AUKETT SWANKE GROUP PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 MARCH 2016

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

aukett swanke

HIGHLIGHTS

- Revenues up 9% at £10.0m (2015: £9.2m)
- Profit before tax lower at £417,000 (2015: £815,000)
- Net funds of £1.5m (£1.9m at 30 September 2015) after net debt of £0.5m to fund acquisition
- Earnings per share 0.17p (2015: 0.43p)
- Interim dividend 0.07 pence per share (2015: 0.11 pence per share)
- Acquisition of Shankland Cox Limited augments United Arab Emirates presence to over 100 staff

Nicholas Thompson, Chief Executive Officer, commented:

"The EU Referendum in the UK has clearly impacted these results and is likely to do so for the full financial year.

Encouragingly the Group has benefitted from its recent investment in the UAE. In addition we anticipate improved performance in both Germany and Turkey in the second half."

INTERIM STATEMENT

Overview

We are pleased to report another period of profitability.

The result for the half year is lower than the prior year at £417,000 (2015: £815,000) reflecting a slowdown in continuing United Kingdom ("UK") instructions on existing projects as the market pauses for the outcome of the EU Referendum which has been partially offset by an improvement in the United Arab Emirates ("UAE") following recent investments. Revenues at £10.0m (2015: £9.2m) represent further progress in our aim to grow the size of the organisation with revenues less sub consultant costs improving by 11% to £9.1m (2015: £8.2m). This growth has been achieved through non UK revenues which are now 33% of the total (2015: 18%).

Acquisition of Shankland Cox Limited ("SCL")

The first half saw our second acquisition in the UAE in less than twelve months; which provides a game changing move for our operation in that geography. The consideration for SCL at a maximum of AED 16m (£2.97m) represents the book value of the company. The consideration is phased to take account of, firstly, the net cash available and, secondly, the recoverability of debtors and work in progress. Our bankers, Coutts, have provided a term loan equal to the initial consideration thus allowing us to maintain our operational working capital at a gross cash position which remains at £2.6m (30 September 2015: £2.5m), including SCL's cash balances. The enlarged size of our organisation continues to improve our service offer in the region.

Business Model Re-Structure

With the SCL acquisition we progressed the re-balancing of our business which now comprises three main geographies: the UK centred on London; Continental Europe comprising the Czech Republic, Germany, Russia and Turkey; and the Middle East - United Arab Emirates - including Abu Dhabi, Al Ain, Dubai and Ras Al Khaimah. These geographies are broadly equal in size by staff numbers and will be managed on that basis in the future.

United Kingdom

Revenue at £6.7m (2015: £7.5m) is 11% down on the prior year but profits have fallen by more to £498,000 (2015: £927,000) as equivalent cost reductions were difficult to achieve in the short term. Economic data on the state of the UK construction industry performance and direction is inconclusive which has meant that our revenues are reverting to our core markets' strengths as peripheral sectors find new business in short supply. These results also reflect the early impact of the EU Referendum in June 2016 which is typified by two negative characteristics: firstly apprehension at committing to significant post planning services (we have 2m ft² of developments – all with planning consents outside London in this category), and a more specific anomaly with Heads of (leasing) Terms including 'Brexit' clauses. Management is now focused on rebalancing the cost profile of the business to reflect the current slowdown which may be impacted more by the Referendum than previously thought. Encouragingly our new work enquiry rate remains buoyant and we expect new instructions to flow through from July.

Our current workload is impressive with over 1.5m ft² under construction outside London including three schemes in Cambridge, two schemes for Goodman, offices in Hemel Hempstead, Bristol, Reading and West London, and a retail scheme in Colchester. Inside the capital we continue to deliver four significant Aukett Swanke designed projects, with our executive arm, Veretec adding a further six projects.

Forbury Place, Reading

Continental Europe

Our business in this geography comprises a mixture of wholly-owned subsidiaries, joint ventures and an associate. Overall the half year result has fallen due to losses in Russia and Turkey along with a lower contribution from Germany.

Allianz, Istanbul

Turkey (100% owned) – this operation has started to recover from the market challenges created by the fall in oil prices and currency decline, and the sequence of local and central government elections in 2014 and 2015. There have been a number of significant new commissions from NIDA Insaat, GE, Vodafone, Allianz Turkey, FIBA Gayrimenkul, Cengiz Insaat, Nurol GYO and Yuksel Insaat. The first half results do not yet reflect this recent success due to delays arising from ongoing changes to Municipality building regulations and due to a court ruling against developer choice on the use of zoning regulations from June 2015 which was subsequently over-ruled by the Government in February 2016. These events coupled with the continuing geo-political situation, saw our first quarter earnings stall. We have since recovered this position and expect to return the operation to a full year's profit by the end of the second half. With GDP being forecast as one of the highest in Europe and our location within the commercial capital, Istanbul, we remain committed to this location.

JTI, Moscow: Winner of Best Office Award 2016

Mercedes Platz, Berlin

Yas Hotel, Abu Dhabi

Russia (100% owned) – significant management time has been spent on incrementally downsizing this operation since 2014, following the currency decline and imposition of international sanctions, which contained losses to a manageable level by the end of 2015. However, in H1 revenues fell by over 67% to £227,000 (2015: £692,000) which could not be mitigated by cost reductions alone and our losses widened to £118,000 (2015: loss £11,000) of which £44,000 is notionally recharged by the UK. Breakeven by the year end is unlikely and so we are re-structuring the business to a single corporate entity to remove any residual duplicated costs. On a brighter note the office won the Best Office Award 2016 with a design for Japan Tobacco International. This follows the Arcus III win in 2015.

The Czech Republic (50% joint venture) – with little economic activity and no political direction this market offers few opportunities. However, the local skill base is being utilised within the Group to support major projects in both Germany and the UK with a positive outcome for the Group as a whole and this has produced a small surplus of £6,000 (2015: £3,000).

Germany (25% associate – Berlin) – our best European operation continues to perform well. Continued instructions from repeat clients such as KfW bank, Siemens, Stone Brewing, Berlin Airport and Hochtief along with other major developments in the city have maintained our market position. The H1 share of the result is below last year at £65,000 (2015: £150,000) as the office carried expansion costs in anticipation of new instructions – which have started to follow through with the $230m Mercedes Platz in East Berlin and at the Allianz HQ in Aldershof. A considerable improvement is expected in the second half.

Germany (50% joint venture – Frankfurt) - the office has had a successful start to the year by winning a major drawing programme for Hochtief, two further commissions from Microsoft and numerous landlord and tenant instructions on the Messe Tower for Tishman Speyer. This has improved longer term revenue visibility.

Middle East - United Arab Emirates

With a full six months contribution from John R Harris & Partners revenues jumped to £2.9m (2015: £0.4m) and prior year losses converted into a profit of £83,000 (2015: loss £91,000).

Whilst SCL was acquired in February 2016 we assumed the balance sheet with effect from 31 December 2015 which gave rise to a small amount of goodwill arising through short term losses. SCL contributed £683,000 to H1 revenues.

Prior to the half year we won our first major project with former client Aldar on Yas Island, Abu Dhabi for a new build 370-key hotel for operator Mövenpick. Part of the winning submission was supported by the enlarged resource available to the Group in the UAE.

Group costs

These fell by £103k during the period as a result of reduced M&A costs and some minor exchange gains.

Prospects

We approach H2 with a certain degree of caution as the post planning order book in the UK may take longer to unwind following the EU Referendum than expected. In addition we have yet to eliminate the losses in Russia which requires a higher level of sustainable fee income. On the positive side we anticipate continued progress in our UAE performance as the enlarged entity gathers momentum with new and larger enquiries along with significant improvements in both Turkey and Germany.

In consequence of the economic climate but maintained cash positon we resolved to declare a slightly reduced interim dividend of 0.07 pence per share (2015: 0.11 pence per share) which will be paid on Monday 10 October 2016 to shareholders on the register at the close of business on Friday 9 September 2016.

Nicholas Thompson
Chief Executive Officer
6 June 2016

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2016

	Note	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
Revenue	3	10,007	9,164	18,668
Sub consultant costs		(869)	(933)	(1,782)
Revenue less sub consultant costs		9,138	8,231	16,886
Personnel related costs		(6,725)	(5,641)	(11,464)
Property related costs		(1,286)	(1,357)	(2,730)
Other operating expenses		(1,062)	(907)	(1,715)
Other operating income		290	338	626
Operating profit		355	664	1,603
Finance income		8	-	3
Finance costs		(11)	(8)	(13)
Profit after finance costs		352	656	1,593
Share of results of associate and joint ventures		65	159	277
Profit before tax	3	417	815	1,870
Taxation		(111)	(107)	(215)
Profit for the period		306	708	1,655
Profit attributable to:				
Owners of Aukett Swanke Group Plc		283	708	1,653
Non controlling interests		23	-	2
		306	708	1,655
Earnings per share				
Basic	4	0.17p	0.43p	1.00p
Diluted	4	0.17p	0.43p	1.00p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2016

	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
Profit for the period	306	708	1,655
Other comprehensive income:			
Currency translation differences	129	(101)	(201)
Other comprehensive income for the period	129	(101)	(201)
Total comprehensive income for the period	435	607	1,454
Total comprehensive income is attributable to:			
Owners of Aukett Swanke Group Plc	401	607	1,451
Non controlling interests	34	-	3
	435	607	1,454

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Note	Unaudited at 31 March 2016 £'000	Unaudited at 31 March 2015 £'000	Audited at 30 September 2015 £'000
Non current assets				
Goodwill		2,541	1,825	2,283
Other intangibles		787	550	818
Property, plant and equipment		539	630	563
Investment in associate and joint ventures		446	394	354
Deferred tax		243	254	288
Total non current assets		4,556	3,653	4,306
Current assets				
Trade and other receivables		10,155	5,578	6,430
Current tax		-	15	-
Cash and cash equivalents	6	2,567	2,540	1,873
Total current assets		12,722	8,133	8,303
Total assets		17,278	11,786	12,609
Current liabilities				
Trade and other payables		(8,475)	(5,970)	(5,833)
Short term borrowings	6	(223)	-	-
Provisions		-	-	-
Current tax		(120)	(156)	(117)
Total current liabilities		(8,818)	(6,126)	(5,950)
Non current liabilities				
Long term borrowings	6	(891)	-	-
Provisions		(1,025)	(112)	(354)
Deferred tax		(50)	(66)	(54)
Total non current liabilities		(1,966)	(178)	(408)
Total liabilities		(10,784)	(6,304)	(6,358)
Net assets		6,494	5,482	6,251
Capital and reserves				
Share capital		1,652	1,652	1,652
Merger reserve		1,176	1,176	1,176
Foreign currency translation reserve		(158)	(175)	(276)
Retained earnings		2,084	856	1,801
Other distributable reserve		1,610	1,973	1,791
Total equity attributable to equity holders of the Company		6,364	5,482	6,144
Non controlling interest		130	-	107
Total equity		6,494	5,482	6,251

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2016

	Note	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
Cash flows from operating activities				
Cash from operations	5	2,083	1,032	1,443
Interest paid		(11)	(8)	(13)
Taxation paid		(63)	(58)	(238)
Net cash from operating activities		2,009	966	1,192
Cash flows from investing activities				
Purchase of property, plant and equipment		(31)	(125)	(163)
Sale of property, plant and equipment		-	-	2
Acquisition of subsidiary, net of cash acquired		(2,425)	-	(824)
Interest received		8	-	3
Dividends received from associate		-	115	278
Net cash used in investing activities		(2,448)	(10)	(704)
Net cash flow before financing activities		(439)	956	488
Cash flows from financing activities				
Bank loan		1,114	-	-
Repayment of bank loan		-	(113)	(113)
Dividends paid		-	(178)	(360)
Net cash used in financing activities		1,114	(291)	(473)
Net change in cash, cash equivalents and bank overdraft		675	665	15
Cash, cash equivalents and bank overdraft at start of period		1,873	1,891	1,891
Currency translation differences		19	(16)	(33)
Cash, cash equivalents and bank overdraft at end of period	6	2,567	2,540	1,873

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2016

	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 year	-	-	283	-	-	283	23	306
Other comprehensive income	-	118	-	-	-	118	11	129
Non controlling interest arising on business combination	-	-	-	-	-	-	(11)	(11)
Dividends paid	-	-	-	(181)	-	(181)	-	(181)
At 30 September 2016	1,652	(158)	2,084	1,610	1,176	6,364	130	6,494

For the six months ended 31 March 2015

	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 2014	1,652	(74)	148	2,151	1,176	5,053	-	5,053
Profit for the year	-	-	708	-	-	708	-	708
Other comprehensive income	-	(101)	-	-	-	(101)	-	(101)
Non controlling interest arising on business combination	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	(178)	-	(178)	-	(178)
At 31 March 2015	1,652	(175)	856	1,973	1,176	5,482	-	5,482

For the year ended 30 September 2015

	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 2014	1,652	(74)	148	2,151	1,176	5,053	-	5,053
Profit for the year	-	-	1,653	-	-	1,653	2	1,655
Other comprehensive income	-	(202)	-	-	-	(202)	1	(201)
Non controlling interest arising on business combination	-	-	-	-	-	-	104	104
Dividends paid	-	-	-	(360)	-	(360)	-	(360)
At 30 September 2015	1,652	(276)	1,801	1,791	1,176	6,144	107	6,251

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 2016 and on the basis of the accounting policies expected to be used in those financial statements.

2 BUSINESS COMBINATION

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 4 branches in the United Arab Emirates.

The total consideration, all to be paid in cash, was structured as follows:

- AED 4.5m on completion.
- AED 1.5m upon release of banking guarantees, paid after the reporting date.
- Maximum deferred consideration of AED 9.8m dependant on the collection of debtors and work in progress from the completion balance sheet within 2 years from the completion date.

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.

During the period, the Group changed its operating segments as management now considers the business is based on geographic area, rather than by individual country. Accordingly, the Group's operating segments now consist of the United Kingdom, the Middle East and Continental Europe. Turkey and Russia are no longer reported as separate reporting operating segments, but are included within Continental Europe together with Germany and the Czech Republic. All comparatives have been restated to reflect these changes.

Segment revenue	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
United Kingdom	6,686	7,485	14,488
Middle East	2,885	432	2,129
Continental Europe	436	1,247	2,051
Total	10,007	9,164	18,668

Segment result before tax	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
United Kingdom	498	927	1,993
Middle East	83	(91)	47
Continental Europe	(94)	152	88
Group costs	(70)	(173)	(258)
Total	417	815	1,870

4 EARNINGS PER SHARE

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

Earnings	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
Profit for the period	283	708	1,653

Number of shares	Unaudited six months to 31 March 2016 '000	Unaudited six months to 31 March 2015 '000	Audited year to 30 September 2015 '000
Weighted average number of shares	165,214	165,213	165,214
Effect of dilutive options	256	321	305
Diluted weighted average number of shares	165,470	165,534	165,519

5 RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FROM OPERATIONS

	Unaudited six months to 31 March 2016 £'000	Unaudited six months to 31 March 2015 £'000	Audited year to 30 September 2015 £'000
Profit before tax	417	815	1,870
Finance income	(8)	-	(3)
Finance costs	11	8	14
Share of results of associate and joint ventures	(65)	(159)	(277)
Goodwill written off	17	-	-
Depreciation	172	176	345
Amortisation	73	25	80
Profit on disposal of property, plant and equipment	-	-	(2)
Change in trade and other receivables	(76)	636	597
Change in trade and other payables	1,480	(481)	(1,273)
Change in provisions	62	12	92
Net cash from operations	2,083	1,032	1,443

6 ANALYSIS OF NET FUNDS

	Unaudited at 31 March 2016 £'000	Unaudited at 31 March 2015 £'000	Audited at 30 September 2015 £'000
Cash and cash equivalents	2,567	2,540	1,873
Secured bank overdraft	-	-	-
Cash, cash equivalents and bank overdraft	2,567	2,540	1,873
Secured bank loan	(1,114)	-	-
Net funds	1,453	2,540	1,873
Cash and cash equivalents	2,567	2,540	1,873
Short term borrowings	(223)	-	-
Long term borrowings	(891)	-	-
Net funds	1,453	2,540	1,873

7 STATUS OF INTERIM REPORT

The interim report covers the six months ended 31 March 2016 and was approved by the Board of Directors on 6 June 2016. 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 2015 have been extracted from the statutory accounts of the group for that period.

The statutory accounts for the year ended 30 September 2015 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 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.

8 FURTHER INFORMATION

Copies of the interim report will be dispatched by post to holders of 50,000 or more shares in due course. An electronic version will be available on the Group's website (www.aukettswanke.com).

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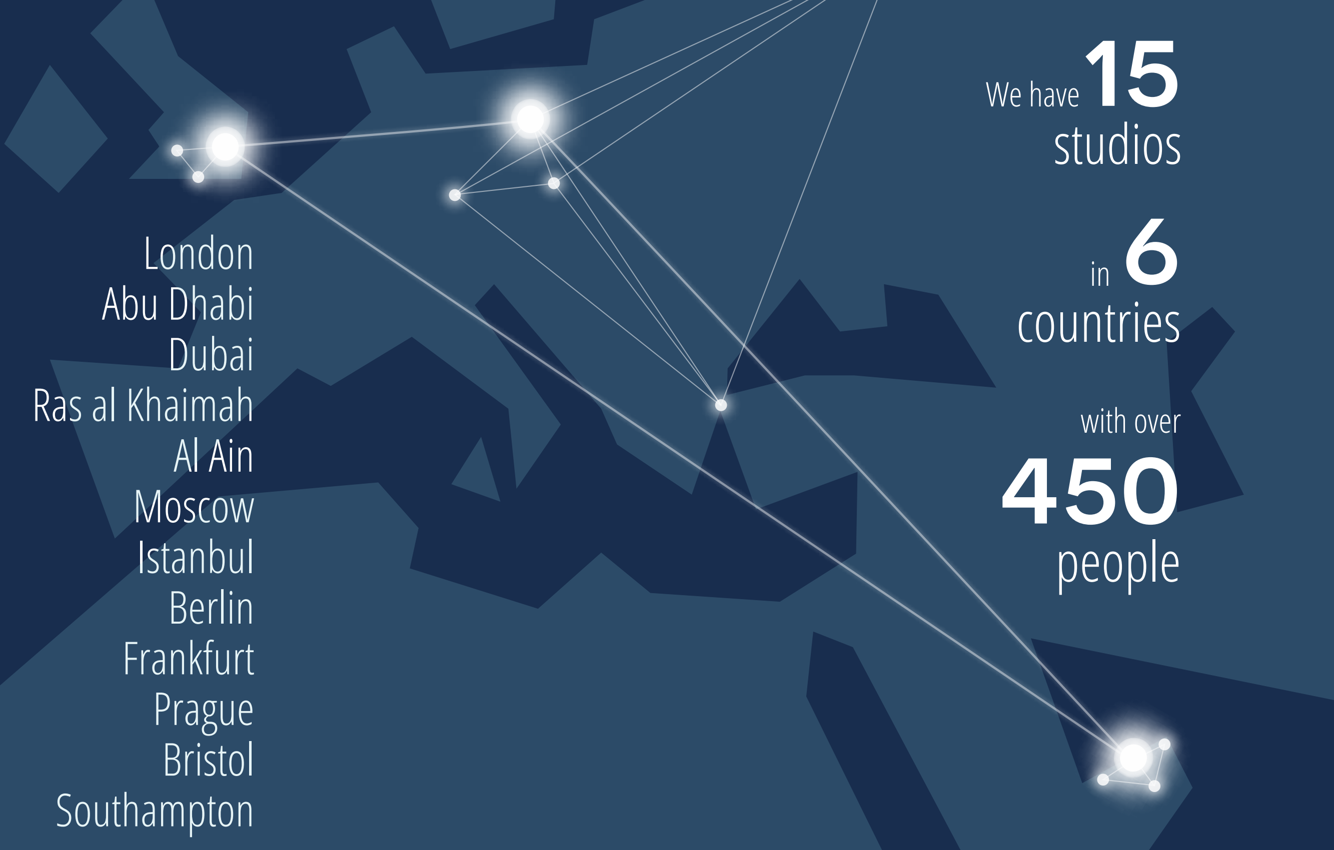

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