

AUKETT SWANKE GROUP PLC

# INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 MARCH 2015



Aukett Swanke Group Plc, the international practice of architects and interior design specialists, is pleased to announce its interim results for the six month period ended 31 March 2015

aukett  
swanke 

## HIGHLIGHTS

REVENUES UP 21% AT

**£9.2M**  
(2014: £7.6M)

PROFIT BEFORE TAX UP 9% AT

**£815,000**  
(2014: £750,000)

EARNINGS PER SHARE UP 39% AT

**0.43P**  
(2014: 0.31P)

NET FUNDS UP AT

**£2.5M** AT 31 MARCH 2015  
(£1.8M AT 30 SEPTEMBER 2014)

INTERIM DIVIDEND

**0.11** PENCE PER SHARE  
(2014: 0.10 PENCE PER SHARE)

**3RD** LEED GOLD AWARD  
IN GERMANY

**BEST OFFICE BUILDING**  
AT THE COMMERCIAL REAL ESTATE AWARDS  
IN MOSCOW

**BEST CITY OF LONDON DEVELOPMENT**  
AT THE OFFICE AGENTS' SOCIETY AWARDS

Nicholas Thompson, Chief Executive Officer, commented:

“ I am delighted to report on this set of interim results which shows a continuous improvement in performance when compared to the six month periods to 31 March and 30 September 2014, respectively. In the light of these results, our financial position and the Board's outlook, we are pleased to announce the payment of an increased interim dividend.

The Group's performance in the first half has been achieved despite a number of external factors which we have had to contend with. The run up to the General Election in the UK caused some softening in the UK market in the first half, whilst Russia and Turkey were impacted by, variously, currency volatility and political uncertainty which deferred local client decision-making.

We continue to invest in the Middle East which we believe has good growth prospects.

## INTERIM STATEMENT

### OVERVIEW

We are pleased to report an increase in our first half profits to £815,000 (2014: £750,000).

Our half year revenues rose to £9.2m (2014: £7.6m) with revenues less sub consultants also increasing to £8.2m (2014: £6.6m). Profit before tax rose 9% to £815,000 (2014: £750,000), whilst EPS increased 39% to 0.43p (2014: 0.31p) reflecting a much reduced tax rate which benefitted from unprovided tax losses in Russia. We outperformed our cash generation target with funds increasing to £2.5m (30 September 2014: net funds £1.8m) after taking account of investments, taxation and dividend payments.

### OPERATIONS

UK revenues lifted to £7.5m (2014: £6.1m) with profits being slightly lower at £927,000 (2014: £945,000). Some 15 projects account for 73% of these revenues across offices, residential, retail, hotels, interior design and education sectors with no one sector accounting for more than 25% of revenues.

Whilst the first half benefited from a full half year's contribution from the Swanke business (acquired in December 2013), the period under review takes account of salary increases and headcount additions. Both of these had become necessary as the general construction market strengthened and the level of work in hand and enquiry levels increased. The UK construction market also quietened in the period leading up to the General Election which had an impact in the first half, though with a more stable political environment we now expect the pre-election slowdown to unwind and for the market to recover its former momentum. The regional phenomenon, which we highlighted in our last statement, continues apace with far more activity in the green-field business space market.

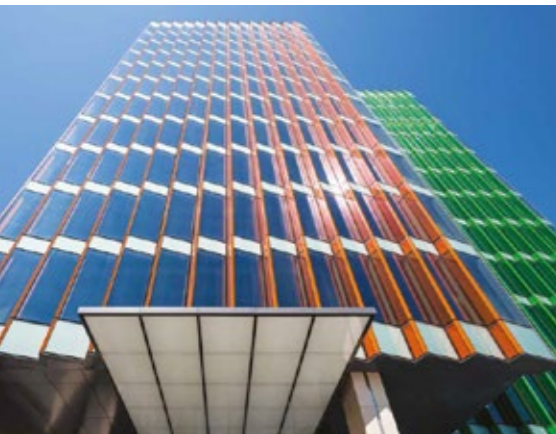
At present, the UK operation has over 2m square feet of construction work in hand with a follow-on order book being maintained. We are currently working with Blackstone, Fenwick, Grosvenor, Candy & Candy, Goodman, Land Securities, Richemont, Derwent London, Sir Robert McAlpine, M&G, Zurich Re, BNP Paribas, Development Securities, Orchard Street, Urban & Civic, Sheraton hotels and many others. Our office development at 125 Wood Street for Orchard Street Investment Management won the Best Office Development in the City of London at the recent Office Agents' Society awards.



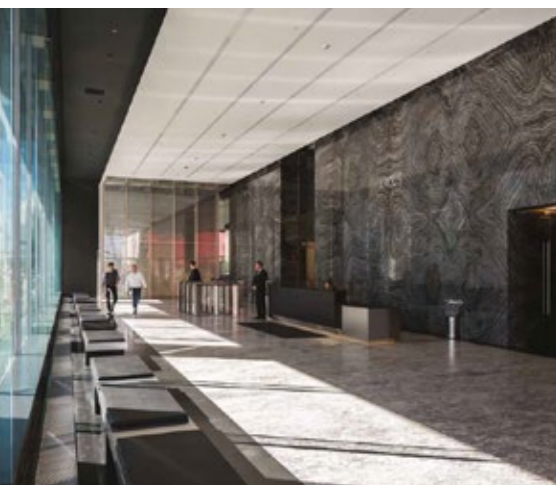
125 Wood Street, EC2 - Winner of 'Best Office Development in the City' at the Office Agents' Society Awards



M&S, Cheshire Oaks - Winner of the 'Test of Time' Award at the Building Awards 2015



Arcus III, Moscow - Winner of 'Golden Brick Award' at the CBRE Awards 2015



Arcus III, Moscow - Winner of 'Best Lobby' at the Best Office Awards 2015

Our Marks and Spencer (2012) store at Cheshire Oaks continues to win awards with the 2015 Building Award - Test of Time. In the AJ120 rankings of qualified staff our London Studio ranks No. 20 (2014: No. 22). We continue to rank in the top 5 based on qualified staff in the Group for a UK based practice.

Russia almost broke even, tabling a small loss of £11,000 (2014: Loss £299,000) - arguably our best operational performance of the year given the results from 2014. Revenue was up at £692,000 (2014: £638,000).

Our current projects include schemes at Vernadskogo, Yamskoye Pole, Panavto, and Itar Tass, with clients such as AB Developments, JTI and PSN. Our office building, Arcus III, for AB Developments, has won the Golden Brick award at the CBRE awards. Also we won a Best Lobby award at the Best Office Awards 2015.

During the period we have downsized the operation to match market activity but had to contend with a major Rouble devaluation which in turn triggered a short period of higher internal costs before we could manage these down again. A number of costs were contracted in a US dollar equivalent in the Russian market. The position has now stabilised and we expect to remain at or near break-even for the remainder of the year. Since the currency crisis abated we have seen some market improvement in enquiries giving some comfort to our shorter term prospects.

The Turkish operation remains in profit at £4,000 (2014: £82,000) on revenues of £555,000 (2014: £441,000). In the previous year, the quarter two revenue was well above expectations due to a windfall gain. We are currently working on two hotels at Eminuno and Atasehir, a residential scheme in Eston 7 and a fit out for Cengiz. With the recent election result and a quieter economy we are reliant on new project conversions in the second half to avoid a loss at the year end.

The Middle East is the current focus of our expansion plans as evidenced by our announcement of the acquisition of John R Harris & Partners Limited. The loss of £91,000 (2014: profit £4,000) in our continuing operation partially reflects a fall-off in work-load as our major project reaches the final phases of construction. Additionally we increased our staffing levels in order to improve our chances of winning new work. Revenue remains substantially unchanged at £432,000 (2014: £419,000).

In respect of Continental Europe, Berlin maintained its performance at prior year levels with a raft of commissions including KfW bank, Berlin airport, Berlin Entertainment District, Siemens, Stone Brewing and is likely to continue in this mode for some time. Frankfurt posted a small profit but is expected to improve in the second half. The office won its third LEED Gold Award for the Bank of New York Mellon's office fit out. The Czech market is dogged by a lack of work and low pricing, however, break-even for the full year is the target.

The overall net result for our European operations (comprising JV and associate interests) is marginally down on the previous year at £159,000 (2014: £176,000) following a decline in the Euro.

## PROSPECTS

The final outturn for 2015 will be primarily dependent on the UK's second half performance which we expect to pick up in the aftermath of the General Election. The operations in Russia, Turkey and the Middle East are expected to remain loss-making in the short term and subsequently return to profits. Continental European operations are expected to improve their profit performance based on current order books.

Overall the Board remains confident in the Group's performance as we progress through the second half, indeed with a period of less political uncertainty in the UK there should be more stability engendering a stronger market. With a maintained profit performance and strong cashflow we are pleased to announce the payment of an interim dividend of 0.11 pence per share on Monday 27 July 2015 to shareholders on the register at close of business on Friday 10 July 2015.

**Nicholas Thompson**  
Chief Executive Officer  
15 June 2015

## CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2015

	Note	Unaudited six months to 31 March 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
Revenue	2	9,164	7,575	17,326
Sub consultant costs		(933)	(1,015)	(2,594)
Revenue less sub consultant costs		8,231	6,560	14,732
Personnel related costs		(5,641)	(4,270)	(9,868)
Property related costs		(1,357)	(997)	(2,343)
Other operating expenses		(907)	(842)	(1,861)
Other operating income		338	132	404
Operating profit		664	583	1,064
Finance income		-	-	-
Finance costs		(8)	(9)	(18)
Profit after finance costs		656	574	1,046
Share of results of associate and joint ventures		159	176	354
Profit before tax	2	815	750	1,400
Taxation		(107)	(255)	(354)
Profit for the period attributable to equity holders of the company		708	495	1,046
Earnings per share				
Basic	3	0.43p	0.31p	0.65p
Diluted	3	0.43p	0.31p	0.65p

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2015

	Unaudited six months to 31 March 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
Profit for the period	708	495	1,046
Other comprehensive income:			
Currency translation differences	(101)	(42)	(103)
Other comprehensive income for the period	(101)	(42)	(103)
Total comprehensive income for the period attributable to equity holders of the company	607	453	943

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Note	Unaudited at 31 March 2015 £'000	Unaudited at 31 March 2014 £'000	Audited at 30 September 2014 £'000
<b>Non current assets</b>				
Goodwill		1,825	1,890	1,835
Other intangibles		550	599	594
Property, plant and equipment		630	355	648
Investment in associate and joint ventures		394	297	375
Deferred tax		254	411	290
<b>Total non current assets</b>		<b>3,653</b>	<b>3,552</b>	<b>3,742</b>
<b>Current assets</b>				
Trade and other receivables		5,578	5,620	6,379
Current tax		15	15	-
Cash and cash equivalents	5	2,540	1,522	1,891
<b>Total current assets</b>		<b>8,133</b>	<b>7,157</b>	<b>8,270</b>
<b>Total assets</b>		<b>11,786</b>	<b>10,709</b>	<b>12,012</b>
<b>Current liabilities</b>				
Trade and other payables		(5,970)	(5,320)	(6,540)
Short term borrowings	5	-	(150)	(113)
Provisions		-	(260)	(104)
Current tax		(156)	(25)	(131)
<b>Total current liabilities</b>		<b>(6,126)</b>	<b>(5,755)</b>	<b>(6,888)</b>
<b>Non current liabilities</b>				
Long term borrowings	5	-	(38)	-
Provisions		(112)	(136)	-
Deferred tax		(66)	(72)	(71)
<b>Total non current liabilities</b>		<b>(178)</b>	<b>(246)</b>	<b>(71)</b>
<b>Total liabilities</b>		<b>(6,304)</b>	<b>(6,001)</b>	<b>(6,959)</b>
<b>Net assets</b>		<b>5,482</b>	<b>4,708</b>	<b>5,053</b>
<b>Capital and reserves</b>				
Share capital		1,652	1,652	1,652
Merger reserve		1,176	1,176	1,176
Foreign currency translation reserve		(175)	(13)	(74)
Retained earnings		856	(403)	148
Other distributable reserve		1,973	2,296	2,151
<b>Total equity attributable to equity holders of the Company</b>		<b>5,482</b>	<b>4,708</b>	<b>5,053</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2015

	Note	Unaudited six months to 31 March 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
<b>Cash flows from operating activities</b>				
Cash from operations	4	1,032	367	1,360
Interest paid		(8)	(9)	(18)
Taxation (paid) / received		(58)	94	70
<b>Net cash from operating activities</b>		<b>966</b>	<b>452</b>	<b>1,412</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(125)	(70)	(523)
Sale of property, plant and equipment		-	-	4
Acquisition of subsidiary, net of cash acquired		-	(57)	(57)
Interest received		-	-	-
Dividends received from associate		115	104	184
<b>Net cash used in investing activities</b>		<b>(10)</b>	<b>(23)</b>	<b>(392)</b>
<b>Net cash flow before financing activities</b>		<b>956</b>	<b>429</b>	<b>1,020</b>
<b>Cash flows from financing activities</b>				
Repayment of bank loan		(113)	(75)	(150)
Payment of asset finance liabilities		-	(2)	-
Dividends paid		(178)	(146)	(291)
<b>Net cash used in financing activities</b>		<b>(291)</b>	<b>(223)</b>	<b>(441)</b>
<b>Net change in cash, cash equivalents and bank overdraft</b>		<b>665</b>	<b>206</b>	<b>579</b>
Cash, cash equivalents and bank overdraft at start of period		1,891	1,343	1,343
Currency translation differences		(16)	(27)	(31)
<b>Cash, cash equivalents and bank overdraft at end of period</b>	5	<b>2,540</b>	<b>1,522</b>	<b>1,891</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2015

	Share capital £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Unaudited Total £'000
At 1 October 2014	1,652	1,176	(74)	148	2,151	5,053
Profit for the period	-	-	-	708	-	708
Other comprehensive income	-	-	(101)	-	-	(101)
Dividends	-	-	-	-	(178)	(178)
Issue of ordinary shares in relation to business combination	-	-	-	-	-	-
At 31 March 2015	1,652	1,176	(175)	856	1,973	5,482

For the six months ended 31 March 2014

	Share capital £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Unaudited Total £'000
At 1 October 2013	1,456	-	29	(898)	2,442	3,029
Profit for the period	-	-	-	495	-	495
Other comprehensive income	-	-	(42)	-	-	(42)
Dividends	-	-	-	-	(146)	(146)
Issue of ordinary shares in relation to business combination	196	1,176	-	-	-	1,372
At 31 March 2014	1,652	1,176	(13)	(403)	2,296	4,708

For the year ended 30 September 2014

	Share capital £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Audited Total £'000
At 1 October 2013	1,456	-	29	(898)	2,442	3,029
Profit for the period	-	-	-	1,046	-	1,046
Other comprehensive income	-	-	(103)	-	-	(103)
Dividends	-	-	-	-	(291)	(291)
Issue of ordinary shares in relation to business combination	196	1,176	-	-	-	1,372
At 30 September 2014	1,652	1,176	(74)	148	2,151	5,053

# 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 2015 and on the basis of the accounting policies expected to be used in those financial statements.

## 2 OPERATING SEGMENTS

The Group comprises a single business segment and five separately reportable geographical segments (together with a Group costs segment). Geographical segments are based on the location of the operation undertaking each project.

Segment revenue	Unaudited six months to 31 March 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
United Kingdom	7,485	6,077	13,882
Russia	692	638	1,598
Turkey	555	441	853
Middle East	432	419	993
Continental Europe	-	-	-
Total	9,164	7,575	17,326

Segment result before tax	Unaudited six months to 31 March 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
United Kingdom	927	945	1,815
Russia	(11)	(299)	(475)
Turkey	4	82	90
Middle East	(91)	4	14
Continental Europe	159	176	354
Group costs	(173)	(158)	(398)
Total	815	750	1,400

## 3 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 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
Profit for the period	708	495	1,046

Number of shares	Unaudited six months to 31 March 2015 '000	Unaudited six months to 31 March 2014 '000	Audited year to 30 September 2014 '000
Weighted average number of shares	165,213	157,616	161,026
Effect of dilutive options	321	394	464
Diluted weighted average number of shares	165,534	158,010	161,490

#### 4 RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FROM OPERATIONS

	Unaudited six months to 31 March 2015 £'000	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2014 £'000
Profit before tax	815	750	1,400
Finance income	-	-	-
Finance costs	8	9	18
Share of results of associate and joint ventures	(159)	(176)	(354)
Goodwill written off	-	125	125
Depreciation	176	106	259
Amortisation	25	36	82
Profit on disposal of property, plant and equipment	-	-	(4)
Change in trade and other receivables	636	70	(604)
Change in trade and other payables	(481)	(506)	676
Change in provisions	12	(47)	(238)
Net cash from operations	1,032	367	1,360

#### 5 ANALYSIS OF NET FUNDS

	Unaudited at 31 March 2015 £'000	Unaudited at 31 March 2014 £'000	Audited at 30 September 2014 £'000
Cash and cash equivalents	2,540	1,522	1,891
Secured bank overdraft	-	-	-
Cash, cash equivalents and bank overdraft	2,540	1,522	1,891
Secured bank loan	-	(188)	(113)
Net funds	2,540	1,334	1,778
Cash and cash equivalents	2,540	1,522	1,891
Short term borrowings	-	(150)	(113)
Long term borrowings	-	(38)	-
Net funds	2,540	1,334	1,778

#### 6 STATUS OF INTERIM REPORT

The interim report covers the six months ended 31 March 2015 and was approved by the Board of Directors on 15 June 2015. 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 2014 have been extracted from the statutory accounts of the Group for that period.

The statutory accounts for the year ended 30 September 2014 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.

#### 7 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](http://www.aukettswanke.com)).

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**STUDIOS**  
IN **8**  
**COUNTRIES**

WITH A TOTAL OF  
**378**  
**PEOPLE**

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MOSCOW  
ISTANBUL  
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