



Smarter, Smoother Spaces

Styles&Wood Group PLC
Interim Report 2011

Welcome

Styles&Wood is well positioned to realise sustainable profitable business through the provision of a developed range of property support services determined by:

- **A resilient business model**
- **Solutions aligned with our customers' business drivers**
- **An holistic property life cycle offer**
- **Growth opportunities in our target sectors and markets**

Investor Themes

- ✓ **A return to profit, efficient overhead base and selective approach to revenue delivering improved margin performance**
- ✓ **Differentiated service offer with market leading approach to community engagement and sustainability**
- ✓ **Positive indicators of future investment in our focus markets and sectors**
- ✓ **Discrete range of established delivery models providing a flexible and measured capability to align with customer requirements**
- ✓ **Opportunity to leverage service lines to provide broad based property support service solutions**
- ✓ **New CEO driving business repositioning with focus on customer centric structure**



Highlights

2011 Financial Highlights

Revenue

£40.3m

H1 2010: £40.2m

Loss before tax

£0.9m

H1 2010: Loss of £0.9m

Gross margin

7.9%

H1 2010: 7.4%

Net cash** position

£2.4m

H1 2010: £5.3m

Operating profit*

£0.1m

H1 2010: Loss of £0.1m

Loss per share

1.3p

H1 2010: Loss per share 1.3p

Underlying* loss before tax

£0.2m

H1 2010: Loss of £0.5m

* Underlying profit excludes non-recurring items and notional interest on preference shares.

** Net cash excludes preference share capital accounted for as debt.

2011 Operational Highlights

- Unexecuted secured order book at 25 August 10% ahead of prior year
- A leading delivery performance on all retail banking frameworks
- Expanding workload with high end retail department stores
- First public sector contracts secured for the refurbishment of educational establishments
- Development of sustainability offering to include photovoltaics and modular build

Contents

- 01 Highlights
- 02 Chief Executive's Review
- 05 Responsibility Statement
- 06 Consolidated Income Statement
- 08 Consolidated Statement of Changes in Equity
- 09 Consolidated Balance Sheet
- 10 Consolidated Statement of Cash Flows
- 11 Notes to the interim Financial Information

Chief Executive's Review



This has been a period of significant transformation for the Group and I am pleased with the achievements in the six months since I joined S&W. Despite the current economic environment, we have been able to deliver an improved set of results that reflect our decision not to chase revenue at the expense of margin.

The changes implemented following the strategic review mean that the Group now has a broader platform for sustainable, profitable growth. While we expect market conditions to remain challenging we are encouraged by the Group's order book and by the diverse range of new opportunities.



Overview

The Group has delivered underlying results for the first six months of the year which are ahead of the prior year on marginally improved revenue. The results reflect an ongoing challenging economic environment, the changing mix of work and continued progress on cost control.

Our review of the business and its organisational structure has largely been completed. The changes in the organisation have delivered a more customer centric and flatter management structure, which will better enable the business to grow sustainable profitability in the future.

The ongoing investment in people and development of improved business processes has resulted in outstanding delivery performance, particularly on our frameworks, in the first six months of the year.

Group results

The Group's revenues for the six months to 30 June 2011 were £40.3m (H1 2010: £40.2m). The total loss before tax, after charging notional preference share interest of £0.5m (H1 2010: £0.4m) and restructuring costs of £0.2m (H1 2010: £nil), was £0.9m (H1 2010: loss before tax £0.9m).

The underlying operating profit was £0.1m (H1 2010: loss of £0.1m) and underlying net finance costs were £0.3m (H1 2010: £0.3m). The continued focus on improving business efficiency and controlling the cost base has helped to improve gross margins which have increased to 7.9% (H1 2010: 7.4%).

Restructuring costs of £0.2m (H1 2010: £nil) arose from a strategic review of operations following my appointment as CEO in January 2011. The repositioning exercise involved the de-layering of the management structure and reorganisation of the Group's Service and Development offering.

Notwithstanding an increased volume of smaller contracts the Group has maintained a robust financial position, with the net cash at the half year of £2.4m (H1 2010: £5.3m). On 24 August 2011, the Group revised its banking facilities to improve their efficiency and flexibility and to reduce the associated financing costs. The term loan was paid down in full and the available revolving credit facility extended to £5.6m. There is no impact on the net cash position of the Group. The loss per share was 1.3p (H1 2010: loss per share of 1.3p).

Results by segment

Our Construct business, which develops and delivers projects, programmes and fit out services to high street banks, major retailers and commercial organisations, generated revenues of £30.8m (H1 2010: £32.6m) and operating profit of £1.2m (H1 2010: £1.1m).

Our Support Services businesses (Care, Design and iSite) generated revenues of £9.5m (H1 2010: £7.5m), and operating profit of £0.8m (H1 2010: £0.5m), contributing 41% (H1 2010: 32%) to the Group's earnings before central costs.

Results by sector

Office and Banking

Revenue from Office and Banking represented 68% of the Company's total revenue in the six months ended 30 June 2011 (H1 2010: 38%), and was up 54% on the comparable period last year.

The Group has benefited from investment by the high street banks in their branch network with the majority of the work being undertaken under framework arrangements. Our major customers in retail banking include Barclays, Lloyds Banking Group, Nationwide and RBS. There is growing demand for design and build solutions within this sector where our innovative in-house architecture and space planning capabilities are demonstrably enhancing and differentiating our services.



A highlight in the first six months of 2011 has been our outstanding delivery performance across all framework arrangements as recognised by our customers' KPIs. The outlook for the second half of the year continues to look positive for this sector. We have a strong unexecuted secured order book for the second half which is currently running more than 20% ahead of last year.

The Group continues to pursue opportunities selectively in the commercial office sector and the first six months of the year saw the successful delivery of an office refurbishment for Deloitte. The Group has not traditionally operated in the public sector. However the reduction in public sector capital expenditure budgets presents a potential opportunity for the Group as refurbishment is viewed as an alternative to new build. In the first half of the year, the Group won its first fit out in the education sector.

Retail

Revenue from the retail sector represented 42% of the Group's revenues in the six months ended 30 June 2011 (H1 2010: 62%). High street retail is the Group's heritage and this sector has been hit hard since the commencement of the recession. The lower capital spend of high street retailers plus the food retailers move to add new space rather than refurbish or refresh has meant that our retail business has endured a challenging six months.

The ability to provide intelligent systems to support retailers in the management of their property portfolio is a clear differentiator and enables Styles & Wood to add value to our customers' core business. Our successes in the first six months have been with high end retailers where our experience and our ability to design and build and to deliver complex solutions in limited time frames with minimal impact on trading continues to provide us with a competitive advantage.

Cash flow

As at 30 June 2011 the Group had net cash of £2.4m (H1 2010: net cash £5.3m) and had undrawn facilities of £4.0m (H1 2010: £4.0m).

In the first half of the year the Group used £5.1m of cash in operations (H1 2010: £1.0m), reflecting the reduction in revenue compared with the second half of 2010, change in mix of work to smaller contracts with payment on final account rather than stage payments. Other material cash flows included a term loan repayment of £1.0m.

Banking facilities

The bank facilities agreed as part of the 2009 refinancing provided comfort for the business, its customers and suppliers. For the past two years S&W has operated with a term loan, significant cash balances and has had no reason to utilise the available £4m revolving credit facility.

The structure of the facility has recently been revised to provide a more appropriate facility for the future. The repayment of the term loan from cash resources, change in revolving credit facility to a multi-purpose facility and extension of that facility to £5.6m provide the business with a more flexible and cost efficient facility.

Taxation

The Group's effective tax rate of 12% (H1 2010: 15%) is affected by the non deductibility of notional preference share interest. Excluding this notional interest gives an effective rate of 27%. Tax losses generated in the first half of the year are expected to be recovered as the Group returns to profitability in the second half of the year.

Dividend

The Board is not declaring an interim dividend for the period (H1 2010: nil).

Strategy

To ensure S&W can be successful, it has been necessary to reposition the business to better align with our customers' interests and to introduce a more diverse service offering. This approach is now providing a much more stable and relevant platform from which we are able to provide support services which demonstrably enhance our customers' business.

People

A new organisational structure is now in place which establishes a more customer focused approach from which S&W is able to leverage a broader range of services in a more efficient, seamless manner. Key appointments, both internal and external, have been made to ensure that profit and loss responsibilities for individual customer relationships are clearly defined such that decision making and organisational response are optimised. The flattening of the management structure also establishes a more efficient overhead base and supports an underlying improvement in profitability.

We are committed to the recruitment, retention and development of the best people. In addition to the continued commitment to improve our people through investment in training, we are actively recruiting externally to broaden our skills base and provide a secure platform for growth.

The national nature of our coverage has historically been a real strength for S&W. This capability will be enhanced with the investment being made in the London area, where we have committed to a new larger office. This will enable S&W to build on our recent successes in the capital and to further establish capability where we have a clear line of sight for new business opportunity.

Chief Executive's Review

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Innovation

In an increasingly competitive environment, it has never been more important to offer added value and differentiation.

We have established solid credentials in the field of sustainability. Our design capability is leading edge in some of our core markets and our property portal applications offer a clear point of difference in property support services.

We recognise that strategic alliances are a key to enhancing capabilities and offering improved value for money to our customers. As such we have developed new propositions which utilise the strong pedigree of S&W and combine with our partners to create genuine synergies which are relevant to the changing nature of our customers' markets.

Examples of these initiatives include:

- Alternative energy solutions: we recruited Photovoltaics expertise into S&W operating under the "Gatehouse Renewables" brand from 1 June, with first units installed in July;
- A joint approach to marketing our iSite offering is under development with a key customer who are the first organisation to purchase our full service offer;
- We are taking retail best practice and applying our skills to deliver a different approach to refurbishment opportunities in public sector markets; and
- Sustainable Modular Buildings: We have developed a retail convenience store format with flexible applications in conjunction with modular construction and building technology specialists.

We have also recognised the need to work flexibly in order to embrace the immediate nature of some of our customers' needs. At the current time a number of S&W colleagues are seconded into surrogate roles within our customers' organisations. This not only affords immediate alignment of interests but also creates a sound foundation for pursuit of future business interest.

Risks and uncertainties

The Group continues to review and manage the risks it faces. The key risks and uncertainties, which are unchanged from those set out in the Annual Report & Financial Statements for the year ended 31 December 2010, are as follows:

- Health, Safety and Environmental — Safety will always be our first priority. Styles & Wood works in potentially hazardous environments from large-scale fit out projects to minor works projects, often in close proximity to the public. The Group's health and safety performance affects employees, customers, supply chain and the public. The Group continually invests in safety to ensure our people understand the safety implications of everything we do. Regular communication of relevant regulations, improved methods of working is undertaken and sharing of best practice is an important component of ensuring all colleagues are aware of their responsibilities.
- Market — the Group is dependent on its key markets of Banking, Retail and Commercial and our work continues to have the potential to be impacted by reductions in customer spend and the propensity for customers to change their plans and programmes at short notice. The business continues to pursue framework arrangements with existing and new customers. These provide greater certainty of work allocation providing the platform to enable investment in people, process and innovation to support the customer. The Group is examining other markets where the skills of the business provide the customer with an alternative to established suppliers or solutions. For example, in the first half of the year the Group won its first contracts in the education sector.
- Colleagues — the recruitment, retention and development of colleagues are critical success factors for any business. In the first half of the year the business undertook a review of its organisational structure and management capability. This repositioning exercise resulted in a flattening of management reporting lines and the platform for the training and development plans of the senior management below executive level. These development plans plus investment in training of other personnel continue to be actioned in the second half of the year.
- Delivery and procurement — our reputation depends on our ability, working with our supply chain, to deliver consistently to customer expectations on time, cost and quality. Our supply chain is a key stakeholder in our business, and their performance is critical to our success. We seek to establish close working relationships with our supply chain to ensure that work is managed for the mutual benefit of customer, S&W and supply chain.



- Profitability — the Group continues to take actions to realign its cost base to ensure alignment with level and nature of business in the current economic climate. The impact of this alignment has been seen in improved gross margin levels and the Group remains focused on managing costs and flexible delivery models to add value for customers and shareholders alike.

All the above risks apply to the second half of the year. There are encouraging indicators within the business for an improvement in the second half of the year. Performance in the second half of the year will be influenced by our continued focus on and ability to manage these risks.

Outlook

Following the strategic review of the business carried out during the first half of the year, we have a relatively stable revenue position and an order book better geared to future growth opportunity. Our historic credentials in Retail remain strategically important to the business and to our customers. We continue to diversify and expand into other sectors such as Office and Banking where these skills make a difference. This mix and diversification provides a more resilient business morel.

The current secured order book for the second half of the year is tracking 10% ahead of that for 2010. We are still bidding and converting opportunities for delivery in 2011 and the early indications from our customers is that investment plans for 2012 will be at or above 2011 levels.

Tony Lenehan
Chief Executive Officer

Responsibility Statement

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS34 as adopted by the European Union and that the interim management report contained herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report

The Directors of Styles&Wood Group plc are listed in the Annual Report for the year ended 31 December 2010. Tony Lenehan was appointed as a Director on 1 January 2011. There have been no other changes to the Board since 31 December 2010.

By order of the Board

Tony Lenehan
Chief Executive
25 August 2011

Philip Lanigan
Group Finance Director
25 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	Underlying £'000	Unaudited 6 months ended 30 June 2011 Non-recurring items and preference share accounting (note 7) £'000	Total £'000
Continuing operations				
Revenue	6	40,290	—	40,290
Cost of sales		(37,090)	—	(37,090)
Gross profit		3,200	—	3,200
Administrative expenses		(3,083)	(220)	(3,303)
Operating profit/(loss)	6,7	117	(220)	(103)
Finance costs	8	(295)	(501)	(796)
Finance income	8	20	—	20
Share of results of joint venture	18	—	—	—
(Loss)/profit before taxation		(158)	(721)	(879)
Taxation	9	44	58	102
(Loss)/profit for the period attributable to equity shareholders		(114)	(663)	(777)
Basic and diluted (loss)/earnings per share, expressed in pence per share	10	(0.2)p	(1.1)p	(1.3)p

There is no difference between the (loss)/profit for the period and the total comprehensive income for the period. Accordingly no separate statement of comprehensive income has been presented.

Underlying results are shown before charging non-recurring expenses (note 7) and accounting for notional interest on preference shares (note 14).



Underlying £'000	Unaudited 6 months ended 30 June 2010		Underlying £'000	Audited Year ended 31 December 2010	
	Non-recurring items and preference share accounting (note 7) £'000	Total £'000		Non-recurring items and preference share accounting (note 7) £'000	Total £'000
40,151	—	40,151	99,118	—	99,118
(37,158)	—	(37,158)	(91,390)	—	(91,390)
2,993	—	2,993	7,728	—	7,728
(3,127)	—	(3,127)	(6,330)	(295)	(6,625)
(134)	—	(134)	1,398	(295)	1,103
(360)	(446)	(806)	(700)	(918)	(1,618)
32	—	32	61	—	61
(26)	—	(26)	(249)	—	(249)
(488)	(446)	(934)	510	(1,213)	(703)
139	—	139	(241)	83	(158)
(349)	(446)	(795)	269	(1,130)	(861)
(0.6)p	(0.7)p	(1.3)p	0.4p	(1.8)p	(1.4)p

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

Unaudited	Notes	Ordinary share capital £'000	Preference share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2010		20,456	7,580	16,300	(66,665)	16,557	(5,772)
Comprehensive income							
Loss for the period		—	—	—	—	(795)	(795)
Total comprehensive income		—	—	—	—	(795)	(795)
Transactions with owners							
Share option scheme		—	—	—	—	81	81
Preference share notional interest		—	(446)	—	—	446	—
Total transactions with owners		—	(446)	—	—	527	81
At 30 June 2010		20,456	7,134	16,300	(66,665)	16,289	(6,486)
Comprehensive income							
Loss for the period		—	—	—	—	(66)	(66)
Total comprehensive income		—	—	—	—	(66)	(66)
Transactions with owners							
Share option scheme		—	—	—	—	14	14
Preference share notional interest	14	—	(472)	—	—	472	—
Total transactions with owners		—	(472)	—	—	486	14
At 31 December 2010		20,456	6,662	16,300	(66,665)	16,709	(6,538)
Comprehensive income							
Loss for the period		—	—	—	—	(777)	(777)
Total comprehensive income		20,456	6,662	16,300	(66,665)	15,932	(7,315)
Transactions with owners							
Share option scheme		—	—	—	—	42	42
Preference share notional interest	14	—	(501)	—	—	501	—
Total transactions with owners		—	(501)	—	—	543	42
At 30 June 2011		20,456	6,161	16,300	(66,665)	16,477	(7,271)



Consolidated Balance Sheet

As at 30 June 2011

	Notes	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Non current assets				
Intangible assets — software		57	66	55
Property, plant and equipment		349	422	360
Deferred tax asset	9	470	510	368
		876	998	783
Current assets				
Trade and other receivables		21,560	18,887	20,801
Amounts owed by joint venture	18	1,145	1,461	1,424
Cash and cash equivalents	13	6,850	10,613	12,852
Other financial assets: cash collateral	16	1,144	447	1,361
		30,699	31,408	36,438
Current liabilities				
Trade and other payables		(25,153)	(25,371)	(29,590)
Share of net liabilities of joint venture	18	—	(98)	—
Financial liabilities: bank borrowings	12	(761)	(761)	(761)
Financial liabilities: guaranteed unsecured loan notes	12	—	(97)	(97)
Current tax liabilities		(432)	(277)	(432)
		(26,346)	(26,604)	(30,880)
Net current assets		4,353	4,804	5,558
Total assets less current liabilities		5,229	5,802	6,341
Non current liabilities				
Financial liabilities: bank borrowings	12	(3,661)	(4,422)	(4,541)
Financial liabilities: preference shares	14	(8,839)	(7,866)	(8,338)
		(12,500)	(12,288)	(12,879)
Net liabilities		(7,271)	(6,486)	(6,538)
Shareholders' equity				
Ordinary share capital		20,456	20,456	20,456
Preference share capital	14	6,161	7,134	6,662
Share premium		16,300	16,300	16,300
Reverse acquisition reserve		(66,665)	(66,665)	(66,665)
Retained earnings		16,477	16,289	16,709
Total shareholders' deficit		(7,271)	(6,486)	(6,538)

Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Notes	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Cash (used in)/generated from operations	15	(5,126)	(995)	2,705
Income taxes paid		—	—	—
Net cash (used in)/generated from operating activities		(5,126)	(995)	2,705
Cash flows used in investing activities				
Purchase of property, plant and equipment		(88)	(126)	(176)
Purchase of intangible assets — software		(22)	(13)	(42)
Amounts returned from/(advanced to) joint ventures		279	(1,461)	(1,745)
Net cash generated from/(used in) investing activities		169	(1,600)	(1,963)
Cash flows used in financing activities				
Interest received		17	49	82
Interest paid		(133)	(194)	(361)
Repayment of borrowings		(1,000)	(1,000)	(1,000)
Other bank charges		(49)	(74)	(124)
Cash collateral deposits returned/(made)		217	(98)	(1,012)
Net cash used in financing activities		(948)	(1,317)	(2,415)
Net decrease in cash and cash equivalents		(5,905)	(3,912)	(1,673)
Cash and cash equivalents at beginning of period		12,755	14,428	14,428
Cash and cash equivalents at end of period		6,850	10,516	12,755

For the purposes of the cash flow statement, cash and cash equivalents excludes restricted cash of £nil (30 June 2010: £97,000, 31 December 2010: £97,000).



Notes to the Interim Financial Information

1. GENERAL INFORMATION

Styles&Wood Group plc (“the Company”) is a public limited company incorporated and domiciled in the United Kingdom and listed on the London Stock Exchange. Styles&Wood Group plc and its subsidiaries (together “the Group”) provide retail property services within the UK. The Group has a joint venture in Dubai providing property services to the local market. The address of Styles&Wood Group plc’s registered office is Aspect House, Manchester Road, Altrincham, Cheshire, WA14 5PG.

This condensed consolidated financial information was approved for issue on 25 August 2011.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim results to 30 June 2011 and comparative results to 30 June 2010 are neither audited nor reviewed by the auditors. The financial information for the full preceding year is based on the statutory accounts for the year ended 31 December 2010 which have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph nor any statement under section 498 of the Companies Act 2006.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 “Interim financial reporting” as adopted by the European Union. The interim results should be read in conjunction with the annual report and financial statements for the year ended 31 December 2010 which are available from the Group’s website www.stylesandwood.co.uk.

The Group meets its day to day working capital requirements through its bank facilities. The Group’s current forecasts and projections, which take account of reasonably possible changes in trading conditions, show that the Group should be able to operate within the level of its current facilities, which were reorganised in August 2011, details of which can be found in note 12. Therefore the Group continues to adopt the going concern basis in preparing the consolidated interim financial information.

3. ACCOUNTING POLICIES

The accounting policies, methods of computation and presentation followed are consistent with those applied in the annual report and financial statements which are prepared in accordance with IFRS as adopted by the European Union, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to total expected annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the year beginning 1 January 2011:

- IAS 24 (revised) “Related Party Disclosures”. This has no current impact on the Group.
- Amendments to IAS 32 “Financial Instruments: Presentation on classification of rights issues”. This has no current impact on the Group.
- Amendment to IFRS 1 “First time adoption on financial instrument disclosures”. This has no current impact on the Group.
- Annual improvements 2010. This set of improvements amends six standards and one IFRIC, it has no impact on the Group other than related to disclosures.
- Amendment to IFRIC 14 “Prepayments of a minimum funding requirement”. This is not relevant to the Group.
- IFRIC 19 “Extinguishing financial liabilities with equity instruments”. This is not expected to be relevant to the Group unless the preference shares (note 14) are converted to equity. The first date for conversion is 31 December 2013.

Notes to the Interim Financial Information

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4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5. FINANCIAL RISK MANAGEMENT

The Group's operations and financial instruments expose it to a variety of financial risks. This interim financial information does not contain all financial risk management information and should be read in conjunction with the annual report and financial statements.

On 24 August 2011 the Group reorganised its banking facilities to improve the efficiency of its banking arrangements and profitability. The term loan of £4.9m was paid down in full and the available revolving credit facility extended to £5.6m. There was no impact on the net cash position of the Group.

There have been no other changes in the financial risk management policies or risks since the annual report for the year ended 31 December 2010 was published.

6. REVENUE AND PROFIT FROM BUSINESS SEGMENTS

6 months ended 30 June 2011

Unaudited	Construct £'000	Design £'000	Care £'000	iSite £'000	Unallocated £'000	Group £'000
Revenue	30,807	1,228	7,469	786	—	40,290
Underlying segment result	1,156	216	412	183	(1,850)	117
Non-recurring items (note 7)	—	—	—	—	(220)	(220)
Segment result	1,156	216	412	183	(2,070)	(103)
Finance costs						(796)
Finance income						20
Share of results of joint venture						—
Loss before taxation						(879)
Taxation						102
Loss for the period from continuing operations						(777)



6. REVENUE AND PROFIT FROM BUSINESS SEGMENTS

6 months ended 30 June 2010

Unaudited	Construct £'000	Design £'000	Care £'000	iSite £'000	Unallocated £'000	Group £'000
Revenue	32,636	1,287	5,646	582	—	40,151
Segment result	1,137	58	377	105	(1,811)	(134)
Finance costs						(806)
Finance income						32
Share of results of joint venture						(26)
Loss before taxation						(934)
Taxation						139
Loss for the period from continuing operations						(795)

Year ended 31 December 2010

Audited	Construct £'000	Design £'000	Care £'000	iSite £'000	Unallocated £'000	Group £'000
Revenue	80,310	2,629	14,937	1,242	—	99,118
Underlying segment result	3,562	200	1,194	271	(3,829)	1,398
Non-recurring items (note 7)	—	—	—	—	(295)	(295)
Segment result	3,562	200	1,194	271	(4,124)	1,103
Finance costs						(1,618)
Finance income						61
Share of results of joint venture						(249)
Loss before tax						(703)
Taxation						(158)
Loss for the period from continuing operations						(861)

Operating segments are reported in a manner consistent with the internal reporting to the Board of Directors (the chief operating decision maker) which is used to assess performance and make strategic decisions.

Unallocated segment result reflects expenses relating to the Company rather than the ongoing trade of the Group and includes administrative overheads, share option expenses, fees for professional advisers and senior management and directors' remuneration.

Notes to the Interim Financial Information

CONTINUED

7. NON-RECURRING ITEMS AND PREFERENCE SHARE ACCOUNTING

The Group's results include the following items:

	Note	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Charged to administrative items:				
Restructuring, redundancy and related costs	(a)	(220)	—	(295)
Total charged to operating (loss)/profit		—	—	(295)
Charges to finance expense:				
Notional interest on preference shares	14	(501)	(446)	(918)
Total charged to finance expense		(501)	(446)	(918)
Total non-recurring items before tax		(721)	(446)	(1,213)
Tax on non-recurring items	(b)	58	—	83
Total non-recurring items after tax		(663)	(446)	(1,130)

(a) Costs in 2011 relate to the restructuring of the business to flatten the management structure and re-organisation of the Group's Service & Development team to integrate business development into the operational team. In 2010 the costs related to the departure of the then chief executive officer and to the appointment of his replacement and included severance payment, legal expenses and consultants fees.

(b) Tax on non-recurring items reflects the non-deductibility of the notional preference share interest (note 14).

8. FINANCE COSTS

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Interest expense:			
Interest on bank borrowings	133	190	360
Fees on bank facilities	42	49	100
Interest payable on other borrowings	—	1	1
Amortisation of debt issue costs	120	120	239
Notional interest on preference shares (note 14)	501	446	918
Total interest payable and similar charges	796	806	1,618
Interest income:			
Interest receivable	(20)	(32)	(61)
Total interest receivable	(20)	(32)	(61)



9. TAXATION

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate for the full financial year.

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Taxation comprises:			
Current tax	—	—	155
Deferred tax	(102)	(139)	3
	(102)	(139)	158

Deferred tax is calculated based on the current statutory rate of 26.5%. Further proposed changes to reduce the corporation tax rate by 1% per annum to 23% by 1 April 2014 have not been reflected as they have not yet been enacted, but are not expected to have a material impact on the deferred tax asset.

10. EARNINGS PER SHARE

Details of the earnings and the number of shares used in the calculation are set out below:

Six months ended 30 June 2011	Underlying	Non-recurring items and preference share accounting	Total
Loss attributable to equity holders of the Group (£'000)	(114)	(663)	(777)
Weighted average number of shares in issue	61,823,831	61,823,831	61,823,831
Basic and diluted earnings/(loss) per share (pence per share)	(0.2)p	(1.1)p	(1.3)p
Six months ended 30 June 2010	Underlying	Non-recurring items and preference share accounting	Total
Loss attributable to equity holders of the Group (£'000)	(349)	(446)	(795)
Weighted average number of shares in issue	61,823,831	61,823,831	61,823,831
Basic and diluted loss per share (pence per share)	(0.6)p	(0.7)p	(1.3)p

Notes to the Interim Financial Information

CONTINUED

10. EARNINGS PER SHARE (CONTINUED)

Year ended 31 December 2010	Underlying	Non-recurring items and preference share accounting	Total
Profit/(loss) attributable to equity holders of the Group (£'000)	269	(1,130)	(861)
Weighted average number of shares in issue	61,823,831	61,823,831	61,823,831
Basic and diluted (loss)/earnings per share (pence per share)	0.4p	(1.8)p	(1.4)p

The Company has in issue 15,000,000 convertible preference shares which are convertible into 16,000,000 ordinary shares. These shares are not currently dilutive. Share options in issue within the Group are not considered to be dilutive.

11. DIVIDEND

The Board does not consider it appropriate to pay an interim dividend (2010: nil).

12. FINANCIAL LIABILITIES: BANK BORROWINGS

	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Current	1,000	1,000	1,000
Less: unamortised issue costs	(239)	(239)	(239)
	761	761	761
Non current	3,900	4,900	4,900
Less: unamortised issue costs	(239)	(478)	(359)
	3,661	4,422	4,541
Total bank borrowings	4,422	5,183	5,302

At 30 June 2011 the Group's borrowing facilities comprised a £4.9m term loan and a £4.0m revolving credit facility (30 June 2010 and 31 December 2010: £5.9m term loan and £4.0m revolving credit facility). The term loan was fully drawn down at 30 June 2010 and was repayable in annual instalments ending in 2013. The revolving credit facility had not been drawn down since it was put in place on 29 June 2009.

On [] July 2011 the Group reorganised its banking facilities and repaid the £4.9m term loan in full. At the same time the available revolving credit facility was extended to £5.6m. There was no impact on the Group's net cash position.



12. FINANCIAL LIABILITIES: BANK BORROWINGS (CONTINUED)

The movement in bank borrowings can be analysed as follows:

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Opening amount at 1 January	5,302	6,063	6,063
Amortisation of debt issue costs (note 8)	120	120	239
Repayment of bank loans	(1,000)	(1,000)	(1,000)
Closing amount at 30 June/31 December	4,422	5,183	5,302

Other borrowings comprise bank guaranteed unsecured loan notes. The loan notes, which were redeemed in full in the period, were redeemed out of the restricted cash balance.

13. NET CASH

Net cash excludes preference share capital of £8.8m (30 June 2010: £7.9m, 31 December 2010 £8.3m) included within non-current liabilities due to the nature of the conversion rights attached to those shares.

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Net cash comprises:			
Term loan	(4,900)	(5,900)	(5,900)
Loan notes	—	(97)	(97)
Add:			
Unamortised issue costs	478	717	598
Cash at bank and in hand	6,850	10,516	12,755
Restricted cash	—	97	97
Net cash	2,428	5,333	7,453

Notes to the Interim Financial Information

CONTINUED

14. PREFERENCE SHARE CAPITAL

	Unaudited 30 June 2011 £	Unaudited 30 June 2010 £	Audited 31 December 2010 £
Preference share capital			
15,000,000 convertible preference shares of £1 each	15,000,000	15,000,000	15,000,000
Less: amounts classified as liabilities	(8,839,000)	(7,866,000)	(8,338,000)
Total issued and fully paid share capital	6,161,000	7,134,000	6,662,000

The 15,000,000 convertible, redeemable preference shares are held by the Group's bankers, Royal Bank of Scotland plc. The conversion rights allow the holder to convert the 15,000,000 preference shares into 16,000,000 ordinary shares at a price of 93.75p per share, in increasing tranches from 31 December 2013 to 31 December 2019. The shares carry a cash coupon of 3% from 1 September 2012 and, unless converted by the holder, are redeemable in increasing tranches from 31 December 2013.

Due to the conversion rights attached to the preference shares International Accounting Standards require them to be accounted for by separating the liability and equity components based on their respective fair value on issue. Subsequent to issue the liability component is measured at amortised cost and a notional interest charge, which is greater than the cash coupon payable on the shares, is made to the income statement. The difference between the imputed notional interest charge and the actual cash coupon is then credited to the profit and loss reserve, reducing the equity component.

As no cash coupon is payable in respect of the six months ended 30 June 2011 (year ended 31 December 2010: nil) the full £501,000 of notional interest has been credited back to reserves (six months ended 30 June 2010: full £446,000, year ended 31 December 2010: full £918,000).

15. NOTES TO THE CASH FLOW STATEMENT

	Unaudited 6 months ended 30 June 2011 £'000	Audited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Loss for the period	(777)	(795)	(861)
Adjustments for:			
Finance costs	796	806	1,618
Taxation	(102)	(139)	158
Finance income	(20)	(32)	(61)
Depreciation and amortisation	119	171	322
Share option scheme	42	81	95
Share of loss of joint venture	—	26	249
Operating cash flows before movement in working capital	58	118	1,520
Changes in working capital:			
(Increase)/decrease in trade and other receivables	(759)	586	(1,309)
(Decrease)/increase in trade and other payables	(4,425)	(1,699)	2,494
Cash (used in)/generated from operations	(5,126)	(995)	2,705



16. CONTINGENCIES

The Group takes out performance bonds in the ordinary course of business.

The aggregate amount of such bonds outstanding at 30 June 2011 was £1,144,000 (30 June 2010: £447,000, 31 December 2010: £1,361,000). The aggregate amount of bonds outstanding at 30 June 2011 on projects where practical completion has been achieved was £1,144,000 (30 June 2010: £nil, 31 December 2010: £1,142,000).

The Surety providing the performance bonds is holding an equal amount of cash collateral which will be released as the bonds expire.

At 30 June 2011 Styles&Wood Limited had provided counter guarantees in respect of bonds taken out by its joint venture Dutco Styles&Wood LLC, to a value of £nil (30 June 2010: £47,000, 31 December 2010 £nil).

It is not anticipated that any material liabilities will arise from the contingencies. The Group has no capital commitments.

17. RELATED PARTY TRANSACTIONS

The directors are considered to be the key management personnel of the Group. Their aggregate remuneration for the period was as follows:

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Salaries, fees and short term benefits	276	293	588
Pension contributions	34	38	75
Payments in lieu of notice	—	—	195
	310	331	858

In the six months ended 30 June 2011 the Group paid fees of £18,750 to Rickitt Mitchell & Partners Limited, corporate finance advisers to the Group, in respect of Paul Mitchell's services as a non-executive director (six months ended 30 June 2010: £18,750, year ended 31 December 2010: £37,500).

The following transactions have taken place between the Group and entities over which Paul Bell, who has a 35% shareholding in the Company and who is a director of the Group's trading subsidiary Styles & Wood Limited, has significant influence and are therefore considered to be related parties. All transactions were undertaken in the ordinary course of business.

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Sales made to related parties during the period	210	—	—
Purchases from related parties during the period	49	—	16
Balances owed by related parties at the balance sheet date	220	—	—

Notes to the Interim Financial Information

CONTINUED

18. JOINT VENTURES

The Group has a 49% investment in Dutco Styles&Wood LLC, a company registered in Dubai. The investment is held by Styles&Wood Limited and the terms of the joint venture agreement entitle Styles&Wood Ltd to jointly control the entity and to a 50% share of the profits of the joint venture.

	Unaudited 6 months ended 30 June 2011 £'000	Unaudited 6 months ended 30 June 2010 £'000	Audited Year ended 31 December 2010 £'000
Net book amount			
At 1 January	1,424	(72)	(72)
Investment in the period	—	—	—
Share of losses in the period	—	(26)	(249)
Working capital loan (repaid)/advanced	(279)		1,745
At 30 June/31 December	1,145	(98)	1,424



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