focus and following the half year the operation has surrendered part of its London leased property portfolio providing a future net cost saving of £230,000 per annum.

With the construction market having previously peaked we do not expect to see higher volumes in the immediate future. However recent enquiries both in London and the UK regions provide some confidence that that the general development market has adapted to a post Brexit future.

Middle East - United Arab Emirates

The UAE market is relatively subdued at present but is expected to grow in 2018 as it adapts to reduced oil prices and a more mature market model. Our current scale of operation remains competitive in this restricted environment and work is still buoyant in sectors where a large proportion of commissions reflect midsized projects in the post contract phase.

Our revenues continued to climb following the benefit of a full half year contribution from SCL and now stand at £4.2m (2016: £2.9m) for the six months. However only a small profit of £121,000 (2016: £243,000) was generated. John R Harris & Partners ('JRHP') performed satisfactorily and contributed to the result as did our original Aukett Fitzroy International ('AFRI') operation.

Following its acquisition SCL had been the subject of a downsizing and restructuring exercise across two of its offices which resulted in additional costs and some additional bad debt provisions. This is an ongoing process which will be concluded principally during the fourth quarter. We then expect growth and anticipate that JRHP will also better its performance in the second half additionally supported in part by project income initially generated by AFRI.

With SCL now emerging from post acquisition issues, we will be integrating all 3 businesses under the Aukett Swanke brand in order to gain the full benefit of the enlarged platform that we now have.

Continental Europe

Our business in this geography comprises a mixture of wholly owned subsidiaries, joint ventures and an associate. The geography has endured a wide range of economic and geopolitical conditions ranging from the continued strength of the mature market in Germany, relative stability in Russia to considerable uncertainty in Turkey following the attempted coup, the ongoing State of Emergency and the recent referendum.

As previously reported the half year result has fallen due to losses in Russia and Turkey along with a lower contribution from Germany.

Wholly owned operations

Russia and Turkey reported losses. Russia has been downsized to a minimal level and Turkey suffered from a reversal of project income following the sale of a site in the pre referendum period. As such revenues fell to £331,000 (2016: £436,000)

Project highlights for the period include:

- The first phase of our three residential apartment towers totalling 42,000sqm for Comstrin in Perm, Siberia and the 38,000sqm luxury Monet apartment tower in Moscow are nearly complete.
- Our Japan Tobacco International fit out at the Moscow City development won the Best Office Awards for 2016 at both the Office Next and MCFO awards.
- The Istanbul office completed over 150,000sqm of space as a part of the Nidakule Atasehir Kuzey and Guney Office Campus development.
- The Cengiz Konya office headquarters' project also completed during this year together with over 24 floors of accommodation for Allianz in their Allianz Tower in Izmir.

Joint ventures and associates

Completed projects include the interior design of the new Microsoft digital workplace offices in Zurich and Geneva, and nearing completion in August 2017 the 130 room luxury Fontenay Hotel in Hamburg.

Projects in progress include the 100,000sqm Mercedes Platz commercial office, retail and leisure centre for Anschutz through Hochtief in Berlin; two interior design projects of 65,000sqm and 17,000sqm for a major insurance company on a campus in Cologne and a high rise building in Frankfurt am Main; a further 20,000sqm laboratory and R&D centre for Agilent Technologies in Waldbronn for Hochtief; and ongoing tenant fit out projects for Blackstone at the Messe Turm in Frankfurt.

Our Prague office saw the completion of a significant phase of the production facility and HQ building for the SAB Miller brewery and a 3,000sqm fit out for Rockwell Automation.

All three of Berlin, Frankfurt and Prague were profitable. Berlin was less so than in 2016 due to a major project not being formally signed by the half year end. Frankfurt has benefitted from a number of larger and continuing instructions from Deutsche Bank and Hochtief. Prague has assisted other offices in the Group to augment its more limited local market opportunities.

Due to a combination of reduced management time and mitigation of economic and / or geopolitical factors which cannot be avoided, a joint venture is our preferred model in Continental Europe. As such we are progressing a strategy of implementing this for the geography as a whole.



MONET APARTMENTS, MOSCOW



NIDAKULE KUSEY, ISTANBUL



INSURANCE GROUP, COLOGNE

4 AUKETT SWANKE GROUP PLC / INTERIM REPORT 2017



VERETEC: WHITE COLLAR FACTORY, LONDON EC1



VERETEC: 15 BISHOPSGATE, LONDON EC2



VERETEC . LILLIE SQUARE, LUNDUN

Group costs

These were held during the period at £95,000 (2016: £70,000).

Prospects

With many of our operations in a loss situation we will continue to focus on cost savings in the second half whilst ensuring that we retain the core skills required to deliver our services to clients in order to return the Group to profitability.

Whilst we believe we have reached the bottom of the cycle in the UK, there is no immediate sign of a strong sustainable recovery in this market. We feel more confident about the Brexit impact having been weathered. However, with the recent UK general election result creating a hung parliament it is more likely that this business may now face a longer period of uncertainty than was hitherto expected. The UAE still represents our best opportunity for profitable growth in the second half and we will focus on that. Continental Europe should return a positive result in the second half. Overall we currently foresee a loss situation for the year pending a return to positive results for our Group.

We recognise that our business is sensitive to market changes and that minor setbacks can have a disproportionate impact on performance in the short term. However that is the norm for operations such as ours in cyclical industries. With that in mind we have pursued our strategy of balancing the Group's businesses economically as well as politically. Evidencing this, our total revenues (including 100% of the joint ventures) which are now predominantly non sterling denominated, demonstrate our platform of three broadly equal sized operations. The balance that this brings is key to our medium term outlook.

Although cash remains strong the Board has decided it will continue to review the decision to recommend a dividend until there is a return to profitability.

Finally, may I add a comment on a post period event that, at the Architect's Journal Annual Awards 2017 held only last week, Aukett Swanke's 'Veretec' were again named as 'Executive Architect of the Year'. The accolade of our peer group is a demonstration of the excellent work and dedication of our staff and underpins our confidence in the future. It reinforces our commitment to keeping our teams together and maintaining our levels of service.



Nicholas Thompson Chief Executive Officer

19 June 2017

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The balance that this brings is key to our medium term outlook.





AUKETT SWANKE GROUP PLC / INTERIM REPORT 2017

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2017

TOT THE SIX HIGHLIS CHACA ST WATER 2017				
	Note	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
Revenue	3	9,070	10,007	20,841
Sub consultant costs		(998)	(869)	(2,431)
Revenue less sub consultant costs		8,072	9,138	18,410
Personnel related costs Property related costs Other operating expenses Other operating income Operating (loss) / profit	4	(6,795) (1,343) (1,323) 934 (455)	(6,725) (1,286) (1,062) 450 515	(13,929) (2,632) (1,901) 732 680
Finance income Finance costs		(18)	8 (11)	8 (28)
(Loss) / profit after finance costs		(473)	512	660
Share of results of associate and joint ventures		115	65	267
(Loss) / profit before tax	3	(358)	577	927
Taxation		13	(111)	(106)
(Loss) / profit for the period		(345)	466	821
(Loss) / profit attributable to: Owners of Aukett Swanke Group Plc Non controlling interests		(342) (3) (345)	443 23 466	772 49 821
Earnings per share		/a = ··		
Basic	5 5	(0.21)p	0.27p	0.47p
Diluted	5	(0.21)p	0.27р	0.47p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2017

	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
(Loss) / profit for the period	(345)	466	821
Other comprehensive income: Currency translation differences Other comprehensive income for the period	37 37	113 113	424 424
Total comprehensive (loss) / income for the period	(308)	579	1,245
Total comprehensive (loss) / income is attributable to: Owners of Aukett Swanke Group Plc Non controlling interests	(296) (12) (308)	545 34 579	1,158 87 1,245

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Note	Unaudited at 31 March 2017 £'000	Unaudited at 31 March 2016 £'000 (restated)	Audited at 30 September 2016 £'000
Non current assets				
Goodwill		2,422	2,347	2,409
Other intangibles		1,001	1,100	1,056
Property, plant and equipment		346	568	506
Investment in associate and joint ventures		667	446	710
Deferred tax		219	243	219
Total non current assets		4,655	4,704	4,900
Current assets				
Trade and other receivables		8,477	9,534	9,227
Cash and cash equivalents	7	1,555	2,567	1,839
Total current assets		10,032	12,101	11,066
Total assets		14,687	16,805	15,966
Current liabilities				
Trade and other payables		(5,626)	(7,853)	(6,553)
Short term borrowings	7	(256)	(223)	(247)
Provisions		(98)	-	(90)
Current tax		(8)	(125)	(12)
Total current liabilities		(5,988)	(8,201)	(6,902)
Non current liabilities				
Long term borrowings	7	(705)	(891)	(802)
Provisions		(1,029)	(1,025)	(973)
Deferred tax		(84)	(50)	(100)
Total non current liabilities		(1,818)	(1,966)	(1,875)
Total liabilities		(7,806)	(10,167)	(8,777)
Net assets		6,881	6,638	7,189
Capital and reserves				
Share capital		1,652	1,652	1,652
Merger reserve		1,176	1,176	1,176
Foreign currency translation reserve		156	(174)	110
Retained earnings		2,231	2,244	2,573
Other distributable reserve		1,494	1,610	1,494
Total equity attributable to equity holders of the Company		6,709	6,508	7,005
Non controlling interests		172	130	184
Total equity		6,881	6,638	7,189

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2017

	Note	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
Cash flows from operating activities				
Cash (outflow) / inflow from operations	6	(276)	122	104
Interest paid		(18)	(11)	(29)
Taxation paid		(2)	(63)	(99)
Net cash (outflow) / inflow from operating activities		(296)	48	(24)
Cash flows from investing activities				
Purchase of property, plant and equipment		(11)	(31)	(147)
Sale of property, plant and equipment		2	-	4
Acquisition of subsidiary, net of cash acquired		-	(484)	(761)
Interest received		-	8	8
Dividends received from associate		151	-	-
Net cash inflow / (outflow) from investing activities		142	(507)	(896)
Net cash outflow before financing activities		(154)	(459)	(920)
Cash flows from financing activities				
Proceeds from bank loan		-	1,114	1,123
Repayment of bank loan		(128)	-	(175)
Dividends paid		-	-	(181)
Net cash (outflow) / inflow from financing activities		(128)	1,114	767
Net change in cash, cash equivalents and bank overdraft		(282)	655	(153)
Cash, cash equivalents and bank overdraft at start of period		1,839	1,873	1,873
Currency translation differences		(2)	39	119
Cash, cash equivalents and bank overdraft at end of period	7	1,555	2,567	1,839



ROCKWELL AUTOMATION, PRAGUE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2017

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non controlling interests £'000	Total Equity £'000
At 1 October 2016	1,652	110	2,573	1,494	1,176	7,005	184	7,189
Loss for the period	-	-	(342)	-	-	(342)	(3)	(345)
Other comprehensive income	-	46	-	-	-	46	(9)	37
At 31 March 2017	1,652	156	2,231	1,494	1,176	6,709	172	6,881

For the six months ended 31 March 2016 (restated)

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non controlling interests £'000	Total Equity £'000
At 1 October 2015	1,652	(276)	1,801	1,791	1,176	6,144	107	6,251
Profit for the period Other comprehensive income Other adjustments Dividends paid	-	- 102 -	443	- - - (181)	-	443 102 - (181)	23 11 (11)	466 113 (11) (181)
At 31 March 2016	1,652	(174)	2,244	1,610	1,176	6,508	130	6,638
AL ST IVIAICII ZU 10	1,032	(1/4)	2,244	1,010	1,170	0,506	130	0,036

For the year ended 30 September 2016

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non controlling interests £'000	Total Equity £'000
At 1 October 2015	1,652	(276)	1,801	1,791	1,176	6,144	107	6,251
Profit for the year	-	-	772	-	-	772	49	821
Other comprehensive income	-	386	-	-	-	386	38	424
Other adjustments	-	-	-	-	-	-	(10)	(10)
Dividends paid	-	-	-	(297)	-	(297)	-	(297)
At 30 September 2016	1,652	110	2,573	1,494	1,176	7,005	184	7,189

NOTES TO THE INTERIM REPORT

1 BASIS OF PREPARATION

The financial information presented in this interim report has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the EU that are expected to be applicable to the financial statements for the year ending 30 September 2017 and on the basis of the accounting policies expected to be used in those financial statements.

2 RESTATEMENT OF PRIOR PERIOD

On 10 February 2016 the Group acquired 100% of the issued share capital of Shankland Cox Limited, a company incorporated in England and Wales but operating through four branches in the United Arab Emirates.

At the time of publishing the interim financial statements for the six month period ended 31 March 2016, the accounting of this business combination was incomplete and provisional amounts were reported. During the 12 month post acquisition measurement period, the Group obtained additional facts and circumstances that existed at the acquisition date which, if known, would have affected the measurement of the amounts recognised at acquisition. These facts and circumstances included the fair value of trade receivables at acquisition as well as the identification and recognition of intangible assets. As prescribed by IFRS 3, these changes have been applied retrospectively and therefore the amounts previously reported for the 6 month period ended 31 March 2016 have been restated.

As a result of the restatement, provisional goodwill of £194,000 was removed, intangible assets of £313,000 were recognised and £160,000 of resulting negative goodwill was released to the income statement. The fair value of trade receivables at acquisition was also reduced by £621,000 which, under the payment mechanism, also reduced the fair value of contingent consideration at acquisition by £621,000.

In addition to the retrospective application of acquisition accounting noted above, amounts reported in the statement of cash flows and the reconciliation of profit before tax to net cash from operations have been corrected in accordance with IAS 8.

3 OPERATING SEGMENTS

The Group comprises a single business segment and three separately reportable geographical segments (together with a Group costs segment). Geographical segments are based on the location of the operation undertaking each project. Turkey and Russia are included within Continental Europe together with Germany and the Czech Republic.

Segment revenue	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000	Audited year to 30 September 2016 £'000
United Kingdom	4,573	6,686	12,142
Middle East	4,166	2,885	7,383
Continental Europe	331	436	1,316
Total	9,070	10,007	20,841

Segment result before tax	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
United Kingdom	(211)	498	1,052
Middle East	121	243	41
Continental Europe	(173)	(94)	95
Group costs	(95)	(70)	(261)
Total	(358)	577	927

4 OTHER OPERATING INCOME

	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
Property rental income	212	213	432
Management charges to joint ventures and associates	54	54	104
Licence fee income	1	3	5
Other sundry income	18	20	31
Release of negative goodwill on acquisition	-	160	160
Fair value gain on the reduction of deferred consideration	77	-	-
Gain recognised on acquisition settlement	572	-	-
Total other operating income	934	450	732

5 EARNINGS PER SHARE

Effect of dilutive options

Diluted weighted average number of shares

The calculations of basic and diluted earnings per share are based on the following data:

Earnings	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
(Loss) / profit for the period	(342)	443	772
Number of shares	Unaudited six months to 31 March 2017 '000	Unaudited six months to 31 March 2017 '000	Audited year to 30 September 2016 '000
Weighted average number of shares	165,214	165,214	165,214



MERCEDES PLATZ, BERLIN

256

165,470

165,214

154

165,368

6 RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FROM OPERATIONS

	Unaudited six months to 31 March 2017 £'000	Unaudited six months to 31 March 2016 £'000 (restated)	Audited year to 30 September 2016 £'000
(Loss) / profit before tax	(358)	577	927
Finance income	-	(8)	(8)
Finance costs	18	11	28
Share of results of associate and joint ventures	(115)	(65)	(267)
Goodwill impairment	-	17	17
Depreciation	173	172	359
Amortisation	60	73	177
(Profit) / loss on disposal of property, plant and equipment	(2)	-	10
Change in trade and other receivables	749	(76)	628
Change in trade and other payables	(887)	(481)	(1,583)
Change in provisions	36	62	16
Negative goodwill	-	(160)	(160)
Unrealised foreign exchange differences	50	-	(40)
Net cash (outflow) / inflow from operations	(276)	122	104

7 ANALYSIS OF NET FUNDS

	Unaudited at 31 March 2017 £'000	Unaudited at 31 March 2016 £'000	Audited at 30 September 2016 £'000
Cash and cash equivalents	1,555	2,567	1,839
Secured bank loan	(961)	(1,114)	(1,049)
Net funds	594	1,453	790
Cash and cash equivalents	1,555	2,567	1,839
Short term borrowings	(256)	(223)	(247)
Long term borrowings	(705)	(891)	(802)
Net funds	594	1,453	790

8 STATUS OF INTERIM REPORT

The interim report covers the six months ended 31 March 2017 and was approved by the Board of Directors on 19 June 2017. The interim report is unaudited.

The interim condensed set of consolidated financial statements in the interim report are not statutory accounts as defined by Section 434 of the Companies Act 2006.

Comparative figures for the year ended 30 September 2016 have been extracted from the statutory accounts of the group for that period.

The statutory accounts for the year ended 30 September 2016 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report thereon was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain a statement under Section 498 of the Companies Act 2006.

9 FURTHER INFORMATION

Copies of the Interim Report will be dispatched by post to holders of 100,000 or more shares in due course. An electronic version will be available on the Group's website (www.aukettswanke.com).



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