Registered number 2155571

Aukett Swanke Group Plc

Annual report

For the year ended 30 September 2016

Contents

Aukett Swanke Group Plc

Five year summary

Years ending 30 September Continuing operations	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	20,841	18,668	17,326	8,406	9,150
Revenue less sub consultant costs	18,410	16,886	14,732	7,116	6,744
Profit / (loss) before tax	927	1,870	1,400	550	210
Basic earnings / (losses) per share (p)	0.47	1.00	0.65	0.26	0.08
Dividends per share (p)	0.18	0.22	0.18	-	-
Net assets	7,189	6,251	5,053	3,029	2,652
Cash and cash equivalents	1,839	1,873	1,891	1,343	739
Net funds*	790	1,873	1,778	1,080	326

*Net funds include cash and cash equivalents less bank loans and overdrafts (see note 22)

Corporate information

Company secretary

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Registered number

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Share registrars

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Auditors

BDO LLP
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Ben Alexander 07926 054 111

Solicitors

Fox Williams
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Chairman's statement and Corporate Governance

I am responsible for overseeing the effectiveness and composition of your Board and report on the overall performance of the Company.

Financial highlights

Encouragingly this year revenues have continued to climb and now stand at £20.8m (2015: £18.7m) achieving our stated strategy. This improvement reflects new earnings flowing through from the recent acquisitions in the Middle East offsetting a slowdown in the United Kingdom and Russian operations. This growth in our revenue has enabled us to enlarge our business footprint.

The year turned out to be more difficult in achieving our profit target. Profit before tax at £0.93m (2015: £1.87m) was the result of a number of matters that are more specifically described in the Strategic Report on page 4. After tax, our EPS was 0.47p (2015: 1.00p) and our cash funds were equivalent to the prior year at £1.84m (2015: £1.87m).

During the year the Company recorded two dividends totalling 0.18 pence per share. We declared a slightly lower interim dividend at 0.07 pence per share as a reflection of market conditions.

Corporate Governance

In addition to being non executive Chairman of the Company, I chair the Nomination, Audit and Risk Committees. The Nomination Committee is responsible for reviewing the effectiveness and composition of your Board. The Audit Committee is responsible for ensuring that the Company operates with appropriate corporate governance and financial controls; and the Risk Committee which is a sub committee of the Audit Committee, is charged with identifying and assessing strategic and other Company risks and in so doing to provide ways of mitigating, avoiding or eliminating such risks. All Committees report to the Board.

Your Board comprises six members. Nicholas Thompson is the CEO and the CFO is Beverley Wright. Both have considerable experience in managing a services and construction orientated business. John Bullough, my fellow non executive Director together with myself, provide an independent oversight drawn from both professional and support services industries along with client side and development activities. Andrew Murdoch and Nick Pell represent the skills of architecture and interior design. At this stage in our development we are able to use our collective skills to oversee the Group's activities.

However, our business activities are becoming broader and more diverse and in the longer term your Board will consider whether changes are required to better reflect the enhanced activities that we undertake. As part of this process the Board Committees, covering remuneration and nominations, are meeting on a more regular basis with a full agenda of matters to be reviewed and debated under our current strategy. John Bullough and I will expand on these areas in future reports.

As always I wish to acknowledge the contribution of the staff in our business as well as my colleagues on the Board who continually respond positively to the challenges and opportunities that our organisation presents. To them, I offer my personal thanks for their individual contributions.

Anthony Simmonds
Chairman
11 January 2017

Strategic report

The Directors present their Strategic Report on the Group for the year ended 30 September 2016.

Strategy

We are a professional services group that principally provides architectural design services along with specialisms in master planning, interior design, executive architecture and associated engineering services. Our business operations are focused in the United Kingdom ("UK"), Germany and the Middle East along with smaller operations in Russia, Turkey and the Czech Republic.

Our strategic objective is to provide a range of high quality design orientated solutions to our clients that allow us to create shareholder value over the longer term and at the same time create a pleasant and rewarding working environment for our staff. The cyclical nature of the markets in which we operate gives rise to peaks and troughs in our financial performance, and management is cognisant that our business model needs to reflect this variable factor in both its decision making and expectation of future performance.

In order to create a more resilient operating trading platform we embarked on an acquisition strategy to strengthen our UK and Middle East operations in 2013. The objective being to mitigate as far as possible reliance on any one geographical market and at the same time to balance the economic and political risks that property development activity faces in cyclical markets. A further beneficial aspect of this strategy has been to spread our currency exposure which has been particularly beneficial in the post Brexit period where our primary currency, the pound Sterling, was heavily devalued.

Our recent acquisitions have enabled us to establish three similarly sized operations when measured by staff numbers. They are: the United Kingdom with 135 staff (including licensees); the Middle East with 115 staff; and, our wider Continental European operation, which includes Germany, Russia, Turkey and the Czech Republic, encompassing a variety of business structures, totalling 175 staff. This structure now creates an organisation with some 425 staff.

The enlarged qualified staff contingent has lifted the Group to 48th in the 2017 Building Design World Architecture 100 rankings. We were 51st in 2016.

With this more robust services platform now in place our aim is to reinforce our position in the three regional operations through local investment into our skills and service offer to the extent that each of the local markets allow. The immediate objectives are to provide a high quality design service and, at the same time, create a sustainable business model.

Beyond this we will continue to grow organically or by specific acquisition if deemed appropriate, although our longer term growth strategy will be to focus more on diversifying our services offer to areas with a less transactional revenue profile.

Shankland Cox Limited ("SCL")
In February 2016 we acquired 100% of the equity in SCL, an architecture and engineering practice comprising 100 staff and operating across four offices in the United Arab Emirates ("UAE"). The practice was acquired to provide a greater resource and skill base for our growing activities in the region. In the immediate post acquisition period we significantly reduced the size of one office – rather more than originally planned, and right sized another due to falling revenues. This resulted in excess costs in the second half. However, the overall result of the acquisition should be beneficial to the Group in the longer term as the Middle East market and particularly the UAE continues to develop and presents more commercial property development opportunities.

Business Model, Services Offered and Management

Our business model is founded on the creation of three regional operations (or Hubs) and for which we have developed a reporting structure that allows for individual accountability at local office level based upon a series of Key Performance Indicators ("KPI's") and common reporting formats. This format is derived from the three Hubs having a different make-up in terms of service offer structure and type of operating entities.

In the United Kingdom there are specialist architectural and interior design skills that combine into a single reporting entity. In the Middle East we have a number of offices that are separately licensed profit centres but come together as a single operating segment. Continental Europe is a collection of individual business entities in different countries that are accounted for separately due to their divergent ownership structures but are reported within a single operating segment.

We often act as Lead Consultant or General Planner, in which case we engage the wider design team directly. The financial effect of this is to increase our reported revenues and introduce a sub consultant line prior to reporting the net revenues attributable to our own services. This is the preferred contractual route outside of the UK. Internally we describe revenue less sub consultant costs as 'net earnings'.

The services offered by the Group are covered by commercial architecture and interior design with some limited site orientated engineering services. The sectors and skills covered by the operations are: Office headquarters and business parks, Hospitality and mixed use leisure, Retail shopping malls and bespoke retail, Education and healthcare, Residential including individual houses or villas and apartments, Industrial warehousing and Telecoms industry. Most offices work in their home markets but do work with other offices on projects where skills are transferrable.

Our senior management structure below Plc board level follows this regional format with four managing directors along with the CEO and CFO forming a Group Management Board ("GMB") where oversight of the whole business entity takes place. The GMB reviews and compares KPI performance, agrees operating strategies, considers cross border investment such as IT and communications. Accounting, HR and PR are all dealt with at local office level. All offices have a lead director plus support directors within their Hub.

Group Activities

With the enlarged regional format, and following the recent acquisitions, our revenues have risen above £20m and they rise to over £30m if we include 100% of the gross revenues of our joint ventures, associates and licensee. It is against the latter number that we report our staff numbers in the World Architecture top 100 ranking tables and which totalled 239 qualified fee earning professionals for 2017.

Our profitability has fallen during the year to around half of the result in 2015. Three main factors have contributed to this result. Firstly, the United Kingdom continued to see lower volumes as we entered the current financial year and immediately before the EU referendum; then in the post Brexit period there has been a marked delay in decision making and new enquiries have fallen. We encountered more restructuring cost and less revenue in one of the two Middle East acquisitions than had been anticipated in our original valuation although reduced through the release of negative goodwill arising on acquisition; and finally, Russia continued to incur losses despite a significant and progressive reduction in its cost base.

The management team is now focused on eliminating, reversing or adjusting for these factors in the new financial period in order to balance our business model.

United Kingdom
As we highlighted in the Interim Announcement, the operation was impacted by a general slowdown in construction activity in the first half but more so in the second half as a result of Brexit. Whilst we saw new enquiries in the second half these did not result in any material increase in short term revenues other than in our executive delivery group, Veretec. As a result net revenues for the year are 16% down on prior year and 22% in the second half alone, compared to the same period in the prior year.

After the year end we reduced our staffing levels consistent with anticipated income but are cognisant that we need to maintain our core skill base which carries with it an excess cost in the short term.

In terms of projects a number of schemes were at or nearing completion by the year end: two office projects in Uxbridge for Goodman, the PSQ HQ in Hemel Hempstead, Project Verde for Tishman Speyer in Victoria, a £104m science building for Imperial College, a new store for Fenwick in Colchester, and a number of projects where our specialist group Veretec delivered projects designed by other architects.

We continued to deliver a number of projects during the site phase in London, Cambridge and Reading. This included phase 2 at Forbury Place for M&G, the Bradfield Centre for Cambridge University, the £20m Biomed Realty building at Granta Park pre let to Heptares and a further phase on the iconic Adelphi building off the Strand. One of our largest projects was in the City with a major new hotel and apartments at Ten Trinity Square opposite the Tower of London for a Chinese developer.

Veretec was also very active on a variety of projects in Beak Street, Bishopsgate, Chelsea, Hanover Terrace, a school in Wimbledon and a high quality residential scheme for Sir Robert McAlpine in Lillie Square.

However, slightly fewer projects were in the planning phase – a £39m HQ in Bristol, two sites in Birmingham for Goodman, Radio House in Cambridge, the Flowers building at Granta Park, and a £72m residential and office scheme in Staines.

We completed a range of interiors projects for JPMorgan Chase, Schlumberger, SMBC Nikko, Ince & Co, Lutron, KPMG, and various private residences in Moscow.

Awards – the UK had a number of successes this year. During the year Veretec won the 2016 inaugural “Executive Architect of the Year” as awarded by the Architects Journal. At the Office Agents Society Awards the Adelphi won the Best West End Development category and Forbury Place, Reading won the award for Best office development outside of Central London.

The next year will prove challenging in the first half as we seek to generate revenue from current enquiries rather than from existing projects. Encouragingly since the end of the year the enquiry level has stabilised with 24 new project registrations which compares with 30 for the same period last year.

Middle East
Net earnings in the region more than quadrupled to over £5m following the acquisition of SCL and with a full year’s contribution from John R Harris (acquired in June 2015).

The three companies in this region are gradually being integrated. We anticipate this process being completed during the next twelve months. In the year a staff succession exercise was undertaken by the GMB to review all senior staff below director level. This project will form the basis for future promotions and development of the region’s management structure.

The local companies undertake work for a wide range of clients including: a three year du *(telecoms)* framework, ADNEC, Etisalat retail stores and data centres, Etihad, a new Mall hotel for ALDAR, a private villa for a Sheikh, Abu Dhabi National Hotels, the new Manar Mall retail shopping centre and Mirdif Community shopping mall, projects for contractors Khansaheb and international consultants WSP, villas on the Palm Jumeirah, the Bvlgari hotel and a residential site in Al Barari. Refurbishment of the Address Dubai Mall hotel for Emaar, the guestrooms of an iconic 5* hotel on the Palm Jumeirah and the 5* Kempinski Mall of the Emirates hotel on the Sheikh Zayed Road for MAF, along with a large number of smaller projects.

We believe that our enhanced scale will provide more opportunities for us to bid on major projects – and this is now being evidenced in new enquiries. As such management attention is now focused on strengthening the succession structure through existing design and delivery skills along with achieving operating efficiencies across the businesses.

Continental Europe
Our reported net earnings, for the wholly owned businesses in this Hub, are under £1m, whilst this sum is £8.4m if 100% of the associate and joint venture revenue is included. This creates an undertaking similar in size to the other two Hubs.

The wholly owned Turkish operation returned to profit and eliminated its prior year deficit. This performance is credible given the Coup attempt in June and the continuing State of Emergency in the country. The office's Bomonti Modern Palas project (for Extensa) was awarded the 2016 Best Architectural Design under the Completed Buildings category in Sign of the City Awards (held by the national real estate organisation). The office is a little under the optimal size at the moment and we shall be seeking to grow our market share.

The Russian operation, also wholly owned, has now been reduced to a minimum operating level and works on a limited number of projects reflecting its current scale. We expect this operation to remain at this level for the foreseeable future and until the local market improves. This office continues to be a successful design studio with our interior design for Japan Tobacco International winning the Best office Award at the Office Next Awards and for the second consecutive year our Arcus III project has been recognised.

Berlin, in which we have a 25% stake, continues to be significant contributor to the Group's result. After a slow first half a series of major wins in the second half lifted its performance to prior year levels. The office and its team continue to expand and reached 125 staff by the year end. Projects include site work at Berlin's new airport, a new facility in Berlin for Stone Brewing of the USA, Phase 2 Gropius Passagen for mfi-Unibail-Rodamco, a 5* hotel, The Fontenay, in Hamburg, an office tower in Frankfurt, a new development in Berlin for Hines, and the Anschutz Mercedes Platz with Hochtief. The office is a significant player in the local market and has a strong repeat client following.

Frankfurt has continued to improve its year on year performance with a longer term order book including an office relocation of 3,600 staff for an international insurance company and regular work for Microsoft. We are also Tishman Speyer's retained architect for Blackstone's "MesseTurm" office tower in the city of Frankfurt. Interestingly we have not seen any early evidence of financial services' relocation to the city in the aftermath of Brexit. This may in part be a function of German office regulations that adversely impact occupancy densities when compared to the City of London. We are 50% owners.

Prague, where we also own 50%, has achieved a small profit this year based on the provision of drawing services to both the London and Berlin offices. Local commissions have been at low ebb over the past few years but with the recent rise in GDP we have already seen a marked increase in both architectural and fit out commissions. The office may soon start to grow again. Work during the year included office fit outs for Allen & Overy, Tieto, warehouse extensions for Semily and Schenker along with further work at Riverside School.

Summary, Group Prospects and Shareholder Value

Whilst we had hoped for a better outcome in 2016, we remain encouraged by the progress that we have made in developing our business model and that this will ultimately generate both the results and cash flow that we have anticipated. In the short term we expect the United Kingdom to experience a further downturn in revenues against which we are rebasing our fixed costs through a reduced property requirement; which will be offset in part by a rapidly improving Middle East contribution. Our objective is to provide shareholders with a sustainable business model that can positively respond to business cycles and deliver long term returns in both cash and profits generation and dividend flow.

On behalf of the Board
Nicholas Thompson
Chief Executive Officer
11 January 2017

Financial review

The headline financial results of the Group were:

	2016 £'000	2015 £'000
Revenue	20,841	18,668
Revenue less sub consultant	18,410	16,886
Net operating expenses	(17,730)	(15,283)
Net finance costs	(20)	(10)
Share of results of associates and joint ventures	267	277
Profit before tax	927	1,870
Tax charge	(106)	(215)
Profit for the year	821	1,655

Revenues for the year were £20.8m, an increase of 11.2% on the previous year (2015: £18.7m). Revenues less sub consultants also rose to £18.4m (2015: £16.9m), a 8.9% increase.

However our profitability has fallen during the year with profit before tax at £0.9m compared to £1.9m in 2015. Whilst lower than the previous year, the result reflects a solid performance after taking account of the challenges which the Group has faced including volatility in the UK market, particularly in the light of Brexit; the geopolitical challenges in Russia; and integration in the Middle East following our second acquisition there in eight months.

The results for the second half show a slightly improved position when compared with the first half. Revenues, including SCL, improved by 8% whilst profit before tax at £510k was 22% higher compared to £417k at March 2016.

Our tax charge for the year is £106k (2015: £215k), representing an effective tax rate of 11% (2015: 11%). This is fully explained in note 11 but is due to zero taxes in the Middle East combined with the use of tax losses in other jurisdictions, whilst the joint venture income is reported net of tax within the trading results.

Reflecting this low effective tax rate, our profit after tax at £0.8m gives an EPS of 0.47 pence per share (2015: 1.00 pence per share).

United Kingdom
The general slowdown in construction activity in the first half, this continued in the second half following the Brexit vote. As a result net earnings for the year at £12.1m are 16% down on prior year (2015: £14.4m). Profits are down by half as fixed costs and staff reductions do not immediately follow in tandem. The second half profit was similar to the first half. Looking forward the UK is likely to see a further reduction in revenues in the first part of the new year before the position stabilises. Therefore we do not expect any contribution in profit terms from the UK until the second half. We also anticipate reducing our space requirements by the half year in order that the operation can perform at a new staffing level.

Middle East
In terms of delivering our strategy of growing this Hub, to complement and counter balance the UK and Continental Europe, we have had a successful year in the Middle East.

Our revenues at £7.4m, compare well with £2.1m last year, and reflect a full year's trading in John R Harris and Partners (2015: 3 months), and just over seven months of Shankland Cox Limited, which was acquired in February 2016. Due to planned integration initiatives, intangible amortisation of £112k and also right sizing of the cost base, we have reported a modest profit before tax for the twelve months to September 2016 of £41k (2015: £47k) after release of negative goodwill arising on acquisition totalling £160k.

Continental Europe
Consolidated revenues, as represented by Russia and Turkey, at £1.3m are an 38% lower than the prior year (£2.1m); whilst profit before tax, also including the joint venture and associate in Germany and the joint venture in the Czech Republic, was maintained at £95k (2015: £88k).

Continental Europe's result is a mix of performances across the businesses where the greatest challenge within its portfolio during the year was Russia. As previously reported, we have progressively restructured and downsized this business to what is now its minimum level.

Despite reporting a negative result in the Interim results, Turkey has had a strong second half and reported full year profits before tax. This is a successful performance particularly as Turkey was under a State of Emergency during a large part of the second half.

Our Berlin joint venture, of which we own 25%, remains the best performer. It has maintained its previous strong performance which is particularly pleasing as its result is after investment for growth.

Frankfurt has improved on its prior year performance with our 50% share of its profit after tax increasing compared to 2015. During the year this business has consolidated its market position and strengthened its order book.

The Prague joint venture made a small contribution to the overall result (£8k being our 50% share (2015: breakeven) despite a lack of activity in the local market.

Financing
Our total equity is now £7.2m, an increase of £0.9m over the prior year (2015: £6.3m) and reflects the net trading results for the year, together with £0.4m of foreign currency translation gains recognised through the consolidated statement of comprehensive income.

Net funds (see note 22) at year end were £0.8m, comprising cash of £1.8m and the loan taken out in respect of the acquisition of Shankland Cox Limited, which now stands at £1.0m. Excluding any balances and financing costs in respect of Shankland Cox Limited our net funds have been maintained at the same level of the previous year (£1.9m). However, given the increased footprint in the Middle East and the need for regulatory and banking collateral, in the short term there is less available free cash than previously.

As set out in in note 21 the loan to acquire Shankland Cox Limited was taken out in February 2016 for the principal sum of USD 1.6m representing AED 6m. It is being repaid in equal quarterly instalments of USD 80k over five years. Other than this loan there were no other borrowings at year end, although the Group has the benefit of a net zero overdraft facility from its bankers Coutts & Co. This facility is used by the Group to hedge foreign exchange exposures.

The Group has a strong focus on cash management and visibility of its liquidity position as well as future flows. The Plc acts as the Group's central banker, and whilst it may, subject to formal approval, advance short term working capital support, all businesses are required to be cash generative or as a minimum cash neutral.

Future work

Tracking and keeping an accurate record of the pipeline of future work is key to understanding the business and its future shape and portfolio. It is also essential in order to afford the directors time to manage and react to any changes.

With the distribution of the business across the three Hubs, there are now differing workload profiles:

- The UK has a lower level of assured work than previously, but has the benefit of a growing order book within the Veretec business;
- The Middle East is building strength with many larger, longer term projects underpinning the growth strategy; and
- Continental Europe is mixed across the portfolio, led by the strength of Berlin, with Frankfurt, the Czech Republic and Turkey gaining greater long term visibility and only Russia having intermittent instructions as a consequence of its local market.

Key Performance Indicators ("KPIs")

The key performance indicators used within the Group for assessing financial performance are:

- revenue less sub consultant costs which reflects the revenue generated by our own technical staff but excludes the revenue attributable to sub consultants;
- the revenue less sub consultant costs being generated per full time equivalent (FTE) technical member of staff. For our larger operations this provides a barometer of near term efficiency and financial health. This figure when compared to the movement in total costs provides an insight into the likely direction of profitability; and
- profit before taxation.

Segmental analysis of revenue less sub consultant costs and profit before taxation is given in note 3 (page 42).

Project Working Capital

Project working capital comprises net trade receivables; amounts due from customers for contract work and advances received from customers for contract work. The project payment arrangements under which the Group operates vary significantly by geographical location:

- in the United Kingdom it is usual to agree in advance with the client at the start of a project a monthly billing schedule which generally leads to relatively low levels of amounts due from customers for contract work;
- in Russia it is usual for the project to be divided into contractual work stages. At the start of each stage a deposit is received from the client but no further amounts are received until the stage, or sub stage, is fully completed;
- in Turkey it is usual to either agree in advance with the client a monthly billing schedule or to agree a billing schedule based on deliverable work stages; and
- in the Middle East it is usual to bill clients monthly, but the value of the monthly invoices raised is dependent upon demonstrating specific progress from the work performed, which generally leads to higher levels of amounts due from customers for contract work. Payment also tends to take longer in the Middle East.

Principal Risks and Uncertainties

The directors consider the principal risks and uncertainties facing the business are as follows:

Levels of property development activity
Changes in development activity levels have a direct impact on the number of projects that are available. These changes can be identified by rises and falls in overall GDP, construction output, planning application submissions, construction tenders and starts, and investment into the property sector. Not all of this information is available in each market place and so we have to adapt to the information flow that is available.

In addressing this risk the Group considers which markets and which clients to focus upon based on the strength of their financial covenant so that there is clear ability to provide both project seed capital and geared funding to complete the delivery process. This avoids the dual risk of delays between stages during projects and deferrals of projects.

Geo political factors
Political events and decisions, or lack thereof, can seriously affect the markets in which the Group operates, leading to a lack of decisions by government bodies and also by clients. In turn this directly impacts workload and can even delay committed projects.

Diversification of operations in multiple unrelated geographies provides the Group greater resilience in respect of this risk. Maintaining a flexible workforce, subject to working practices in local markets, additionally affords greater ability to react quickly to such events.

Share price volatility
A strong share price and higher market capitalisation attract new investors and provide the Group with greater flexibility when considering how to fund and pay for acquisitions.

Operational gearing and funding
In common with other professional services businesses, the Group has a relatively high level of operational gearing, through staffing and property costs, which makes it difficult to reduce costs sufficiently quickly to immediately avoid losses and associated cash outflows when faced with sharp and unpredicted falls in revenue.

Approximately one third of the Group's operations are now based in the Middle East where payment terms are usually longer than in the UK. This introduces additional liquidity risk as some corresponding costs may be required to be paid before the collection of trade receivables.

The directors seek to ensure that the Group retains appropriate funding arrangements and regularly monitors expected future requirements through the Group's annual budgeting, quarterly forecasting and monthly cash flow reporting processes in order to react to a required change with maximum flexibility.

The Group's principal bankers remain supportive and in January 2017 renewed the Group's overdraft facility until November 2017. In February 2016 a USD 1.6m loan was also offered and drawn down with respect to the acquisition of Shankland Cox Limited.

Where possible, the Group deploys three strategies to help reduce operational gearing:

First, the Group has a well developed staffing plan which flexes the total number of staff using a combination of permanent employees, temporary employees, agency staff, and freelance staff as applicable to each legal jurisdiction; and in doing so matches resources to fee paying work as closely as possible, sometimes linking staff retention directly to specific projects.

Second, the Group can sublet or licence occupation of part of its property space to other professional services businesses to offset some of the total occupancy cost.

Lastly the Group seeks flexible contract terms with major suppliers such that certain costs can be suspended during times of economic difficulty.

Staff skills and retention
Our business model relies upon a certain standard and number of skilled individuals based on qualifications and project track record. Failure to retain such skills makes the strategies of the Group difficult to achieve.

The Group aims to ensure that knowledge is shared and that particular skills are not unique to just one individual.

The Group conducts external surveys to ensure that salaries and benefits are appropriate and comparable to market levels and endeavours to provide a pleasant working environment for staff.

Staff training programmes, career appraisals and education assistance are provided, including helping our professionally qualified staff comply with their continuing professional development obligations. Training programmes take various forms including external courses and external speakers.

Quality of technical delivery
In common with other firms providing professional services, the Group is subject to the risk of claims of professional negligence from clients.

The Group seeks to minimise these risks by retaining skilled professionals at all levels and operating quality assurance systems which have many facets. These systems include identifying specific individuals whose roles include focusing on maintaining quality assurance standards and spreading best practice.

The Group's principal UK operation is registered under ISO 9001 which reflects the quality of the internal systems under which we work. As part of these registrations an external assessor undertakes regular compliance reviews. In addition, as part of its service to members, the Mutual, which provides professional indemnity insurance to the UK and part of the Middle East operations, undertakes annual quality control assessments.

The Group maintains professional indemnity insurance in respect of professional negligence claims but is exposed to the cost of excess deductibles on any successful claims.

Contract pricing
All mature markets are subject to downward pricing pressures as a result of the wide spectrum of available suppliers to each project. This pressure is increased if activity levels are low such as in the recent economic downturn and global recession. Additionally architects may be under pressure to work without fees (for a time) in order to win a project or retain sufficient qualified staff to complete the project if won. The Group mitigates this risk by focusing on markets where it has clear skills that are well above average, or avoids it by not lowering prices, thus risking the loss of such work.

All fee proposals to clients are prepared by experienced practice directors who will be responsible for the delivery of the projects. Fee proposals are based on appropriate due diligence regarding the scope and nature of the project, knowledge of similar projects previously undertaken by the Group, and estimates of the resources necessary to deliver the project. Fee proposals for larger projects are subject to review and approval by senior Group management and caveats are included where appropriate.

When acting as general designer for projects located outside the UK, the Group is usually exposed to the risk of actual sub consultant costs varying from those anticipated when the overall fee was agreed with the client. To mitigate this risk, fee proposals are usually sought from sub consultants covering the major design disciplines as part of the process of preparing the overall fee proposal.

Poor acquisitions
The acquisition of businesses for too high a price or which do not trade as expected can have a material negative impact on the Group, affecting results and cash, as well as absorbing excessive management time.

The Group invests senior management time and Group resources into both pre and post acquisition work. Pre acquisition there is a due diligence process and price modelling based on several criteria. Agreements entered into are subject to commercial and legal review. Post acquisition there is structured implementation planning and ongoing monitoring and review.

Overseas diversification
The Group continues to derive a proportion of its revenues from projects located outside the UK. This offers some protection for the Group by providing diversification but in turn exposes the Group to the economic environments and currencies of those locations. Building regulations, working practices and contractual arrangements often differ in these overseas businesses when compared to the UK and these may significantly increase the risks to the Group. To mitigate these risks:

- the overseas operations are managed by nationals, or highly experienced expatriates, with oversight from senior Group management. All offices are regularly visited by senior Group management, to monitor and review the businesses. There is regular, comprehensive reporting and KPIs are used extensively;

- the Group seeks to work for multinational or the larger and more established domestic clients who themselves often have significant international experience;

- when acting as general designer for projects located outside the UK the Group always seeks to appoint sub consultants with an established and successful track record on similar projects;

- within the boundaries imposed by local laws and commercial constraints, the Group seeks to structure contractual arrangements with clients and sub consultants to minimise the significant contractual risks which can arise; and

- As far as possible foreign currency flows are matched to minimise any impact of exchange rate movements and significant exposures are hedged.

On behalf of the Board

Beverley Wright
Chief Financial Officer
11 January 2017

Directors' report

The directors present their report for the year ended 30 September 2016.

Corporate governance

The UK Corporate Governance Code issued in April 2016 by the Financial Reporting Council sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders.

Although under the rules of the Alternative Investment Market, the Company is not required to comply with the Code nor state any areas with which it does not comply, the Board has sought to take into account the provisions of the Code in so far as it considers them to be appropriate and practicable for a company of this size. In doing this the Board has considered the Corporate Governance Guidelines for Small and Mid-Size Quoted Companies published in 2013 by the Quoted Companies Alliance.

Board of Directors

The Group is headed by a Board of Directors which leads and controls the Group and which is accountable to shareholders for good corporate governance of the Group.

The Board currently comprises four executive directors and two non executive directors who bring a wide range of experience and skills to the Company.

The Board considers Anthony Simmonds and John Bullough to be independent non executive directors.

The Board meets regularly to determine the policy and business strategy of the Group and has adopted a schedule of matters that are reserved as responsibilities of the Board. The Board has delegated certain authorities to Board committees, each with formal terms of reference.

Audit Committee

The main role and responsibility of the Audit Committee is to monitor the integrity of the information published by the Group about its financial performance and position. It does this keeping under review the adequacy and effectiveness of the internal financial controls and by reviewing and challenging the selection and application of important accounting policies, the key judgements and estimates made in the preparation of the financial information and the adequacy of the accompanying narrative reporting.

The Audit Committee is also responsible for overseeing the relationship with the external auditor which includes considering its selection, independence, terms of engagement, remuneration and performance. A formal statement of independence is received from the external auditor each year.

It meets at least twice a year with the external auditor to discuss audit planning and the audit findings, with certain executive directors attending by invitation. If appropriate, the external auditor attends part of each committee meeting without the presence of any executive directors.

The Audit Committee currently comprises Anthony Simmonds, as Chairman, and John Bullough and they report to the Board on matters discussed at the Committee meetings.

Remuneration Committee

The Remuneration Committee meets as and when appropriate during the year and is responsible for determining all aspects of the executive directors' remuneration, including share options and the terms and conditions of their service contracts. Where appropriate the committee consults the Chief Executive Officer about its proposals.

The Remuneration Committee comprises Anthony Simmonds and John Bullough, with John Bullough as Chairman. No director plays a part in any discussion about their own remuneration.

Nomination Committee

The Nomination Committee is responsible for keeping under regular review the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board. This includes considering succession planning for the senior management of the Group, taking into account the skills and expertise expected to be needed in the future.

It is responsible for nominating new candidates for the Board, for which selection criteria are agreed in advance of any new appointment.

The Nomination Committee is chaired by Anthony Simmonds with the other members being Nicholas Thompson and John Bullough.

Internal Controls and Risk Committee

The Directors acknowledge that they are responsible for the Group's system of internal controls and for reviewing its effectiveness (excluding joint ventures and associate). The Directors, supported by the Risk Committee, review all controls including operational, compliance and risk management, as well as financial controls. Risk management and internal control are considered by the Directors at Board meetings. Any such system of control is designed to manage risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Internal Controls and Risk Committee is chaired by Anthony Simmonds. Nicholas Thompson and Beverley Wright are also members.

Directors

Anthony Simmonds, John Bullough, Nicholas Thompson, Andrew Murdoch, Nick Pell and Beverley Wright served as directors of the Company throughout the year ended 30 September 2016.

David Hughes resigned as director on 22 December 2015.

Biographical details of the current directors are set out on pages 21 and 22.

The Company maintains directors' and officers' liability insurance.

Directors' interests

Directors' interests in the shares of the Company were as follows:

Number of ordinary shares	30 September 2016	30 September 2015
Anthony Simmonds	1,000,000	1,000,000
Nicholas Thompson	16,702,411	16,602,411
Beverley Wright	100,000	-
John Bullough	500,000	500,000
Andrew Murdoch	12,478,486	12,478,486
Nick Pell	1,826,700	1,826,700
David Hughes (resigned 22 December 2015)	2,753,967	2,963,446

Directors' service contracts

The Company's policy is to offer service agreements to executive directors with notice periods of not more than twelve months. Nicholas Thompson and Andrew Murdoch have rolling service contracts with the Company which are subject to twelve months' notice of termination by either party. Nick Pell and Beverley Wright have rolling service contracts with the Company which are subject to six months' notice of termination by either party.

The remuneration packages of executive directors comprise basic salary, contributions to defined contribution pension arrangements, discretionary annual bonus, discretionary share options and benefits in kind such as medical expenses insurance.

Non executive directors do not have service contracts with the Company, but the appointment of each is recorded in writing. Their remuneration is determined by the Board. Non executive directors do not receive any benefits in kind and are not eligible for bonuses or participation in either the share option schemes or pension arrangements.

Substantial shareholdings

At 11 January 2017 the Company had been informed of the following notifiable interests of three per cent or more in its share capital.

Shareholder	Notes	Number of ordinary shares	Percentage of ordinary shares
Nicholas Thompson	Director of the Company	16,702,411	10.11%
Jeremy Blake	Former employee of the Group	13,030,638	7.89%
Andrew Murdoch	Director of the Company	12,478,486	7.56%
Begonia 365 SL	Controlled by a former director of the Company	9,515,192	5.76%
Raul Curiel	Former director of the Company	9,240,018	5.59%
River & Mercantile Long Term Recovery Fund		8,150,000	4.93%
Stephen Atkinson	Employee of the Group	7,649,436	4.63%
John Vincent	Former director of the Company	5,791,394	3.51%
Broadwalk Asset Management		5,317,000	3.22%

Share price

The mid market closing price of the shares of the Company at 30 September 2016 was 4.00 pence and the range of mid market closing prices of the shares during the year was between 3.88 pence and 7.25 pence.

Share capital

The Board is seeking from shareholders at the Annual General Meeting renewal of its authority to allot equity securities. The authority would allow the Board to allot securities up to a maximum aggregate nominal value of £826,068 representing 50% of the issued share capital of the Company.

A resolution will also be put to the Annual General Meeting in respect of the issue of equity securities for cash up to an aggregate nominal amount of £165,214 representing 10% of the issued share capital, without first offering such shares to shareholders. The directors consider this authority desirable as it will give them the flexibility to make small issues of ordinary shares for cash if suitable opportunities arise without the necessity of first seeking shareholders' approval.

The renewed authorities will expire at the conclusion of the subsequent Annual General Meeting of the Company when it is intended that the Directors will again seek their renewal.

Environmental policy

The Group promotes wherever possible a 'green' and ecologically sound policy in all its work, but always takes into account the considerable pressures of budget, commercial constraints and client preferences. Sustainability is essential to our design philosophy and studio ethos. It is an attitude of mind that is embedded within our thinking from the start of any project. We design innovative solutions and focus on:

- incorporating passive design principles that mitigate solar gain and heat loss from the outset;
- reducing energy demand through active and passive renewable energy sources;
- the use of energy and resource efficient materials, methods, and forms;
- the re use of existing buildings and materials and flexibility for future change;
- and importantly the careful consideration of the experience and wellbeing of the end user in our buildings.

We believe ourselves to be at the forefront of sustainability amongst our peers which is demonstrated by our track record in achieving 65 'Excellent' or 'Very Good' BREEAM (Building Research Establishment Environmental Assessment Method) ratings awarded to buildings designed by the Group. We have also achieved 1 Ska 'Gold' and 2 Ska 'Silver' environmental assessment ratings and 3 LEED (Leadership in Energy and Environmental Design) 'Gold' award and 5 'Silver' awards.

Employees

As a professional services business, the Group's ability to achieve its commercial objectives and to service the needs of its clients in a profitable and effective manner depends upon the contribution of its employees. The Group seeks to keep its employees informed on all material aspects of the business affecting them through the operation of a structured management system, staff presentations and an intranet site.

The Group's employment policies do not discriminate between employees, or potential employees, on the grounds of age, gender, sexual orientation, ethnic origin or religious belief. The sole criterion for selection or promotion is the suitability of any applicant for the job.

It is the policy of the Group to encourage and facilitate the continuing professional development of our employees to ensure that they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and without discrimination. Training and development is provided and is available to all levels and categories of staff.

It is the Group's policy to give fair consideration to application for employment for disabled persons wherever practicable and, where existing employees become disabled, efforts are made to find suitable positions for them.

Health and safety

The Group seeks to promote all aspects of health and safety at work throughout its operations in the interests of employees and visitors.

The Group has established a health and safety steering committee, chaired by Robert Fry (a member of the Group Management Board), to guide the Group's health and safety policies and activities. Health and safety is included on the agenda of each board meeting.

Group policies on health and safety are regularly reviewed and revised, and are made available on the intranet site. Appropriate training for employees is provided on a periodic basis.

Disclosure of information to auditor

Each of the directors who were in office at the date of approval of these financial statements has confirmed that:

- so far as they are aware, there is no relevant audit information of which the auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Future developments

An indication of likely future developments in the business of the Group is contained in the Strategic Report.

Financial instruments

Information concerning the use of financial instruments by the Group is given in notes 28 to 32 of the financial statements.

Dividends

Whilst the Group is still confident of its long term position, given the slowdown in the UK and the funding requirements in the UAE, the Board has resolved to defer the decision regarding a dividend until the AGM which will take place in March 2017.

Annual General Meeting

Notice of the annual general meeting will be issued in due course and no later than 21 days before the Meeting is due to be held.

By order of the Board

Beverley Wright
Company Secretary
Aukett Swanke Group Plc
Registered number 2155571
11 January 2017

Directors

Anthony Simmonds (Non Executive Chairman) *+ #^
MA FCA FCCA Aged 72

Anthony joined Aukett Swanke as a non executive director in 2009 and was appointed Non Executive Chairman in March 2012. He is a qualified chartered accountant and former senior partner of a top 50 accountancy practice. He has had many years' experience in dealing with quoted public companies on a professional basis including advising on corporate finance, M&A, due diligence, as well as initial introductions to the market. He has held a number of executive and non executive positions and is experienced in the strategic development of businesses and the management of financial risk.

Nicholas Thompson (Chief Executive Officer) #^
BSc (Hons) MBA Aged 62

Nicholas is Aukett Swanke's CEO and has over 30 years of experience in the property and consulting sector. He originally joined Fitzroy Robinson as its Finance Director in 1994 and was promoted to Managing Director in 2002. In 2005 he became CEO of the newly merged 'Aukett Fitzroy Robinson' following a reverse takeover. He holds a Master's Degree in Business Administration from City University and currently sits on the Cass MBA Advisory Board. He is also a qualified accountant and has a degree from Bath University. In 2015 he became a non executive director of the Wren Insurance Association Limited, a mutual insurer for architectural practices, which is regulated by the Financial Conduct Authority and Prudential Regulation Authority. Nicholas is responsible for the Group's strategic growth plans.

Beverley Wright (Chief Financial Officer & Company Secretary)^
BA (Hons) FCA Aged 58

Beverley joined Aukett Swanke in September 2014. She is a qualified Chartered Accountant and has over 25 years of experience with construction and engineering firms including significant experience in senior financial roles for international companies. She spent 16 years with Mowlem Plc in a variety of roles, then in 2006 she took over as Commercial and Financial Director Europe and Middle East at CH2M, becoming International Commercial Director in 2012. Her roles have covered a very broad spectrum including tax, treasury, corporate finance, M&A and structuring, as well as commercial and financial management, analysis, control and governance. Since joining Aukett Swanke, in addition to ensuring good day to day financial management, Beverley has worked on both commercial and strategic matters. Much of her focus has been on the future shape of the Group and on the integration of the recent acquisitions.

John Bullough (Non Executive Director) +*#
FRICS Aged 66

John joined Aukett Swanke as a non executive director in June 2014. He has over 40 years of international experience in property development and investment. Following 18 years with Grosvenor, John joined ALDAR Properties PJSC in Abu Dhabi and was their Chief Executive until November 2010.He is a Fellow of the Royal Institution of Chartered Surveyors and is a Past President of the British Council of Shopping Centres.

Andrew Murdoch (Executive Director)
MA RIBA Aged 67

Andrew is a qualified architect who joined Fitzroy Robinson in 1984. He was Chairman of Fitzroy Robinson in the 1990's, and was appointed to the board in December 2013. He is architect to a number of significant buildings in central London and the UK regions, and has a strong and enduring client following. His work includes the flagship Fenwick store in Bond Street, the Home of Alfred Dunhill in Mayfair, and the refurbishment of the Royal Exchange in the City, and he is currently working on a number of prestigious projects in the West End. Andrew sat on the board of management of the British Council of Offices for 12 years.

Nick Pell (Executive Director)
BA (Hons) Aged 55

Nick was appointed to the Board in December 2013 upon the acquisition of Swanke Hayden Connell Europe Limited and is International Interior Design Director. He has over 20 years of experience designing interiors projects across Europe having graduated from Kingston Polytechnic. Nick has established a reputation for designing creative interior solutions for a wide range of project types; hotels, restaurants, retail banks, residential, leisure facilities and commercial office space and he has led the design direction of several award winning projects. His projects are wide ranging, including the British Council for Offices award winning VISA HQ fit out, and an experimental hotel pilot project.

Board committees

* Member of the Audit Committee chaired by Anthony Simmonds
[+] Member of the Remuneration Committee chaired by John Bullough
[#] Member of the Nomination Committee chaired by Anthony Simmonds
^ Member of the Internal Controls and Risk Committee chaired by Anthony Simmonds

Statement of directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the strategic report, the Directors' report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to the members of Aukett Swanke Group Plc

We have audited the financial statements of Aukett Swanke Group Plc for the year ended 30 September 2016 which comprise the consolidated income statement, the consolidated and company statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;

- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

- the parent company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tim Neathercoat (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom
11 January 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Revenue	3	20,841	18,668
Sub consultant costs		(2,431)	(1,782)
Revenue less sub consultant costs	3	18,410	16,886
Personnel related costs		(13,929)	(11,464)
Property related costs		(2,632)	(2,730)
Other operating expenses		(1,901)	(1,715)
Other operating income	4	732	626
Operating profit		680	1,603
Finance income	5	8	3
Finance costs	6	(28)	(13)
Profit after finance costs		660	1,593
Share of results of associate and joint ventures		267	277
Profit before tax		927	1,870
Tax charge	11	(106)	(215)
Profit from continuing operations		821	1,655
Profit for the year		821	1,655
Profit attributable to:			
Owners of Aukett Swanke Group Plc		772	1,653
Non controlling interests		49	2
		821	1,655
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company:			
From continuing operations		0.47p	1.00p
Total earnings per share	12	0.47p	1.00p

Consolidated statement of comprehensive income

For the year ended 30 September 2016

	2016 £'000	2015 £'000
Profit for the year	821	1,655
Other comprehensive income:		
Currency translation differences	424	(201)
Other comprehensive income for the year	424	(201)
Total comprehensive income for the year	1,245	1,454
Total comprehensive income for the year is attributable to:		
Owners of Aukett Swanke Group Plc	1,158	1,451
Non controlling interests	87	3
	1,245	1,454

Aukett Swanke Group Plc

Company registration number 2155571

Consolidated statement of financial position

At 30 September 2016

	Note	2016 £'000	2015 £'000
Non current assets			
Goodwill	13	2,409	2,283
Other intangible assets	14	1,056	818
Property, plant and equipment	15	506	563
Investment in associate	17	529	254
Investments in joint ventures	18	181	100
Deferred tax	23	219	288
Total non current assets		4,900	4,306
Current assets			
Trade and other receivables	19	9,227	6,430
Cash and cash equivalents		1,839	1,873
Total current assets		11,066	8,303
Total assets		15,966	12,609
Current liabilities			
Trade and other payables	20	(6,553)	(5,833)
Current tax		(12)	(117)
Short term borrowings	21	(247)	-
Provisions	24	(90)	-
Total current liabilities		(6,902)	(5,950)
Non current liabilities			
Long term borrowings	21	(802)	-
Deferred tax	23	(100)	(54)
Provisions	24	(973)	(354)
Total non current liabilities		(1,875)	(408)
Total liabilities		(8,777)	(6,358)
Net assets		7,189	6,251
Capital and reserves			
Share capital	25	1,652	1,652
Merger reserve		1,176	1,176
Foreign currency translation reserve		110	(276)
Retained earnings		2,573	1,801
Other distributable reserve		1,494	1,791
Total equity attributable to equity holders of the Company		7,005	6,144
Non controlling interests		184	107
Total equity		7,189	6,251

The financial statements on pages 26 to 71 were approved and authorised for issue by the Board of Directors on 11 January 2017 and were signed on its behalf by:

Nicholas Thompson
Chief Executive Officer

Beverley Wright
Chief Financial Officer

Aukett Swanke Group Plc

Company registration number 2155571

Company statement of financial position

At 30 September 2016

	Note	2016 £'000	2015 £'000
Non current assets			
Investments	16	6,463	4,321
Trade and other receivables	19	49	48
Total non current assets		6,512	4,369
Current assets			
Trade and other receivables	19	1,311	432
Cash and cash equivalents		596	1,007
Deferred tax	23	-	2
Total current assets		1,907	1,441
Total assets		8,419	5,810
Current liabilities			
Trade and other payables	20	(3,619)	(2,300)
Short term borrowings	21	(247)	-
Total current liabilities		(3,866)	(2,300)
Non current liabilities			
Long term borrowings	21	(802)	-
Total non current liabilities		(802)	-
Total liabilities		(4,668)	(2,300)
Net assets		3,751	3,510
Capital and reserves			
Share capital	25	1,652	1,652
Retained earnings		(571)	(1,109)
Merger reserve		1,176	1,176
Other distributable reserve		1,494	1,791
Total equity attributable to equity holders of the Company		3,751	3,510

The financial statements on pages 26 to 71 were approved and authorised for issue by the Board of Directors on 11 January 2017 and were signed on its behalf by:

Nicholas Thompson
Chief Executive Officer

Beverley Wright
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	27	104	1,443
Interest paid		(29)	(13)
Income taxes paid		(99)	(238)
Net cash (outflow) / inflow from operating activities		(24)	1,192
Cash flows from investing activities			
Purchase of property, plant and equipment		(147)	(163)
Sale of property, plant and equipment		4	2
Acquisition of subsidiary, net of cash acquired		(761)	(824)
Interest received		8	3
Dividends received		-	278
Net cash used in investing activities		(896)	(704)
Net cash (outflow) / inflow before financing activities		(920)	488
Cash flows from financing activities			
Proceeds from bank loans		1,123	-
Repayment of bank loans		(175)	(113)
Dividends paid		(181)	(360)
Net cash inflow / (outflow) from financing activities		767	(473)
Net change in cash, cash equivalents and bank overdraft		(153)	15
Cash and cash equivalents and bank overdraft at start of year		1,873	1,891
Currency translation differences		119	(33)
Cash, cash equivalents and bank overdraft at end of year	22	1,839	1,873

Company statement of cash flows

For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash (used by) / generated from operations	27	(846)	70
Interest paid		(23)	-
Income taxes paid		(3)	(1)
Net cash (outflow) / inflow from operating activities		(872)	69
Cash flows from investing activities			
Purchase of subsidiaries		(1,126)	(897)
Dividends received		820	1,279
Net cash (used in) / generated from investing activities		(306)	382
Net cash (outflow) / inflow before financing activities		(1,178)	451
Cash flows from financing activities			
Proceeds from bank loans		1,123	-
Repayment of bank loans		(175)	-
Dividends paid		(181)	(360)
Net cash inflow / (outflow) from financing activities		767	(360)
Net change in cash, cash equivalents and bank overdraft		(411)	91
Cash, cash equivalents and bank overdraft at start of year		1,007	916
Currency translation differences		-	-
Cash, cash equivalents and bank overdraft at end of year		596	1,007

Consolidated statement of changes in equity

For the year ended 30 September 2016

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

The other distributable reserve was created in September 2007 during a court and shareholder approved process to reduce the capital of the Company.

Company statement of changes in equity

For the year ended 30 September 2016

	Share capital	Retained earnings	Other distributable reserve	Merger reserve	Total
	£'000	£'000	£'000	£'000	£'000
At 30 September 2014	1,652	(1,866)	2,151	1,176	3,113
Profit for the year	-	757	-	-	757
Dividends paid	-	-	(360)	-	(360)
At 30 September 2015	1,652	(1,109)	1,791	1,176	3,510
Profit for the year	-	538	-	-	538
Dividends paid	-	-	(297)	-	(297)
At 30 September 2016	1,652	(571)	1,494	1,176	3,751

The other distributable reserve was created in September 2007 during a court and shareholder approved process to reduce the capital of the Company.

All amounts are attributable to the equity holders of the Company.

Notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of preparation

The financial statements for the Group and parent have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention and on a going concern basis.

New accounting standards, amendments and interpretations applied

There were no new accounting standards which required additional disclosures to this year's financial statements.

New accounting standards, amendments and interpretations not yet applied

A review has been undertaken of new accounting standards, amendments and interpretations to existing standards which have been issued but have an effective date making them applicable to future financial statements. The following standards are effective for accounting periods beginning on or after 1 January 2018 and have not yet been adopted by the Group:

(i) IFRS 15 'Revenues from contracts with customers'. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Group has yet to assess the full impact of this accounting standard. This standard is effective for accounting periods beginning on or after 1 January 2018.

(ii) IFRS 9 'Financial instruments'. The standard provides a single classification and measurement model for financial assets and replaces the existing IAS 39. The Group has yet to assess the full impact of this accounting standard. This standard is effective for accounting periods beginning on or after 1 January 2018.

(iii) IFRS 16 'Leases'. The standard will require almost all leases to be on the balance sheet of lessees and introduces a single income statement model which effectively brings the majority leases onto the balance sheet. The full impact of this accounting standard is currently unknown because the most significant leases are due to expire before the standard is effective. This standard is effective for accounting periods beginning on or after 1 January 2019.

There are no other IFRSs or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Group.

Going concern

The Group's business activities, the principal risks and uncertainties facing the Group, and the financial position of the Group are described in the Strategic Report. The liquidity risks faced by the Group are further described in note 32.

The Group currently meets its day to day working capital requirements through its cash balances. It maintains its net overdraft facility for additional financial flexibility and foreign currency hedging purposes. This overdraft facility was renewed for a further ten months in January 2017.

The processes the directors have undertaken, and the reasons for the conclusions they have reached, regarding the applicability of a going concern basis are explained below. In undertaking their assessment the directors have followed the guidance issued in 2016 by the Financial Reporting Council entitled ‘Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks’.

Forecasts for the Group have been prepared on a monthly basis which comprise detailed income statements, statements of financial position and cash flow statements for each of the Group’s operations.

The forecasts and projections show the Group should be able to operate within its currently available facilities and the directors believe this to be the case.

The Group’s principal banker is Coutts & Co, with whom the Group has an excellent long term relationship extending through previous business cycles. Coutts & Co have again renewed the Group’s facility as described in note 32 and above.

All of the directors, and most members of the Group’s senior management, have experience of managing businesses through challenging economic circumstances, in most cases over a number of business cycles.

The Board, after making the enquiries described above, has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board considers it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation and equity accounting

The consolidated financial statements incorporate those of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to variable returns from the investee, in addition to the ability to direct the investee and affect those returns through exercising its power. Intra group transactions, balances and any unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

Non controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given and equity instruments issued. Identifiable assets acquired and liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, irrespective of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements also include the Group’s share of the results and reserves of its associate and joint ventures.

Associates

Associates are entities for which the Group has significant influence but not control or joint control. This is the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method.

Joint ventures

Under IFRS 11 ‘Joint arrangements’ investments in joint arrangements are classified as either joint operations or joint ventures. This classification depends on the contractual rights and obligations of the investor rather than the legal structure. The Group has joint ventures in Frankfurt and the Czech Republic where ownership is contractual and the agreements require unanimous consent from all parties for relevant activities. The entities are considered joint ventures.

Joint ventures are accounted for under the equity method.

Borrowings

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of any transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank current accounts held at call, bank deposits with very short maturity terms and bank overdrafts. Any bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Company income statement

The Company has taken advantage of the exemption provided by section 408 of the Companies Act 2006 not to present its income statement for the year. The profit of the Company for the year was £538,000 (2015: £757,000).

Deferred taxation

Deferred income tax is provided in full, using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax liabilities are recognised in respect of the unremitted earnings of overseas operations where they are expected to be remitted to the United Kingdom in the foreseeable future.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be generated against which the temporary differences can be utilised.

Dividends

Dividend payments are recognised as liabilities once they are no longer at the discretion of the Company.

Dividend income from investments is recognised in the income statement when the shareholders’ rights to receive payment have been established.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group or Company has become a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value.

Foreign currency

Transactions in currencies other than the functional currency of each operation are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each statement of financial position, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the date of the statement of financial position. Gains and losses arising on retranslation are included in the income statement for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated from their functional currencies at exchange rates prevailing at the date of the statement of financial position. Income and expense items are translated from their functional currencies at the average exchange rates for the year. Exchange differences arising are recognised directly in equity and transferred to the Group's foreign currency translation reserve. If an overseas operation is disposed of then the cumulative translation differences are recognised as realised income or an expense in the year disposal occurs.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired. Where the net fair value of the identifiable assets and liabilities of the acquiree is in excess of the consideration paid, negative goodwill is recognised immediately in the income statement.

Goodwill is tested annually for impairment and an impairment loss would be recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment

At the date of each statement of financial position, a review of property, plant and equipment and intangible assets (excluding goodwill) is carried out to determine whether there is any indication that those assets have suffered any impairment. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which the asset belongs is estimated.

Other intangible assets

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Subsequently the intangible assets are carried at cost less accumulated amortisation and accumulated impairment. Amortisation is charged on a straight line basis with the useful economic lives attributed as follows:

Trade name – 25 years
Trade licence – 10 years
Customer relationships – 7 to 10 years
Order book – Over the life of the contracts

Amortisation is charged to other operating expenses within the consolidated income statement.

Investments

Investments in subsidiaries, associates and joint ventures are held in the statement of financial position of the Company at historic cost less any allowance for impairment.

Leases and asset finance arrangements

Where asset finance arrangements result in substantially all the risks and rewards of ownership resting with the Group, the arrangement is treated as a finance lease with the assets included in the statement of financial position.

Such assets are initially measured at the present value of the minimum asset finance payments and the present value of future payments is shown as a liability. The interest element of these arrangements is charged to the income statement over the period of the arrangement in proportion to the balance of capital payments outstanding.

All other lease arrangements are treated as operating leases and the annual rentals are charged to the income statement on a straight line basis over the lease term.

Where a rent free period is received in respect of a property lease the incentive is considered an integral part of the agreement, and the cost of the lease net of the incentive is charged to the income statement on a straight line basis over the lease term.

Operating segments

The Group's reportable operating segments are based on the geographical areas in which its studios are located. Internally the Group prepares discrete financial information for each of its geographical segments.

Each reportable operating segment provides the same type of service to clients, namely integrated professional design services for the built environment and internally the Group does not sub divide its business by type of service.

Other operating expenses

Other operating expenses include legal and professional costs, professional indemnity insurance premiums, marketing expenses and other general expenses.

Property, plant and equipment

All property, plant and equipment is stated at historical cost of acquisition less depreciation and any impairment provisions. Historical cost of acquisition includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of property, plant and equipment is calculated to write off the cost of acquisition over the expected useful economic lives using the straight line method and over the following number of years:

Leasehold improvements – Unexpired term of lease
Office furniture – 4 years
Office equipment – 4 years
Computer equipment – 2 years

Ownership of property, plant and equipment held under an asset finance arrangement reverts to the Group at the end of the arrangement and therefore such assets are depreciated over the same useful economic lives as assets not held under such arrangements.

Provisions

Provisions are recognised when a present obligation has arisen as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where the effect of the time value of money is material, the provision is based on the present value of future outflows, discounted at the pre tax discount rate that reflects the risks specific to the liability.

In those geographies where it is a legal requirement, provision is also made for end of service benefit ('EOSB'), being amounts payable to employees when their contract with the group ends (see note 24).

Post retirement benefits

Costs in respect of defined contribution pension arrangements are charged to the income statement on an accruals basis in line with the amounts payable in respect of the accounting period. The Group has no defined benefit pension arrangements.

Revenue recognition

Revenue represents the value of services performed for customers under contract (excluding value added taxes). Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the proportion of total time expected to be required to undertake the contract which had been performed.

The amount by which revenue exceeds progress billings is classified as amounts due from customers for contract work and included in trade and other receivables. To the extent progress billings exceed relevant revenue, the excess is classified as advances received from customers for contract work and included in trade and other payables.

Revenue is only recognised when there is a contractual right to consideration and any revenue earned can be estimated reliably. Variations in contract work, claims and incentive payments are only recognised when it is probable they will result in revenue and they are capable of being measured reliably.

Share based payments

The Group has issued share options to certain employees, in return for which the Group receives services from those employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Company's share price) but excluding the impact of any service or non market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

The grant by the Company of options over its shares to employees of subsidiary undertakings is treated as a capital contribution. The fair value of employee services received is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Trade receivables

Trade receivables are amounts due from clients for services provided in the ordinary course of business and are stated net of any provision for impairment.

An allowance for impairment of trade receivables is established when there are indicators suggesting that it is uncertain whether all the amounts due will be collectable. Known significant financial difficulties of the client and lengthy delinquency in receipt of payments are considered indicators that a trade receivable may be impaired. Where a trade receivable is considered impaired the carrying amount is reduced using an allowance and the amount of the loss is recognised in the income statement within other operating expenses.

2 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing the financial statements, the directors make estimates and assumptions concerning the future. The resulting accounting estimates, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are considered to be:

Recognition of contractual revenue

Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the proportion of total time expected to be required to undertake the contract which had been performed.

Estimates of the total time expected to be required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

The amount by which revenue exceeds progress billing is shown as amounts due from customers for contract work in note 19. The amount by which progress billing exceeds revenue is shown as advances received from customers for contract work in note 20.

Impairment of trade receivables

The Group provides architectural, interior design and related services to a wide variety of clients including property developers, owner occupiers and governmental organisations, both in the United Kingdom and overseas.

The Group endeavours to undertake work only for clients who have the financial strength to complete projects but even so, much property development is financed by funds not unconditionally committed at the commencement of the project. Problems with financing can on occasion unfortunately lead to clients being unable to pay their debts either on a temporary or more permanent basis.

The Group monitors receipts from clients closely and undertakes a range of actions if there are indications a client is experiencing funding problems. The Group makes impairment allowances if it is considered there is a significant risk of non payment. The factors assessed when considering an impairment allowance include the ownership of the development site, the general financial strength of the client, likely use / demand for the completed project, and the length of time likely to be necessary to resolve the funding problems.

The Group strives to maintain good relations with clients, but on occasions disputes do arise with clients requiring litigation to recover outstanding monies. In such circumstances, the directors carefully consider the individual facts relating to each case (such as strength of the legal arguments and financial strength of the client) when deciding the level of any impairment allowance.

Further quantitative information concerning trade receivables is shown in note 30.

Impairment of goodwill

Details of the impairment reviews undertaken in respect of the carrying value of goodwill are given in note 13.

Recoverability of deferred tax assets

As shown in note 23, the Group has recognised some deferred tax assets as recoverable, principally in the United Kingdom relating to historic trading losses. These trading losses arose during the three years ended 30 September 2011 as a result of the impact of the difficult economic environment on the business.

As part of the Swanke Hayden Connell Europe Limited business combination in 2013 further tax losses were acquired in the United Kingdom. These trading losses arose during the years ended 31 December 2011 and 31 December 2012.

As shown in note 3, the United Kingdom operation has been profitable and generated significant profits in the period 2014-2016 which has already led to the recovery of a large proportion of the deferred tax assets.

The length of time taken to generate sufficient taxable profits to fully utilise these trading losses is primarily dependent on the strength of the property development market. In combination with the goodwill impairment review described in note 13, forecasts have been prepared of the projected utilisation of these trading losses.

Historically the property development market has both declined more swiftly and recovered more sharply than the economy as a whole, however for the purposes of these forecasts the directors have prudently assumed that further recovery is slower and steadier than past property cycles.

Based on these forecasts the directors believe that it is probable that the remaining recognised deferred tax assets will be recoverable.

Potential deferred tax assets in jurisdictions where the directors believe that it is not probable that they will be recoverable through future taxable profits have not been recognised. As noted in note 23, the directors have prudently not recognised any deferred tax assets in the Russian operation.

Recognition of fee claim revenue

The nature of the project work undertaken by the Group means sometimes the scale and scope of a project increases after work has commenced. Subsequent changes to the scale and scope of the work may require negotiation with the clients for variations.

Advance agreement of the quantum of variation fees is not always possible, in particular when the timescale for project completion is changing or where the cost of variations cannot be determined until the work has been undertaken.

In such circumstances the revenue recognised is limited to the amounts considered both probably recoverable, and capable of reliable measurement, taking into account all the relevant circumstances of the individual project and client.

3 Operating segments

The Group comprises a single business segment and three separately reportable geographical segments (Hubs), 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.

Income statement segment information

Segment revenue	2016 £’000	2015 £’000
United Kingdom	12,142	14,488
Middle East	7,383	2,129
Continental Europe	1,316	2,051
Revenue	20,841	18,668

Segment revenue less sub consultant costs	2016 £’000	2015 £’000
United Kingdom	12,080	14,368
Middle East	5,424	1,306
Continental Europe	906	1,212
Revenue less sub consultant costs	18,410	16,886

All of the Group’s revenue relates to the value of services performed for customers under construction type contracts.

Segment net finance expense	2016 £’000	2015 £’000
United Kingdom	-	(5)
Middle East	-	-
Continental Europe	8	3
Group costs	(28)	(8)
Net finance expense	(20)	(10)

Segment depreciation	2016 £'000	2015 £'000
United Kingdom	254	303
Middle East	72	10
Continental Europe	33	32
Depreciation	359	345

Segment amortisation	2016 £'000	2015 £'000
United Kingdom	27	27
Middle East	112	32
Continental Europe	38	21
Amortisation	177	80

2016 Segment result	Before goodwill impairment £'000	Release of negative goodwill £'000	Goodwill impairment £'000	Total £'000
United Kingdom	1,052	-	-	1,052
Middle East	(119)	160	-	41
Continental Europe	112	-	(17)	95
Group costs	(261)	-	-	(261)
Profit before tax	784	160	(17)	927

2015 Segment result	Before goodwill impairment £'000	Release of negative goodwill £'000	Goodwill impairment £'000	Total £'000
United Kingdom	1,993	-	-	1,993
Middle East	47	-	-	47
Continental Europe	88	-	-	88
Group costs	(258)	-	-	(258)
Profit before tax	1,870	-	-	1,870

Statement of financial position segment information

Segment assets	2016 £'000	2015 £'000
United Kingdom	2,633	3,443
Middle East	4,918	1,307
Continental Europe	374	470
Trade receivables and amounts due from customers for contract work	7,925	5,220
Other current assets	3,141	3,083
Non current assets*	4,900	4,306
Total assets	15,966	12,609

*Non current assets include investments in associates and joint ventures.

Segment liabilities	2016 £'000	2015 £'000
United Kingdom	2,502	3,809
Middle East	1,860	760
Continental Europe	147	320
Trade payables, advances received for contract work and accruals	4,509	4,889
Other current liabilities	2,393	1,061
Non current liabilities	1,875	408
Total liabilities	8,777	6,358

Geographical areas

Revenue	2016 £'000	2015 £'000
United Kingdom	12,142	14,488
Country of domicile	12,142	14,488
Russia	448	1,283
Turkey	868	768
United Arab Emirates	7,383	2,129
Foreign countries	8,699	4,180
Revenue	20,841	18,668

Non current assets	2016 £'000	2015 £'000
United Kingdom	2,347	2,518
Country of domicile	2,347	2,518
Russia	11	43
Czech Republic	17	7
Germany	693	347
Turkey	239	237
United Arab Emirates	1,374	866
Foreign countries	2,334	1,500
Non current assets excluding deferred tax	4,681	4,018
Deferred tax	219	288
Non current assets	4,900	4,306

Major clients

During the year ended 30 September 2016, the Group derived 10% or more of its revenues from one (2015: one) client.

	2016 £'000	2015 £'000
Largest client revenues	2,252	2,309

The largest client revenues for 2016 and 2015 relate to the United Kingdom operating segment.

Revenue by project site

The geographical split of revenue based on the location of project sites was:

	2016 £'000	2015 £'000
United Kingdom	12,014	14,262
Middle East	7,349	2,311
Continental Europe	1,396	2,085
Rest of the World	82	10
Revenue	20,841	18,668

4 Other operating income

	2016 £'000	2015 £'000
Property rental income	432	433
Management charges to joint ventures and associates	104	94
License fee income	5	10
Other sundry income	31	89
Release of negative goodwill on acquisition (note 35)	160	-
Total other operating income	732	626

5 Finance income

	2016 £'000	2015 £'000
Receivable on bank deposits	8	-
Other finance income	-	3
Total finance income	8	3

6 Finance costs

	2016 £'000	2015 £'000
Payable on bank loans and overdrafts	28	12
Other finance costs	-	1
Total finance costs	28	13

7 Auditor remuneration

During the year the Group incurred the following costs in relation to the Company's auditor and associates of the Company's auditor:

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	30	36
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	64	69
Non audit services - tax compliance services	1	3
Non audit services – audit related assurance services	3	-

The figures presented above are for Aukett Swanke Group Plc and its subsidiaries as if they were a single entity. Aukett Swanke Group Plc has taken the exemption permitted by United Kingdom Statutory Instrument 2008/489 to omit information about its individual accounts.

8 Employee information

The average number of persons employed by the Group during the year was as follows:

	2016 Number	2015 Number
Technical	220	201
Administrative	47	43
Total	267	244

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 121 persons (2015: 105 persons).

The costs of the persons employed by the Group during the year were:

	2016 £'000	2015 £'000
Wages and salaries	11,254	8,783
Social security costs	853	895
Contributions to defined contribution pension arrangements	359	347
Total	12,466	10,025

The wages and salaries costs above include £10,000 of restructuring costs (2015: £151,000).

The Group contributes to defined contribution pension arrangements for its employees both in the UK and overseas. The assets of these arrangements are held by financial institutions entirely separately from those of the Group.

The Group's Turkish subsidiary is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employees to receive termination indemnity payments.

The Group's Middle East subsidiaries are required to pay termination indemnities to each employee who completes one year of service as stipulated by UAE labour laws. Further details of this can be found in note 24.

9 Operating leases

The operating lease payments recognised as an expense during the year were:

	2016 £'000	2015 £'000
Property	1,141	1,144
Plant & equipment	32	33
Total	1,173	1,177

10 Directors' emoluments

2016	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	45	-	45	-	45
Nicholas Thompson	206	30	236	-	236
Beverley Wright	153	21	174	-	174
John Bullough	30	-	30	-	30
Andrew Murdoch	113	21	134	-	134
Nick Pell	113	3	116	-	116
David Hughes	25	9	34	-	34
Total	685	84	769	-	769

2015	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	45	-	45	-	45
Nicholas Thompson	241	29	270	-	270
Beverley Wright	167	21	188	-	188
John Bullough	30	-	30	-	30
Andrew Murdoch	135	16	151	-	151
Nick Pell	118	3	121	1	122
David Hughes	174	5	179	-	179
Duncan Harper	11	1	12	-	12
Total	921	75	996	1	997

Duncan Harper resigned from the Group on 10 October 2014.

David Hughes resigned as a Director on 22 December 2015.

Aggregate emoluments include bonuses awarded.

Benefits were accruing to five Directors (2015: six Directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid Director were £206,000 (2015: £241,000).

11 Tax charge

	2016 £'000	2015 £'000
Current tax	13	261
Adjustment in respect of previous years	(20)	(26)
Total current tax	(7)	235
Origination and reversal of temporary differences	89	(19)
Changes in tax rates	24	(1)
Total deferred tax (note 23)	113	(20)
Total tax charge	106	215

The standard rate of corporation tax in the United Kingdom is applicable for the financial year was 20% (2015: 20.5%)

The tax assessed for the year differs from the United Kingdom standard rate as explained below:

	2016 £'000	2015 £'000
Profit before tax	927	1,870
Profit before tax multiplied by the standard rate of corporation tax in the United Kingdom of 20% (2015: 20.5%)	185	383
Effects of:		
non tax deductible goodwill impairment	3	-
other non tax deductible expenses	54	69
differences in overseas tax rates	3	(1)
associate and joint ventures reported net of tax	(53)	(57)
impact on deferred tax of change in UK tax rate	24	(1)
tax losses not recognised	35	-
utilisation of previously unrecognised tax losses	-	(80)
current tax adjustment in respect of previous years	(20)	(26)
income not taxable	(125)	(72)
Total tax charge	106	215

12 Earnings per share

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

Earnings	2016 £'000	2015 £'000
Continuing operations	772	1,653
Profit for the year	772	1,653

Number of shares	2016 Number	2015 Number
Weighted average of Ordinary Shares in issue	165,213,652	165,213,652
Effect of dilutive options	153,916	305,482
Diluted weighted average of ordinary shares in issue	165,367,568	165,519,134

As explained in note 26 the Company has granted options over 1,000,000 of its Ordinary Shares. These have been included above as the average share price was above the exercise price in 2016 and they therefore have a dilutive effect.

13 Goodwill

Group

	£'000
Cost	
At 1 October 2014	2,085
Acquisition of subsidiary	481
Exchange differences	(33)
At 30 September 2015	2,533
Other adjustments	45
Exchange differences	101
At 30 September 2016	2,679
Impairment	
At 1 October 2014	250
Impairment	-
Exchange differences	-
At 30 September 2015	250
Charge	17
Exchange differences	3
At 30 September 2016	270
Net book value	
At 30 September 2016	2,409
At 30 September 2015	2,283
At 30 September 2014	1,835

The net book value of goodwill is allocated to the Group's cash generating units as follows:

	United Kingdom	Russia	Turkey	Middle East	Total
	£'000	£'000	£'000	£'000	£'000
At 30 September 2014	1,740	25	70	-	1,835
Acquisition of subsidiary	-	-	-	481	481
Impairment	-	-	-	-	-
Exchange differences	-	(9)	(14)	(10)	(33)
At 30 September 2015	1,740	16	56	471	2,283
Acquisition of subsidiary	-	-	-	-	-
Other adjustments				45	45
Impairment	-	(17)	-	-	(17)
Exchange differences	-	1	10	87	98
At 30 September 2016	1,740	-	66	603	2,409

The other adjustment of £45,000 (2015: £nil) to the Middle East CGU is in respect of a measurement period adjustment relating the acquisition of John R Harris & Partners Limited in June 2015 to reflect new information obtained within one year about facts and circumstances that were in existence at the acquisition date.

The goodwill allocated to each cash generating unit is tested annually for impairment.

The recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use pre tax cash flow projections based on financial budgets and forecasts covering a five year period. Cash flows beyond the five year period are extrapolated using long term average growth rates.

The carrying value of goodwill allocated to the United Kingdom and the Middle East is significant in comparison with the total carrying value of goodwill but the carrying value of goodwill allocated to Turkey is not. During the year, goodwill allocated to Russia has been impaired in full.

The key assumptions in the discounted cash flow projections for the United Kingdom operation are:

- the future level of revenue - which is based on knowledge of past property development cycles and external forecasts such as the construction forecasts published by Experian. Historically the property development market has both declined more swiftly and recovered more sharply than the economy as a whole;

- the future level of costs - which is based on the expected variability with revenue of the various types of expenditure incurred, and in particular the average revenue earning capacity of members of staff. These assumptions are based on historical experience and an assessment of the current cost base;

- long term growth rate - which has been assumed to be 2.4% per annum based on the average historical growth in gross domestic product in the United Kingdom over the past fifty years; and

- the discount rate - which is the Group's pre tax weighted average cost of capital and has been assessed at 14.5% (2015: 19%). This is considered appropriate as the United Kingdom operation produces the majority of the Group's revenue less sub consultant costs.

A 6% fall in all future forecast revenues without a corresponding reduction in costs in the UK CGU would result in carrying amounts exceeding their recoverable amount.

The key assumptions in the discounted cash flow projections for the Middle East operation are:

- the future level of revenue - which is based on knowledge of the current and expected level of construction activity in the Middle East, in particular in the build up to the World Expo 2020;

- the future collection of trade receivables - which is based on management's best estimates of recoverability in a geography where it is common to have high levels of over 60 days trade receivables;

- the future level of costs - which is based on the expected variability with revenue of the various types of expenditure incurred, and in particular the average revenue earning capacity of members of staff. These assumptions are based on historical experience and an assessment of the current cost base;

- long term growth rate - which has been assumed to be 5.1% per annum based on the average historical growth in gross domestic product in the Middle East over the past forty years; and

- the discount rate - the pre tax cost of capital has been assessed at 13.6% (2015: 16.0%). This is considered appropriate as the Middle East operation does not suffer corporation tax.

A 10% fall in all future forecast revenues without a corresponding reduction in costs in the Middle East CGU would result in carrying amounts exceeding their recoverable amount.

14 Other intangible assets

Group	Trade name £'000	Customer relationships £'000	Order book £'000	Trade licence £'000	Total £'000
Cost					
At 30 September 2014	402	234	36	-	672
Acquisition of subsidiary	-	158	117	63	338
Exchange differences	(23)	(23)	(4)	2	(48)
At 30 September 2015	379	369	149	65	962
Acquisition of subsidiary (note 35)	282	28	-	-	310
Exchange differences	46	51	26	11	134
At 30 September 2016	707	448	175	76	1,406
Amortisation					
At 30 September 2014	13	29	36	-	78
Charge	15	37	26	2	80
Exchange differences	(1)	(6)	(7)	-	(14)
At 30 September 2015	27	60	55	2	144
Charge	41	50	79	7	177
Exchange differences	5	4	19	1	29
At 30 September 2016	73	114	153	10	350
Net book value					
At 30 September 2016	634	334	22	66	1,056
At 30 September 2015	352	309	94	63	818
At 30 September 2014	389	205	-	-	594

Amortisation is included in other operating charges in the consolidated income statement.

Trade name

The trade name was acquired as part of the acquisition of Swanke Hayden Connell Europe Limited ("SHC") in December 2013 and also on the acquisition of Shankland Cox Limited ("SCL") in February 2016. The SHC trade name reflects the inclusion of the Swanke name in the enlarged Group. Trade names are amortised on a straight line basis over a 25 year period from the acquisition date.

Customer relationships

The customer relationships were acquired as part of the acquisition of SHC in December 2013, on the acquisition of John R Harris & Partners Limited ("JRHP") in June 2015 and on the acquisition of SCL in February 2016. This represents the value attributed to clients who provided repeat business to the Group on the strength of these relationships. Customer relationships are amortised on a straight line basis over a 7-10 year period from the acquisition dates.

Order book

The net book value of the order book was acquired as part of the acquisition of JRHP in June 2015. This represents the value of on going contracts acquired at the acquisition date. The amortisation of the order book is over the period to completion of the contracts.

Trade licence

The trade licence was acquired as part of the acquisition of JRHP in June 2015. This represents the value of licences granted to JRHP for architectural activities in the regions in which it operates. The licence is amortised on a straight line basis over a 10 year period from the acquisition date.

15 Property, plant & equipment

Group	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
Cost			
At 30 September 2014	569	1,025	1,594
Additions	-	209	209
Acquisition of subsidiary	-	75	75
Disposals	-	(25)	(25)
Exchange differences	(11)	(34)	(45)
At 30 September 2015	558	1,250	1,808
Additions	-	151	151
Acquisition of subsidiary (note 35)	-	132	132
Disposals	(7)	(92)	(99)
Exchange differences	6	53	59
At 30 September 2016	557	1,494	2,051
Depreciation			
At 30 September 2014	227	719	946
Charge	106	239	345
Disposals	-	(19)	(19)
Exchange differences	(5)	(22)	(27)
At 30 September 2015	328	917	1,245
Charge	103	256	359
Disposals	(7)	(75)	(82)
Exchange differences	3	20	23
At 30 September 2016	427	1,118	1,545
Net book value			
At 30 September 2016	130	376	506
At 30 September 2015	230	333	563
At 30 September 2014	342	306	648

16 Investments

Company	Subsidiaries £'000	Joint ventures £'000	Associate £'000	Total £'000
Cost				
At 30 September 2014	6,931	21	12	6,964
Additions	897	-	-	897
Disposals	-	-	-	-
Change in value of indemnification asset	(43)	-	-	(43)
At 30 September 2015	7,785	21	12	7,818
Additions	2,142	-	-	2,142
Disposals	-	-	-	-
At 30 September 2016	9,927	21	12	9,960
Provisions				
At 30 September 2014	3,497	-	-	3,497
Charge	-	-	-	-
At 30 September 2015	3,497	-	-	3,497
Charge	-	-	-	-
At 30 September 2016	3,497	-	-	3,497
Net book value				
At 30 September 2016	6,430	21	12	6,463
At 30 September 2015	4,288	21	12	4,321
At 30 September 2014	3,434	21	12	3,467

Subsidiary operations

The following are the subsidiary undertakings at 30 September 2016:

Name	Country of Incorporation	Class and proportion of ordinary equity held 2016	2015	Nature of business
Subsidiaries				
Aukett Swanke Limited	England & Wales	100%	100%	Architecture & design
Aukett Fitzroy Robinson International Limited	England & Wales	100%	100%	Architecture & design
Veretec Limited	England & Wales	100%	100%	Architecture & design
Aukett Swanke OOO (formerly ZAO Aukett Fitzroy Vostok)	Russia	100%	100%	Architecture & design
Swanke Hayden Connell International Limited	England & Wales	100%	100%	Architecture & design
Swanke Hayden Connell Mimarlik AS	Turkey	100%	100%	Architecture & design
John R Harris & Partners Limited	Cyprus	80%	80%	Architecture & design
Shankland Cox Limited	England & Wales	100%	-	Architecture & Engineering
Swanke Hayden Connell Europe Limited	England & Wales	100%	100%	Non trading
Aukett Fitzroy Robinson Sp Zoo	Poland	100%	100%	Non trading
Fitzroy Robinson Limited	England & Wales	100%	100%	Dormant
Swanke Limited	England & Wales	100%	100%	Dormant
John R Harris & Partners Limited	England & Wales	100%	100%	Dormant
Aukett Fitzroy Robinson Limited	England & Wales	100%	100%	Dormant
Thomas Nugent Architects Limited	England & Wales	100%	100%	Dormant
Aukett Fitzroy Robinson Europe Limited	England & Wales	100%	100%	Dormant
Aukett Limited	England & Wales	100%	100%	Dormant
Aukett (UK) Limited	England & Wales	100%	100%	Dormant
Aukett Group Limited	England & Wales	100%	100%	Dormant
Fitzroy Robinson West & Midlands Limited	England & Wales	100%	100%	Dormant

Aukett Fitzroy Robinson International Limited is incorporated in England & Wales, but operates principally through its Middle East branch which is registered in the Abu Dhabi emirate of the United Arab Emirates.

John R Harris & Partners Limited is incorporated in Cyprus and operates principally in the Middle East. It is also the only subsidiary for which there is a non controlling interest. The proportion of equity and voting rights held by the non controlling interests is 20%.

Shankland Cox Limited is incorporated in England & Wales, but operates principally through its Middle East branches registered in emirates of the United Arab Emirates including Abu Dhabi, Dubai, Al Ain and Ras Al Khaimah.

Interest in associate and joint ventures

Set out below are the associate and joint ventures of the Group as at 30 September 2016. The entities listed below have share capital consisting solely of ordinary shares, held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation	% of ownership interest 2016	% of ownership interest 2015	Nature of relationship	Measurement method
Aukett + Heese Frankfurt GmbH	Germany	50%	50%	Joint Venture	Equity
Aukett sro	Czech Republic	50%	50%	Joint Venture	Equity
Aukett + Heese GmbH	Germany	25%	25%	Associate	Equity

All joint venture and associate entities provide architectural and design services. There are no contingent liabilities or commitments in relation to the joint ventures or associates.

17 Investment in associate

As disclosed in note 16, the Group owns 25% of Aukett + Heese GmbH which is based in Berlin, Germany. The table below provides summarised financial information for Aukett + Heese GmbH as it is material to the Group. The information disclosed reflects Aukett + Heese GmbH's relevant financial statements and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method.

Summarised balance sheet	2016 £'000	2015 £'000
Assets		
Non current assets	372	233
Current assets	3,116	1,991
Total assets	3,488	2,224
Liabilities		
Current liabilities	(1,372)	(1,207)
Non current liabilities	-	-
Total liabilities	(1,372)	(1,207)
Net assets	2,116	1,017

Reconciliation to carrying amounts:

Opening net assets at 1 October	1,017	976
Profit for the period	840	1,055
Other comprehensive income	259	(49)
Dividends paid	-	(965)
Closing net assets	2,116	1,017
Group's share in %	25%	25%
Group's share in £'000	529	254
Carrying amount	529	254

Summarised statement of comprehensive income	2016 £'000	2015 £'000
Revenue	8,254	7,713
Sub consultant costs	(1,807)	(2,215)
Revenue less sub consultant costs	6,447	5,498
Operating costs	(5,244)	(3,986)
Profit before tax	1,203	1,512
Taxation	(363)	(457)
Profit for the period from continuing operations	840	1,055
Other comprehensive income	259	(49)
Total comprehensive income	1,099	1,006

The Group received dividends of £nil (2015: £241,000) from Aukett + Heese GmbH. The principal risks and uncertainties associated with Aukett + Heese GmbH are the same as those detailed within the Group's Strategic Report.

18 Investments in joint ventures

Frankfurt

As disclosed in note 16, the Group owns 50% of Aukett + Heese Frankfurt GmbH which is based in Frankfurt.

	£'000
At 30 September 2014	124
Share of profits	13
Dividends paid	(37)
Exchange differences	(6)
At 30 September 2015	94
Share of profits	50
Dividends paid	-
Exchange differences	20
At 30 September 2016	164

The following amounts represent the Group's 50% share of the assets and liabilities, and revenue and expenses of Aukett + Heese Frankfurt GmbH.

	2016 £'000	2015 £'000
Assets		
Non current assets	8	9
Current assets	308	186
Total assets	316	195
Liabilities		
Current liabilities	(152)	(101)
Non current liabilities	-	-
Total liabilities	(152)	(101)
Net assets	164	94

	2016 £'000	2015 £'000
Revenue	474	443
Sub consultant costs	(92)	(147)
Revenue less sub consultant costs	382	296
Operating costs	(323)	(277)
Profit before tax	59	19
Taxation	(9)	(6)
Profit after tax	50	13

Prague

As disclosed in note 16, the Group owns 50% of Aukett sro which is based in Prague.

	£'000
At 30 September 2014	7
Share of profits	-
Exchange differences	(1)
At 30 September 2015	6
Share of profits	8
Exchange differences	3
At 30 September 2016	17

The following amounts represent the Group's 50% share of the assets and liabilities of Aukett sro.

	2016 £'000	2015 £'000
Assets		
Non current assets	1	1
Current assets	71	64
Total assets	72	65
Liabilities		
Current liabilities	(55)	(59)
Non current liabilities	-	-
Total liabilities	(55)	(59)
Net assets	17	6

	2016 £'000	2015 £'000
Revenue	168	143
Sub consultant costs	(10)	(22)
Revenue less sub consultant costs	158	121
Operating costs	(150)	(121)
Profit before tax	8	-
Taxation	-	-
Profit after tax	8	-

19 Trade and other receivables

Group	2016 £'000	2015 £'000
Gross trade receivables	7,334	4,498
Impairment allowances	(1,276)	(357)
Net trade receivables	6,058	4,141
Amounts due from customers for contract work	1,867	1,079
Amounts owed by associates and joint ventures	49	70
Other receivables	435	425
Prepayments	818	715
Total	9,227	6,430

Company	2016 £'000	2015 £'000
Amounts due after more than one year		
Amounts owed by associate and joint ventures	49	48
Total amounts due after more than one year	49	48
Amounts due within one year		
Amounts owed by subsidiaries	1,270	382
Amounts owed by associate and joint ventures	-	22
Other receivables	35	16
Prepayments	6	12
Total amounts due within one year	1,311	432
Total	1,360	480

The amounts owed by subsidiaries were secured in January 2013 by debentures over all the assets of the relevant subsidiaries. These debentures rank after the debentures securing the bank loan and overdraft.

20 Trade and other payables

Group	2016 £'000	2015 £'000
Trade payables	1,089	881
Advances received from customers for contract work	1,616	2,572
Amounts due to associate and joint ventures	-	4
Other taxation and social security	626	704
Other payables	1,302	236
Dividends payable	116	-
Accruals	1,804	1,436
Total	6,553	5,833

Company	2016 £'000	2015 £'000
Trade payables	22	4
Amounts owed to subsidiaries	3,421	2,157
Other payables	1	2
Dividends payable	116	-
Accruals	59	137
Total	3,619	2,300

See note 34 for further details of the amounts due to subsidiaries.

21 Secured bank loan

Group and Company	2016 £'000	2015 £'000
Instalments repayable within one year	247	-
Current liability	247	-
Instalments repayable between one and two years	247	-
Instalments repayable between two and five years	555	-
Non current liability	802	-
Total	1,049	-

The bank loan and overdraft are secured by debentures over all the assets of the Company and certain of its United Kingdom subsidiaries. The bank loan and overdraft carry interest at 2.5% above the London Interbank Offer Rate (LIBOR) in the relevant currency.

22 Analysis of net funds

Group	2016 £'000	2015 £'000
Cash and cash equivalents	1,839	1,873
Cash and cash equivalents	1,839	1,873
Secured bank loan (note 21)	(1,049)	-
Net funds	790	1,873

23 Deferred tax

Group	Tax depreciation on plant and equipment £'000	Trading losses £'000	Other temporary differences £'000	Total £'000
At 30 September 2014	65	225	(71)	219
Income statement	(5)	15	10	20
Exchange differences	-	(12)	7	(5)
At 30 September 2015	60	228	(54)	234
Income statement	(4)	(73)	(36)	(113)
Exchange differences	-	1	(3)	(2)
At 30 September 2016	56	156	(93)	119

Group	2016 £'000	2015 £'000
Deferred tax assets	219	288
Deferred tax liabilities	(100)	(54)
Net deferred tax balance	119	234

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise deferred income tax in respect of losses that can be carried forward against future taxable income in its Russian operation.

The Group also did not recognise deferred income tax in respect of taxable losses carried forward against future taxable income of certain of its subsidiaries which are incorporated in the UK but operate wholly through permanent establishments in the Middle East and future profits are therefore anticipated to be non taxable.

Further information regarding the assessment of the recoverability of deferred tax assets is given in note 2.

The Company has a deferred tax asset of £nil (2015: £2,000) recognised in respect of other temporary differences.

24 Provisions

Group	Redundancy provision £'000	Property lease provision £'000	Employee benefit obligations £'000	Total £'000
At 30 September 2014	7	52	45	104
On acquisition of subsidiary	-	-	164	164
Utilised	(3)	-	(15)	(18)
Released	(1)	-	-	(1)
Provided	-	95	18	113
Exchange differences	(3)	-	(5)	(8)
At 30 September 2015	-	147	207	354
On acquisition of subsidiary	-	-	589	589
Utilised	-	-	(124)	(124)
Released	-	-	-	-
Provided	-	45	97	142
Exchange differences	-	-	102	102
At 30 September 2016	-	192	871	1,063

Redundancy provision

The redundancy provision at 30 September 2014 related to the expected costs of reducing staff numbers to better match staffing resources with projected workload. The provision arose from obligations contained in employment contracts and statutory obligations.

Property lease provision

The provision carried forward at 30 September 2016 is the future estimated cost of work to be performed after seeking appropriate external professional advice for the Group's two London premises, on obligations arising under its lease.

Employee benefit obligations

The Group's Middle East subsidiaries are required to pay termination indemnities to each employee who completes one year of service as stipulated by UAE labour laws. The net charge to the income statement comprises the service cost and the interest on the liability and is included in personnel related expenses. The obligation has been measured at the reporting date using the projected unit credit method in accordance with IAS 19 and is funded from working capital.

The key actuarial assumptions used in the calculation are detailed below:

Combined average length of service	5 years
Discount rate	2.125%
Salary growth rate	2.7%

The Group determined discount rates on the basis of current yields on 5 year government bonds in the same currency as the liabilities. Forecast consumer price inflation (CPI) in the region has been used as a proxy for forecast salary growth.

The sensitivity of the employee benefit obligation to changes in assumptions is set out below. The effects of a change in assumption are weighted proportionally to the total plan obligations to determine the total impact for each assumption presented.

		Impact on employee benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Combined average length of service	1 year	2.1%	(8.7)%
Salary growth rate	1%	0.6%	(0.6)%
Discount rate	1%	(0.6)%	0.6%

The Group's Turkish subsidiary is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity. The liability has been measured in line with IAS 19 and is funded from working capital.

25 Share capital

Group and Company	2016 £'000	2015 £'000
Allocated, called up and fully paid		
165,213,652 (2015: 165,213,652) ordinary shares of 1p each	1,652	1,652

	Number
At 1 October 2014	165,213,652
No changes	-
At 30 September 2015	165,213,652
No changes	-
At 30 September 2016	165,213,652

The objectives, policies and processes for managing capital are outlined in the strategic report.

26 Share options

The Company has granted options over its Ordinary Shares to Group employees as follows:

Granted	At 1 October 2015 Number	Granted Number	Lapsed Number	At 30 September 2016 Number	Exercise price Pence	Earliest exercisable date	Latest exercisable date
11 April 2011	1,000,000	-	-	1,000,000	5.00	12 April 2013	11 April 2017
Total	1,000,000	-	-	1,000,000			

The share options were granted on 11 April 2011 and vest after two years' service. They are exercisable between two and six years after grant.

27 Cash generated from operations

Group	2016 £'000	2015 £'000
Profit before tax – continuing operations	927	1,870
Finance income	(8)	(3)
Finance costs	28	14
Share of results of associate and joint ventures	(267)	(277)
Goodwill impairment provision	17	-
Intangible amortisation	177	80
Depreciation	359	345
Loss/(profit) on disposal of property, plant & equipment	10	(2)
Change in trade and other receivables	628	597
Change in trade and other payables	(1,583)	(1,273)
Change in provisions	16	92
Negative goodwill	(160)	-
Unrealised foreign exchange differences	(40)	-
Net cash generated from operations	104	1,443

Company	2016 £'000	2015 £'000
Profit before income tax	543	757
Dividends received	(820)	(1,279)
Finance costs	23	2
Change in trade and other receivables	(879)	(26)
Change in trade and other payables	70	616
Unrealised foreign exchange differences	217	-
Net cash (used by) / generated from operations	(846)	70

28 Financial instruments

Risk management

The Company and the Group hold financial instruments principally to finance their operations or as a direct consequence of their business activities. The principal risks considered to arise from financial instruments are foreign currency risk and interest rate risk (market risks), counterparty risk (credit risk) and liquidity risk. Neither the Company nor the Group trade in financial instruments.

Categories of financial assets and liabilities

Group	2016 £'000	2015 £'000
Trade receivables	6,058	4,141
Amounts due from customers for contract work	1,867	1,079
Amounts owed by associate and joint ventures	49	70
Other receivables	434	425
Cash and cash equivalents	1,839	1,873
Loans and receivables	10,247	7,588
Trade payables	(1,089)	(881)
Other payables	(1,419)	(236)
Amounts due to associate and joint ventures	-	(4)
Accruals	(1,804)	(1,436)
Secured bank loan	(1,049)	-
Provisions	(1,063)	(354)
Financial liabilities measured at amortised cost	(6,424)	(2,911)
Net financial instruments	3,823	4,677

Company	2016 £'000	2015 £'000
Amounts owed by subsidiaries	1,271	382
Amount owed by associate and joint ventures	49	70
Other receivables	-	16
Cash and cash equivalents	596	1,007
Loans and receivables	1,916	1,475
Trade payables	(22)	(4)
Amounts owed to subsidiaries	(3,422)	(2,157)
Other payables	(117)	(2)
Accruals	(59)	(137)
Secured bank loan	(1,049)	-
Financial liabilities measured at amortised cost	(4,669)	(2,300)
Net financial instruments	(2,753)	(825)

The Directors consider that there were no material differences between the carrying values and the fair values of all the Company's and all the Group's financial assets and financial liabilities at each year end based on the expected future cash flows.

Collateral

As disclosed in note 21 the bank loan and overdraft are secured by a debenture over all the present and future assets of the Company and certain of its United Kingdom subsidiaries. The carrying amount of the financial assets covered by this debenture were:

	2016 £'000	2015 £'000
Group	5,930	10,959
Company	1,010	1,551

Other receivables in the consolidated statement of financial position include a £148,000 rent security deposit (2015: £148,000) in respect of one of the Group's London studio premises and a £6,000 rent deposit (2015: £10,000) in respect of the Group's Moscow studio premises.

29 Foreign currency risk

The Group's operations seek to contract with customers and suppliers in their own functional currencies to minimise exposure to foreign currency risk, however, for commercial reasons contracts are occasionally entered into in foreign currencies.

Where contracts are denominated in other currencies the Group usually seeks to minimise net foreign currency exposure from recognised project related assets and liabilities by using foreign currency denominated overdrafts.

The Group does not hedge future revenues from contracts denominated in other currencies due to the rights of clients to suspend or cancel projects. The Board has taken a decision not to hedge the net assets of the Group's overseas operations.

The denomination of financial instruments by currency was:

Group	2016 £'000	2015 £'000
Czech Koruna	48	48
EU Euro	78	63
Polish Zloty	2	(9)
Russian Rouble	100	408
UAE Dirham	2,210	512
UK Sterling	1,773	3,961
US Dollar	(653)	(324)
Turkish Lira	265	18
Net financial instruments	3,823	4,677

Company	2016 £'000	2015 £'000
Czech Koruna	49	48
EU Euro	80	62
UK Sterling	(1,332)	(929)
US Dollar	(906)	(74)
UAE Dirham	(650)	68
Turkish Lira	6	-
Net financial instruments	(2,753)	(825)

A 10% percent weakening of UK Sterling against all currencies at 30 September would have increased / (decreased) equity by the amounts shown below. This analysis is applied currency by currency in isolation (i.e. ignoring the impact of currency correlation and assumes that all other variables, in particular interest rates, remain consistent). A 10% strengthening of UK Sterling against all currencies would have an equal but opposite effect.

	2016		2015	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000
Group	100	105	45	35
Company	(142)	-	10	-

The following foreign exchange gains / (losses) arising from financial assets and financial liabilities have been recognised in the income statement:

	2016 £'000	2015 £'000
Group	26	(1)
Company	(190)	(12)

The Group's exchange loss of £26,000 (2015: loss of £1,000) includes cumulative exchange reserve losses of £nil (2015: £nil) recycled through the income statement on discontinued operations.

30 Counterparty risk

Group

No collateral is held in respect of any financial assets and therefore the maximum exposure to credit risk at the date of the statement of financial position is the carrying value of financial assets shown in note 28.

Counterparty risk is only considered significant in relation to trade receivables, amounts due from customers for contract work, other receivables and cash and cash equivalents.

The ageing of trade receivables against which no impairment allowance has been made, as the directors consider their recovery is probable, was:

	2016 £'000	2015 £'000
Not overdue	2,170	1,978
Between 0 and 30 days overdue	929	753
Between 30 and 60 days overdue	408	510
Greater than 60 days overdue	2,551	900
Total	6,058	4,141

The movement on impairment allowances for trade receivables was as follows:

	£'000
At 30 September 2014	44
Acquisition of subsidiary	321
Release to the income statement	(11)
Allowance utilised	-
Exchange differences	3
At 30 September 2015	357
Acquisition of subsidiary	696
Release to the income statement	155
Allowance utilised	(80)
Exchange differences	148
At 30 September 2016	1,276

All of the trade receivables considered to be impaired were greater than 90 days overdue.

The processes undertaken when considering whether a trade receivable may be impaired are set out in note 2. All amounts overdue have been individually considered for any indications of impairment and provision for impairment made where considered appropriate.

The concentration of counterparty risk within the £8,102,000 (2015: £5,220,000) of trade receivables and amounts due from customers for contract work is illustrated in the table below showing the three largest exposures to individual clients at 30 September.

	2016 £'000	2015 £'000
Largest exposure	623	445
Second largest exposure	429	292
Third largest exposure	329	175

The Group's principal banker is Coutts & Co, a member of the Royal Bank of Scotland group. At 30 September 2016 the largest exposure to a single financial institution represented 60% (2015: 87%) of the Group's cash and cash equivalents.

Company

The Company does not have any trade receivables or amounts due from customers for contract work.

The amounts owed by United Kingdom subsidiaries were secured in January 2013 by debentures over all the assets of the relevant subsidiaries. These debentures rank after the debentures securing the bank loan and overdraft. Prior to this all amounts owed by United Kingdom subsidiaries and by associate and joint ventures were unsecured. The amounts owed by associate and joint ventures remain unsecured.

All of the Company's cash and cash equivalents are held by Coutts & Co.

The Company is exposed to counterparty risk though the guarantees set out in note 33.

31 Interest rate risk

Group	2016 £'000	2015 £'000
Rent deposit	148	148
Secured bank loan	(1,049)	-
Interest bearing financial instruments	(901)	148

Company	2016 £'000	2015 £'000
Secured bank loans and overdrafts	(1,049)	(77)
Interest bearing financial instruments	(1,049)	(77)

The property rent deposit earns variable rates of interest based on short term inter bank lending rates.

Due to the current low levels of worldwide interest rates, and Group treasury management requirements, the cash and cash equivalents are in practice currently not interest bearing, and therefore have not been included in interest bearing financial instruments disclosures.

The bank loan and overdraft carry interest at 2.5% above the London Interbank Offer Rate (LIBOR) of the relevant currency.

A 1% point rise in worldwide interest rates would have the following impact on profit, assuming that all other variables, in particular the interest bearing balance, remain constant. A 1% fall in worldwide interest rates would have an equal but opposite effect.

	2016 £'000	2015 £'000
Group	(9)	2
Company	(10)	(1)

32 Liquidity risk

The Group's cash balances are held at call or in deposits with very short maturity terms.

At 30 September 2016 the Group had £850,000 (2015: £850,000) of gross borrowing facility under its United Kingdom gross bank overdraft facility. In January 2017 Coutts & Co renewed the gross overdraft facility which is now next due for review in December 2017.

The Group and Company had outstanding borrowings of £1,049,000 (2015: £nil) at 30 September 2016.

The maturity analysis of borrowings, including contractual payments of floating rate interest is as shown below:

Gross borrowings	2016 £'000	2015 £'000
Instalments repayable within one year	274	-
Instalments repayable between one and two years	270	-
Instalments repayable between two and five years	579	-
Total gross borrowings	1,123	-
Expected future finance charges	(74)	-
Total net borrowings	1,049	-

33 Guarantees, contingent liabilities and other commitments

A cross guarantee and offset agreement is in place between the Company and certain of its United Kingdom subsidiaries in respect of the United Kingdom bank loan and overdraft facility. Details of the UK bank loan are disclosed in note 21. At 30 September 2016 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £nil (2015: £205,000).

The Company and certain of its United Kingdom subsidiaries are members of a Group for Value Added Tax (VAT) purposes. At 30 September 2016 the net VAT payable balance of those subsidiaries was £321,000 (2014: £356,000).

At the year end, one of the Group's Middle East subsidiaries had outstanding letter of guarantees totalling £166,000 (2015: £nil).

In common with other firms providing professional services, the Group is subject to the risk of claims of professional negligence from clients. The Group maintains professional indemnity insurance in respect of these risks but is exposed to the cost of excess deductibles on any successful claims. The directors assess each claim and make accruals for excess deductibles where, on the basis of professional advice received, it is considered that a liability is probable.

The Group had the following aggregate commitments under operating leases.

	2016 £'000	2015 £'000
Not later than one year	1,016	1,012
Later than one year and not later than five years	392	1,345
Later than five years	-	-
Total	1,408	2,357

The Group's most significant lease relates to its two London studio premises which comprises £1,350,000 (2015: £2,228,000) of the amounts shown in the table above.

The lease of its York Way studio does not contain any break clauses and expires in July 2018. The lease of its Christopher Street studio expires in September 2017.

At both 30 September 2016 and 2015 neither the Group nor the Company had any capital commitments in respect of property, plant and equipment.

The Group also acts as a lessor through the sub let of the ground and first floors at its Christopher Street studio. The following is the aggregate receivables under these operating leases.

	2016 £'000	2015 £'000
Not later than one year	260	346
Later than one year and not later than five years	-	258
Later than five years	-	-
Total	260	604

34 Related party transactions

Key management personnel compensation

The key management personnel of the Group comprise the directors of the Company together with the managing and financial directors of the United Kingdom and international operations. During the year the key management of the business has been rationalised.

Group	2016 £'000	2015 £'000
Short term employee benefits	1,553	2,065
Post employment benefits	136	132
Total	1,689	2,197

The key management personnel of the Company comprise its directors.

Company	2016 £'000	2015 £'000
Short term employee benefits	774	1,035
Post employment benefits	84	76
Total	858	1,111

Transactions and balances with associate and joint ventures

The amount owed to the Group by Aukett + Heese Frankfurt GmbH at 30 September 2016 was £22,000 (2015: £22,000) relating to accrued management charges. Invoices issued by the Group in respect of these services amounted to £45,000 (2015: £18,000).

The Group makes management charges to Aukett + Heese GmbH. Invoices issued by the Group during the year in respect of these services amounted to £55,000 (2015: £60,000). The amount owed to the Group by Aukett + Heese GmbH at 30 September 2016 in respect of these management charges was £nil (2015: £nil).

As disclosed in note 16, the Group owns 50% of Aukett + Heese Frankfurt GmbH and 25% of Aukett + Heese GmbH. The remaining 50% of Aukett + Heese Frankfurt GmbH and 75% of Aukett + Heese GmbH are owned by Lutz Heese, a former director of the Company.

The amount owed to the Group and to the Company by Aukett sro at 30 September 2016 was £49,000 (2015: £48,000) relating to previously declared but not yet paid dividends and name licence charges. During the year, management charges of £5,000 (2015: £nil) were made to Aukett sro.

None of the balances with the associate or joint ventures are secured.

Transactions and balances with subsidiaries

The names of the Company's subsidiaries are set out in note 16.

The Company made management charges to its subsidiaries for management services of £800,000 (2015: £782,000) and paid charges to its subsidiaries for office accommodation and other related services of £90,000 (2015: £390,000).

At 30 September 2016 the Company was owed £1,271,000 (2015: £382,000) by its subsidiaries and owed £3,421,000 (2015: £2,157,000) to its subsidiaries. These balances arose through various past transactions including working capital advances, treasury management and management charges. The amounts owed at the year end are non interest bearing and repayable on demand.

The amounts owed by United Kingdom subsidiaries were secured in January 2013 by debentures over all the assets of the relevant subsidiaries. These debentures rank after the debentures securing the bank loan and overdraft. Prior to this all amounts owed by subsidiaries were unsecured.

35 Business Combination

On 10 February 2016 the Group acquired 100% of the issued share capital of Shankland Cox Limited ('SCL'), 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 acquisition date.
- Maximum deferred consideration of AED 9.8m dependant on the collection of trade receivables and work in progress from the agreed Balance Sheet within 2 years from the completion date.

The deferred consideration up to a maximum of AED 9.8m had a fair value of AED 5.4m at acquisition. The minimum amount currently payable in respect of this deferred consideration is AED1.3m, representing receivables which have been collected. The maximum amount payable is currently AED 8.7m, which is contingent on the collection of all acquired trade receivables before 10 February 2018.

Of the AED 11.4m fair value of consideration transferred, AED 6.0m cash consideration has been paid and the full deferred consideration remains outstanding at the balance sheet date. At the year end, the fair value of deferred consideration has been estimated to be AED 4.8m.

The acquisition considerably improves our market position and offering in the Middle East.

The table below summarises the consideration paid for SCL, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 10 February 2016	£'000
Cash	1,126
Fair value of deferred consideration at acquisition	1,015
Total consideration transferred at acquisition	2,141
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	365
Property, Plant and Equipment (note 15)	132
Brand Name (note 14)	282
Customer relationships (note 14)	28
Amounts recoverable on contracts	401
Trade and other receivables	2,530
Trade and other payables	(848)
Provision for liabilities (note 24)	(589)
Total identifiable net assets	2,301
Release of negative goodwill on acquisition	(160)
Total	2,141

Negative goodwill of £160,000 has arisen on acquisition following recognition of the intangible assets noted above. This credit to the income statement compensates for short term costs incurred to restructure the business.

Acquisition costs of £58,220 have been included in other operating charges in the consolidated income statement for the year ended 30 September 2016.

The fair value of trade and other receivables is £2,530,000 and includes trade receivables with a fair value of £2,146,000. The gross contractual amount for trade receivables due is £2,842,000, of which £696,000 is expected to be uncollectable.

The fair values of the acquired identifiable intangibles are based on finalised valuations.

The revenue included in the consolidated income statement since 10 February 2016 contributed by SCL was £2,275,000. The revenue less sub consultant costs contributed over the same period was £2,067,000. The loss before tax, amortisation and gain on bargain purchase during the period since acquisition was £557,000.

Had SCL been consolidated from 1 October 2015, the consolidated income statement would show pro-forma revenue of £22,608,000 and profit before tax of £709,000.

36 Corporate information

General corporate information regarding the Company is shown on page 2. The addresses of the Group's principal operations are shown on page 73. A description of the Group's operations and principal activities is given within the Strategic Report.

Shareholder information

Listing information

The shares of Aukett Swanke Group Plc are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

Tradable Instrument Display Mnemonic (TIDM formerly EPIC): AUK
Stock Exchange Daily Official List (SEDOL) code: 0061795
International Securities Identification Number (ISIN): GB0000617950

Share price

The Company's share price is available from the website of the London Stock Exchange (www.londonstockexchange.co.uk).

The Company's mid market share price is published daily in The Times, The Financial Times and The London Evening Standard newspapers.

Registrars

Enquiries relating to matters such as loss of a share certificate, dividend payments or notification of a change of address should be directed to Equiniti who are the Company's registrars at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DD - 0371 384 2030 (Lines are open 8.30am to 5.30pm, Monday to Friday). Callers from outside the UK should dial +44 (0)121 415 7047 - www.equiniti.com.

Equiniti also provide a website which enables shareholders to view up to date information about their shareholding in the Company at www.shareview.co.uk.

Investor relations

In accordance with AIM Rule 26 regarding Company information disclosure, various investor orientated information is available on our web site at www.aukettswanke.com.

The Company Secretary can be contacted by email at cosec@aukettswanke.com.

Donate your shares

The Company supports ShareGift, the charity share donation scheme administered by The Orr Mackintosh Foundation (registered charity number 1052686).

Through ShareGift, shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed onto a wide range of UK charities.

Donating shares to charity gives rise neither to a gain or loss for UK capital gains tax purposes and UK taxpayers may also be able to claim income tax relief on such gifts of shares.

Further details about ShareGift can be obtained from ShareGift, 17 Carlton House Terrace, London, SW1Y 5AH - 020 7930 3737 - www.sharegift.org.

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