Baqus Group Plc News Announcement

Baqus Group PLC - Interim Results

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Baqus Group PLC
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BAQUS GROUP PLC
('Baqus' or 'the Group')
(the building consultancy and quantity surveying group)

Interim results for the 6 months ended 31 December 2007

	Pro-forma 6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2006 Unaudited £'000	Chan
Revenue	3,681	3,169	
Operating profit	504	72	6
Profit before tax and exceptional items	472	45	9
Profit before tax	440	45	8
Basic earnings per share (pence)	0.22p	0.03p	7.
Maiden dividend (pence)	0.05	NIL	

* Three acquisitions performing well

  o Budget hotels and education sectors experiencing strong trading

  o Leisure, health and social housing sectors proving a healthy sourc commissions

* Advanced negotiations with two firms

* Cash balances £1.8 million

* Order book strong at around £10.1 million, representing 17 months of sales

* Confident of another good performance in the second half

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Background Note:

Baqus was admitted to trading on AIM on the 14 December 2007, having raised £1.75 million through a placing of 17,500,000 Ordinary Shares.

The Group has been established to create a national building consultancy and quantity surveying group offering construction cost consultancy, project management and building surveying services. The three founding firms work acros a number of business sectors including: residential, health, education, commercial, leisure, hospitality, affordable housing and conservation. Clients include commercial companies, developers, local authorities, central government NHS and Housing Associations. The group is seeking to expand into other sectors including infrastructure, civil engineering and transportation.

Baqus currently comprises three established building and quantity surveying consultancies: Boxall Sayer, Denley King and Fletcher McNeill. The combined Group covers a broad geographical area with offices located in Canterbury, Chichester, Lichfield, Liverpool, London, Manchester, Oxford, Poole, St Albans and Winchester.

The Quantity Surveying Market, which is highly fragmented, is estimated to be worth £1.3 billion and is dominated by a small number of major players. Baqus' Directors believe the market is ripe for consolidation and intend to pursue a strategy of acquiring small to medium sized Quantity Surveying practices across the country. Once acquired, the practices will be developed to produce strong organic growth, whilst capitalising on opportunities for synergies with the res of the Group.

BAQUS GROUP PLC

Interim results for the 6 months ended 31 December 2007

CHAIRMAN'S STATEMENT

I am pleased to present my first interim report since our successful flotation on the AIM market in December last year and I would like to welcome our new shareholders and to thank them for their support.

Results

As the Group had only been trading for 17 days on 31 December 2007, we have presented pro forma figures which we believe will make it easier for our shareholders to understand the progress that has been made in the first six months of the current year.

The pro forma profit before taxation and exceptional items for the six months ended 31 December 2007 increased by 949% to £472,000 (2006: £45,000) on revenue that rose by 16% to £3.68 million (2006: £3.17 million). Basic earnings per share were up 733% to 0.22 pence (2006: 0.03 pence). The above pro forma figure for the 6 months ended 31 December 2006 and 2007, include the ongoing plc costs of £95,000, £64,000 loan interest, an interest credit of £29,000 on the flotation monies and a tax credit of £39,000 as if the Group's current structur had been in place throughout these periods.

The cash balances were strong at £1.8 million. Some cash will be used for acquisitions but the dilution of cash will to some extent be offset by cash generated from trading activities.

Dividends

To accord with International Financial Reporting Standards, we are prevented from paying out dividends in respect of profits earned prior to the date of flotation, which was 14 December 2007.

The Company policy is to pay up to 40% of post tax profits but, due to the very short period over which the profits are calculated, the Board considers an enhanced level of profit distribution is appropriate at this stage. The Board i therefore recommending a dividend of £59,478, being 0.05p per share, which will be paid on 9 May 2008 to those shareholders on the register at the close of business on 11 April 2008. The shares will be quoted ex-dividend on 9 April 2008.

The dividend reflects the progress that has been made since the flotation and our confidence in the underlying performance of the Group.

Operating Review

The three companies which comprise Baqus, namely Boxall Sayer, Fletcher McNeil and Denley King are trading well. The budget hotels and education sectors in particular are experiencing strong trading and we have recently announced appointments for the provision of our services on three further education projects which will attract fees of £1.5 million. The leisure, health and socia housing sectors, which also form part of the Baqus workload, continue to provid a healthy source of commissions.

The three firms which make up Baqus are working hard on the process of integration to produce cost savings. We are already seeing a reduction in costs from the merger of offices and anticipate further savings from reduced overheads. The effective management of the combined fee earning staff of the three companies is starting to take place and should result in greater efficiency and increased output.

Acquisitions

We have been active in searching for companies to acquire and are currently in advanced negotiations with two firms. The market, due to the current credit squeeze, should provide us with opportunities for acquiring companies at attractive prices. The Board however is anxious to ensure that all acquisitions represent good value for money.

Our people

Inevitably, the flotation put an enormous amount of pressure on the people who work within the Group and I would like to take this opportunity to thank them for their contribution to these results and their continuing hard work.

Current Trading and Outlook

Our trading since 30 June 2007, which was the date of the last results reported in our Admission Document, has been in line with expectations.

Our future order book is very strong at approximately £10.1 million in fees, which represents around 17 months of sales, and I am confident that we can look forward to another good performance in the second half of the year.

Roger Knowles
Chairman
31 March 2008

Condensed consolidated interim income statement
for the 6 months ended 31 December 2007

	Note	6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2006 Unaudited £'000
REVENUE	1	341	3,681	3,169
Cost of sales		(207)	(2,206)	(2,254)
GROSS PROFIT		134	1,475	915
Operating expenses		(79)	(971)	(843)
OPERATING PROFIT		55	504	72
Investment income	2	3	45	40
Finance costs	2	(6)	(77)	(67)
PROFIT BEFORE EXCEPTIONAL ITEMS		52	472	45
Exceptional items	3	-	(32)	-
Taxation	4	(12)	(198)	(14)
PROFIT AFTER TAXATION		40	242	31
Dividend		0.05p	0.05p	-
Basic earnings per share (pence)	6	0.38p	0.22p	0.03p

A comparative income statement for the period from incorporation on 29 November 2006 to 30 June 2007 has not been included as Baqus did not trade during this period.

Condensed consolidated interim balance sheet
as at 31 December 2007

	Note	As at 31 December 2007 Unaudited £'000	As at 30 June 2007 Audited £
NON-CURRENT ASSETS			
Intangible assets	7	8,236	-
Property,plant and equipment		246	-
		8,482	
CURRENT ASSETS			
Trade and other receivables		2,986	2

	Note		
Cash and cash equivalents		1,816	-
		4,802	2
CURRENT LIABILITIES			
Borrowings		(17)	-
Taxation		(837)	-
Trade and other payables		(495)	-
Loan notes	8	(600)	-
		(1,949)	-
NET CURRENT ASSETS		2,853	2
TOTAL ASSETS LESS CURRENT LIABILITIES		11,335	-
NON CURRENT LIABILITIES			
Loan notes	8	(951)	-
NET ASSETS		10,384	2
EQUITY			
Share capital		5,625	2
Share premium account		4,719	-
Retained earnings		40	-
TOTAL EQUITY		10,384	2

Consolidated condensed interim cash flow statement

for the 6 months ended 31 December 2007

	6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2006 Unaudited £'000
Operating profit	55	504	72
Depreciation charges	2	43	77
Increase in trade and other receivables	(48)	(285)	(114)
(Decrease)/increase in trade and other payables	(207)	(37)	187
Cash (absorbed)/generated from operations	(198)	225	222
Exceptional costs	-	(32)	
Interest received	2	16	11
Interest paid	(6)	(13)	(3)
Tax paid	-	(166)	(244)
Net cash (outflow)/inflow from			

operating activities	(202)	30	(14)
Investing activities			
Purchase of property, plant and equipment	-	(28)	(61)
Acquisition of subsidiaries net of cash and cash equivalents acquired	(756)	-	-
Net cash outflow from investing activities	(756)	(28)	(61)
Financing activities			
Dividends paid	-	(35)	(150)
Receipts from issue of ordinary share capital	1,750	1,750	-
Less Issue costs	(526)	(526)	-
Receipts from issue of loan notes	1,551	-	-
Net cash inflow/(outflow) from financing activities	2,775	1,189	(150)
Increase in cash and cash equivalents during the period	1,816	1,191	(225)
Denley King Partnership overdraft retained by partners	-	84	-
Cash and cash equivalents at beginning of period	-	541	631
Cash and cash equivalents at end of period	1,816	1,816	406

Condensed consolidated interim statement of changes in equity
for the 6 months ended 31 December 2007

	Share capital £'000 Unaudited	Share premium £'000 Unaudited	Retained earnings £'000 Unaudited	Total £'000 Unaudited	6 months to 30 June 2007 £ Audited	6 m De
Changes in equity						
As at 1 July 2007	-	-	-	-	2	
Dividends	-	-	-	-	-	
At 14 December 2007	-	-	-	-	-	
Issued for cash	875	875		1,750	-	

Non cash consideration:					
To acquire subsidiaries	4582	4582		9,164	-
To promoters	168	168		336	
Issue costs		(906)		(906)	-
Profit for the period	-	-	40	40	-
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At 31 December 2007	5,625	4,719	40	10,384	2

Notes to the unaudited Interim Report
for the 6 months ended 31 December 2007

1. Accounting Policies

Basis of Preparation

The Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34. The Financial statements have also been prepared in accordance with IFRS adopted for use in the European Unio and therefore comply with Article 4 of the EU IAS Regulation. These interim statements have been prepared using IFRS that are expected to be applicable to the Group at 30 June 2008.

The next annual financial statements of the group to 30 June 2008 will be prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union.

The financial statements have been prepared on the historical cost basis.

The principal accounting policies that will be adopted in the financial statements for the period ended 30 June 2008 are set out below.

As the Group was only formed on 14 December 2007, pro forma comparative information has been prepared. These comparatives are unaudited.

Pro-forma financial information

The interim financial statements for the six month period ended 31 December 200 includes an effective trading period of only 17 days. Whilst the Group only cam into existence on 14 December 2007, the three subsidiaries had traded throughou 2006 and 2007.

As a result of the aforementioned factors, comparison of the interim results does not reflect the underlying organic growth of the Group. Comparable unaudited proforma income statements, balance sheets and cash flow statements have therefore been prepared. Proforma figures for both the current period ende 31 December 2007 and the comparative period include all current trading units for the full six months ended 31 December. This gives a representative picture of the underlying trading performance of the Group.

Basis of Consolidation

The Group's financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating polices of an investee entity so as to obtain benefits from its activities. The acquisitions of subsidiaries are accounted using the purchase method.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition.

Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are include in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue

Revenue represents the invoiced value of services provided net of value added tax. It comprises the amounts billed to clients in respect of the provision of quantity surveying services together with the movement in revenue recognised bu not invoiced.

Revenue Recognition

Revenue is recognised as contract activity progresses to reflect the Group's performance of its contractual obligations. The right to consideration, by reference to the value of the work performed, is included in the accounts as accrued income under receivables. Where the amount which the client will accept or be able to pay is uncertain, provision has been made to reduce the accrued income to its net realisable value. Where the substance of a contract is that a right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until that event occurs.

Retirement benefit costs

Retirement benefits to employees are provided by defined contribution schemes that are funded by the Group and employees. Payments are made to pension trusts that are financially separate from the Group.

Goodwill

Goodwill arising from the purchase of subsidiary undertakings, represents the excess of the cost of acquisition over the Group's interest in the fair value o the identifiable asset, liabilities and contingent liabilities of the subsidiar acquired, and is capitalised as an intangible asset in accordance with the requirements of IFRS 3.

Goodwill is measured at cost less any accumulated impairment losses and will be reviewed annually for any impairment losses. Any impairment losses are recognised through the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful economic life, as follows:

Motor vehicles	25%-33.33% per annum
Fixtures, fittings and equipment	10-20% per annum
Computer	33-50% per annum

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balanc sheet when the Group becomes a party to the contractual provisions of the instrument. Issue costs are offset against the proceeds of such instruments.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks.

Trade payables

Trade payables are initially measured at fair value and subsequently at amortised cost.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. After initial recognition borrowings are measured at amortised cost. Borrowing costs are recognised in profit and loss i the period in which they are incurred.

Equity

Equity instruments issued by the Group are recorded at the proceeds received ne of direct costs.

Leasing

Rentals paid under operating leases are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all temporary differences which have originated but not reversed at the balance sheet date. Temporary differences ar differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessment in periods different from those in which they are recognised in the financial statements.

Financial Liability and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group afte deducting all of its liabilities. The Group has only one class of share in existence.

Finance costs

Finance costs are recognised in the income statement in the year in which they are incurred.

Accounting estimates and judgements

The Group makes estimates and judgements concerning the future and the resultin estimates may, by definition, vary from the actual results. The Directors considered the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgement are:

* Revenue recognition policies in respect of contracts which straddle the year end;

* Valuation of intangible assets.

These estimates are based on historical experience and various other assumption that management and the Board of Directors believe are reasonable under the circumstances and are discussed, to the extent necessary, in more detail in their respective notes.

2. Investment income and Finance costs

	6 months to 31 December 2007 Unaudited £'000	6 months to 31 December 2007 Pro-forma Unaudited £'000	6 months 31 Decemb 20 Pro-for Unaudit £'0
Investment income:			
Interest receivable	3	45	
Finance costs:			
On loan notes	(6)	(64)	(
On bank borrowings	-	(13)	
	(6)	(77)	(

3. Exceptional Items

	Pro for 6 months 31 Decemb 20 Unaudit £'0
Costs re transfer of goodwill and other assets from Denley King Partnership to Denley King Construction Consultants Limited	
Costs associated with the Denley King Partnership defined benefit pension scheme which was not acquired by the Group.	
Total	

4.Taxation

The taxation charge for the period ended 31 December 2007 represents the directors' estimate of the corporation tax liabilities based on the results for the period.

5.Dividends

	6 months to 31 December 2007 Unaudited £'000	6 months Pro-forma to 31 December 2007 Unaudited £'000	6 mont Pro-forma 31 Decemb 20 Unaudit £'0
Amounts recognised as distributions to equity holders in the period (approved):	-	35	1
	-	35	1

6.Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data, determined in accordance with the provisions of IAS33: 'Earning per Share'.

	6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2007 Unaudited £'000	Pro-forma 6 months to 31 December 2006 Unaudited £'000
Earnings			
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	40	281	31
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	10,394,023	112,500,000	112,500,000

Basic earnings per share includes shares to be issued subject only to time as i they had been issued at the beginning of the period.

7.Goodwill

	£'000
At 1 July 2007	-
Recognised on acquisition of subsidiaries	8,236
At 31 December 2007	8,236

Goodwill comprises the following components:

	31 December 2007 Unaudited £'000	30 June 2007 Audited £'000	31 December 2006 Unaudited £'000
Boxall Sayer	3,263	-	-
Fletcher McNeill	3,107	-	-
Denley King	1,866	-	-
	8,236	-	-

8 Loan notes

	Total £'000
Loan notes at 1 July 2007	-
Loan notes issued on 14 December 2007	1,551
Loan notes at 31 December 2007	1,551

	Total £'000
Less than one year	600
Between one and two years	600
Between two and three years	351
	1,551

The notes bear interest at the rate of 2.5% above the base rate of the National Westminster Bank PLC.

Analysed by company the liabilities are:

	Boxall Sayer £'000	Fletcher McNeill £'000	Denley King £'000	Total £'000
Less than one year	326	267	7	600
Between one and two years	326	267	7	600
Between two and three years	190	157	4	351
	842	691	18	1,551

The loan notes were issued on 14 December 2007 following the acquisition by the Group of the three subsidiaries below for cash. The vendors loaned the cash received back to the Group.

9. Acquisitions

9.1 Acquisition of Boxall Sayer Limited

On 14 December 2007, the date of the Group's flotation on AIM, the Group acquired the whole of the issued shared capital of Boxall Sayer Limited. The fair value of the consideration given for the acquisition was £4,479,984. This was satisfied by the issue of 36,379,888 shares in Baqus Group Plc amounting to £3,637,989. In addition, Baqus paid cash for the shares of £841,995 which was loaned back by the vendor shareholders in exchange for an interest-bearing loan note for this value.

The fair value of the net assets acquired was £1,216,456, resulting in goodwill of £3,263,528 which has been capitalised as an intangible asset.

Since acquisition, Boxall Sayer has recorded a profit before tax of £26,788.

	Book Value	Fair Value adjustments	Fair valu
	£'000	£'000	£'000
Net assets acquired			
Property, plant and equipment	104	-	104
Trade and other receivables	1,409	-	1,409
Cash and cash equivalents	264	-	264
Trade and other payables	(561)	-	(561)
			1,216
Goodwill			3,264
Total consideration			4,480
Satisfied by:			
Shares issued			3,638
Cash			842
			4,480

It is not possible to separate out the acquisition costs from the flotation costs.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies fro the combination.

Management carried out a review to assess whether any intangible assets relatin to brand names, customer relationships and contractual arrangements were acquired as part of the transaction. Management concluded that no value could b ascribed to these intangible assets on the basis that other intangibles and goodwill cannot be separately valued, due to the nature of the intangible asset in question.

9.2 Acquisition of Fletcher McNeill and Partners Limited

On 14 December 2007, the date of the Group's flotation on AIM, the Group acquired the whole of the issued shared capital of Fletcher McNeill and Partner Limited. The fair value of the consideration given for the acquisition was £3,947,192. This was satisfied by the issue of 32,558,626 shares in Baqus Group Plc amounting to £3,255,863. In addition, Baqus paid cash for the shares of £691,329 which was loaned back by the vendor shareholders in exchange for an interest-bearing loan note for this value.

The fair value of the net assets acquired was £840,227, resulting in goodwill o
£3,106,965 which has been capitalised as an intangible asset.

Since acquisition, Fletcher McNeill has recorded a profit before taxation of £23,693.

	Book Value	Fair Value adjustments	Fair valu
	£'000	£'000	£'000
Net assets acquired			
Property,plant and equipment	118	-	118
Trade and other receivables	836	-	836
Cash and cash equivalents	517	-	517
Trade and other payables	(631)	-	(631)
			840
Goodwill			3,107
Total consideration			3,947
Satisfied by:			
Shares issued			3,256
Cash			691
			3,947

It is not possible to separate out the acquisition costs from the flotation costs.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies fro
the combination.

Management carried out a review to assess whether any intangible assets relati
to brand names, customer relationships and contractual arrangements were acquired as part of the transaction. Management concluded that no value could b
ascribed to these intangible assets on the basis that other intangibles and goodwill cannot be separately valued, due to the nature of the intangible asset
in question.

9.3 Acquisition of Denley King Construction Consultants Limited

On 14 December 2007, the date of the Group's flotation on AIM, the Group acquired the whole of the issued shared capital of Denley King Construction Consultants Limited. The fair value of the consideration given for the acquisition was £2,287,744. This was satisfied by the issue of 22,698,486 share
in Baqus Group Plc amounting to £2,268,848 In addition, Baqus paid cash for the shares of £17,896 which was loaned back by the vendor shareholders in exchange for an interest-bearing loan note for this value.

The fair value of the net assets acquired was £422,599, resulting in goodwill o
£1,865,145 which has been capitalised as an intangible asset.

Since acquisition, Denley King has recorded a profit before tax of £9545.

	Book Value	Fair Value adjustments	Fair valu
	£'000	£'000	£'000
Net assets acquired			
Property,plant and equipment	24	-	24
Trade and other receivables	682	-	682
Cash and cash equivalents	14		14
Trade and other payables	(298)	-	(298)
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			422
Goodwill			1,865

Total consideration			2,287

Satisfied by:			
Shares issued			2,269
Cash			18

			2,287

It is not possible to separate out the acquisition costs from the flotation costs.

The goodwill arising on the acquisition is attributable to the anticipated profitability of the Company and the anticipated future operating synergies fro the combination.

Management carried out a review to assess whether any intangible assets relatin to brand names, customer relationships and contractual arrangements were acquired as part of the transaction. Management concluded that no value could b ascribed to these intangible assets on the basis that other intangibles and goodwill cannot be separately valued, due to the nature of the intangible asset in question.

10.Availability of the Interim Report

Copies of the Interim Report are available from the Company's registered office at

Tower House, 45 Commercial Road, Poole, BH14 0JA and on the Group's website, www.baqusgroup.co.uk

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