

**Registered number 2155571**

**Aukett Swanke Group Plc**

**Annual report**

**For the year ended 30 September 2015**

# Aukett Swanke Group Plc

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# Aukett Swanke Group Plc

## Five year summary

Years ending 30 September Continuing operations	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	18,668	17,326	8,406	9,150	8,617
Revenue less sub consultant costs	16,886	14,732	7,116	6,744	5,934
Profit / (loss) before tax	1,870	1,400	550	210	(1,205)
Basic earnings / (losses) per share (p)	1.00	0.65	0.26	0.08	(0.64)
Dividends per share (p)	0.22	0.18	-	-	-
Net assets	6,251	5,053	3,029	2,652	2,689
Net funds	1,873	1,778	1,080	326	318

## Corporate information

### Company secretary

Beverley Wright  
cosec@aukettswanke.com

### Registered office

36-40 York Way  
London  
N1 9AB

### Registered number

England & Wales 2155571

### Website

[www.aukettswanke.com](http://www.aukettswanke.com)

### Share registrars

Equiniti  
[www.equiniti.com](http://www.equiniti.com)  
0121 415 7047

### Nominated adviser and broker

finnCap  
[www.finncap.com](http://www.finncap.com)

### Auditors

BDO  
[www.bdo.co.uk](http://www.bdo.co.uk)

### Bankers

Coutts & Co  
[www.coutts.com](http://www.coutts.com)

### Financial public relations

Hermes Financial Public Relations  
[www.hermesfinancialpr.co.uk](http://www.hermesfinancialpr.co.uk)

### Solicitors

Fox Williams  
[www.foxwilliams.com](http://www.foxwilliams.com)

# Aukett Swanke Group Plc

## Chairman's statement

I am pleased to report on another successful year for the Company to 30 September 2015 in which we achieved an improvement in each of our key financial criteria.

Revenue increased by 8.1% to £18.7m (2014: £17.3m). However, it is pleasing to report that profit before tax increased by 33.6% to £1.9m (2014: £1.4m) reflecting our success in minimising the losses in those operations where revenues were delayed. Our results also benefitted from a lower effective tax rate thereby increasing our Earnings Per Share by 53.8% to 1.00p (2014: 0.65p).

During the year we announced the acquisition of a majority interest (80%) in John R Harris & Partners Limited (JRHP) for a cash consideration of £897k which represents further progress in the evolution of our stated policy of growing the business through a non organic strategy. Following this acquisition we were still able to increase our net funds, which at the year end stood at £1.9m (2014: £1.8m). The Group remains debt free.

We have also continued our policy of regular dividends and have declared two payments totalling 0.22 pence in the year. These dividends are covered 4.6 times by after tax profits.

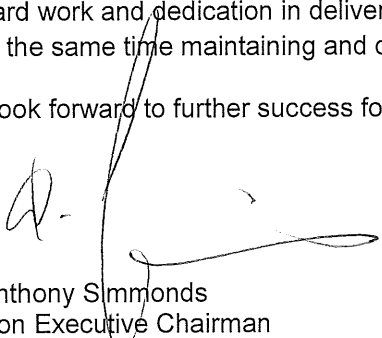
During the year John Bullough, one of our non executive directors, was appointed to the Audit Committee. On 22 December 2015, we announced that David Hughes, the former CEO of Swanke Hayden Connell Europe Limited (SHC) stepped down from the Board and will be dedicating his time to expanding his portfolio of commissions as an Expert Witness for the UK business. I would like to thank David for his contribution to the Board since the acquisition of SHC in December 2013.

In 2016 we shall continue to focus on consolidating our success in the UK whilst expanding our operations in the Middle East, and more specifically in the United Arab Emirates (UAE), where we believe there is both political stability and project opportunities. In those countries where difficult conditions have prevailed we shall seek to minimise any further adverse impact on the Group's overall performance.

I am therefore comfortable that the Company will continue to progress and maintain its financial strength and I am pleased to announce that we will pay a second and final dividend in respect of the year ended 30 September 2015 of 0.11 pence per share. Subject to approval at the Annual General Meeting, this dividend will become payable on 22 April 2016 to shareholders on the register on 8 April 2016.

I would like to thank all our staff for their continuing contributions to our success and for their hard work and dedication in delivering high quality projects and these excellent results, whilst at the same time maintaining and developing our blue chip client portfolio.

I look forward to further success for your Company in 2016.



Anthony Simmonds  
Non Executive Chairman  
27 January 2016



# Aukett Swanke Group Plc

## Strategic report

The directors present their Strategic Report on the Group for the year ended 30 September 2015.

### Strategic Objectives

The Group's two main objectives are to create shareholder wealth over the longer term and to achieve design excellence in our work.

### Strategy

The strategy of the Group is to become a major player in the professional services sector through the provision of architectural and design services both in the United Kingdom and the wider international market place. This is to be achieved through a focus on existing operations and their financial and design performance and the enlargement of the practice through a merger and acquisition strategy.

In following this M&A strategy we have acquired two practices operating in the United Kingdom, Russia, Turkey and the Middle East over the past two years. These acquisitions have resulted in Aukett Swanke Group Plc climbing twenty two places in the recently published WA100 2016 rankings to 51<sup>st</sup> making us the sixth largest UK practice by international measurement.

In the year just past our revenues grew to £18.7m, well on the way to achieving our short term target of reaching £20.0m. Profit before tax at £1.9m is comfortably ahead of our declared target of £1.5m. Our gross revenues (adjusted for 100% ownership of joint venture and associate revenues) now stands at £27.5m.

In terms of design excellence, we received four new awards during the year, which are listed in the Business Review below, and were nominated in a number of categories, thereby maintaining a high and demonstrable standard of design and delivery skill in the markets in which we operate.

Looking forward we remain confident of reaching our revenue target of £20.0m in 2016 and we retain our sustainable profit before tax target of £1.5m.

With the practice achieving its existing sustainable growth targets in architectural and design services we shall also be pursuing an alternative acquisition strategy that encompasses less transactional revenues and broader services in order to move our overall performance to higher levels and ensure that the Group as a whole has less exposure to cyclical income.

# Aukett Swanke Group Plc

## Business model

Following on from the most recent acquisition our business model is being adapted to reflect this enlarged structure. Our current arrangements in South America are incidental and coming to a natural close. We therefore see the practice as having three key geographical markets being; the United Kingdom, the Middle East and Continental Europe. The Middle East is specifically the UAE operations and Continental Europe comprises the Czech Republic's, German, Russian and Turkish operations.

## John R Harris & Partners Limited

In June 2015 we acquired an 80% holding in JRHP, a practice established in 1949 and carrying out the majority of its services in the Middle East. This brought an immediate return to the Group through a net profit achieved in the last quarter. Given that our continuing operation, even with the addition JRHP, remains under sized in its market, we do not expect any synergy cost savings to emerge in the short term.

## Business review

### Summary of overall Group financial performance

Revenues grew during the year to £18.7m (2014: £17.3m), 8.1% higher.

Our profit before tax was much improved at £1.9m (2014: £1.4m) showing a 34% growth rate. We had, however, hoped to report a better result but this became progressively unattainable following the negative events in both Russia and Turkey. After tax and the non controlling interests there is dividend cover of 4.6 times on an EPS of 1.00 pence per share (2014: 0.65 pence per share).

Our balance sheet, including non controlling interests of £0.1m, has grown by over £1.2m to £6.3m (2014: £5.1m). Within this, net funds at £1.9m (2014: £1.8m) were slightly higher than the prior year and achieved after paying £897,000 in cash for JRHP (2014: £209k cash element for SHC).

However design excellence is just as important as financial performance. This year we won four awards: two in Russia, and one in each of the United Kingdom and Germany.

Our London and Moscow offices jointly achieved Winner of Golden Brick Award (CBRE awards) and Winner Best Lobby (Best office awards) for Arcus III in Moscow. Our retail store for M&S at Cheshire Oaks won its 14<sup>th</sup> award - this time the 'Test of Time' at the Buildings award ceremony. Finally our fit out for BNP in Frankfurt won a LEED Gold (the third for this office). We also had project representation at numerous other award ceremonies.

# Aukett Swanke Group Plc

## Segmental analysis of financial performance

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.

The numbers of full time equivalent technical members of staff differs from the employee numbers disclosed in note 7 to the financial statements since the Group uses some non employed workers through agencies and freelance contracts. Also some staff work part time or have been on maternity leave.

## United Kingdom

	2015 £'000	2014 £'000	2013 £'000
Revenue less sub consultant costs	14,368	12,779	6,083
FTE technical staff (number)	135	131	56
Revenue per FTE technical staff	106	98	109
Operating costs	(12,375)	(10,964)	(5,122)
Profit before tax	1,993	1,815	961

The UK maintained its financial performance during the year but saw a slow down in the second half with costs catching up with previous revenue advances and one major project being temporarily suspended in the second half. As a result of these factors, whilst revenue increased by 12.4% compared to 2014, the profit before tax result of £2.0m (2014: £1.8m) grew more modestly at 9.8%. A combination of more FTE technical staff and higher productivity saw revenue per FTE technical staff improve from £98k per person to £106k.

During the year we completed the integration of Aukett Fitzroy Robinson Limited and Swanke Hayden Connell International Limited and rebranded the business Aukett Swanke Limited (ASL). ASL and Veretec, our Executive architecture business, represent our UK trading companies.

The UK workload in 2015 was underpinned by projects progressing to the construction site phase. This was well illustrated by the practice heading Building's Top Architects by Project Value in December 2014 with 15 projects valued at £924m.

There were numerous projects being constructed 'on site' in London including a major hotel at Ten Trinity Square in the City, a further academic building for Imperial College and two major office refurbishments - one for Tishman Speyer in Victoria and another for Blackstone near The Strand.

2015 also saw Veretec, maintain its premium market position with a number of large residential schemes in progress including Lillie Square and De Vere Gardens for Sir Robert McAlpine along with schemes in Hanover Terrace, Charlotte Street and a single dwelling in Chelsea.

## Aukett Swanke Group Plc

Significantly, a higher proportion of our offices' portfolio in the year has been outside London, including Eastside Locks in Birmingham for Goodman; Aspire, a redevelopment in Bristol; Forbury Place in Reading for M&G; the Bradfield Centre in Cambridge for Gilead; Gade Zone in Hemel Hempstead and a mixed use development, Staines Central. We also commenced work on a mid tech office park in Alconbury for Urban&Civic plc.

The interiors business gained momentum in the year evidenced by project wins from Zurich Reinsurance, JP Morgan Chase, Ince & Co, Merrill Lynch, Sumitomo Mitsui Banking Corporation and Richemont.

We have seen a significant increase in on site work during the year as we move through the development cycle. However, we now see the market having less momentum in the future and this will be further tempered by higher construction costs being evidenced in the market.

### Russia

	2015 £'000	2014 £'000	2013 £'000
Revenue less sub consultant costs	638	774	781
FTE technical staff (number)	14	20	18
Revenue per FTE technical staff	46	39	43
Operating costs	(694)	(1,124)	(1,051)
Profit / (loss) before tax (before impairment)	(56)	(350)	(270)

Despite the challenges presented by the fall in the oil price and the devaluation of the Rouble, our Russian business only reported a small loss in the year. This creditable performance was achieved by the dedication and perseverance of our team who worked hard in difficult circumstances to deliver projects, maintain client relationships and to ensure that we did not incur bad debts.

During the year we also invested considerable effort in constantly ensuring that appropriate staff levels were maintained and overhead costs were reduced as far as possible, whilst working to combine the SHC branch and the pre acquisition Russian operation, ZAO Aukett Fitzroy Vostok, into one self supporting business.

The results in Sterling, compared to previous years, show a decrease in revenue less sub consultant costs. However taking account of the average devaluation in the value of the Rouble of 49% during the year, 2015 was in fact a stronger result in local currency than in prior years with revenue less subcontractor costs 24% higher than in 2014 and revenue per FTE up 78%. At a local level the operation was profitable before central cost allocations.

Russia remains an important market for the Group, but the Board does not underestimate the difficulties in winning and delivering successful projects in a market which is equally challenging and unpredictable for our clients. 2016 will therefore be a year of further rigorous focus on cost control to ensure that our business model best suits the market circumstances.

### Turkey

	2015 £'000	2014 £'000
Revenue less sub consultant costs	574	687
FTE technical staff (number)	17	20
Revenue per FTE technical staff	34	34
Operating costs	(707)	(597)
(Loss) / profit before tax	(133)	90

## Aukett Swanke Group Plc

In contrast to last year's performance and the outlook this time last year, 2015 has been a difficult year for our business in Turkey. This is almost exclusively attributable to external political factors, where the absence of an elected government, and the impasse associated with that, created a hiatus in the market, such that even contracted projects did not proceed.

This hiatus is highlighted by delays in planning submissions due to project zoning issues that created uncertainties in development volumes and property uses for our clients.

As a result of this, we considerably downsized our operation and posted a small net loss before tax of £133k which compares to a profit before tax of £90k for the previous year.

We have however maintained a sustainable presence with a highly capable team that is now well positioned to work on many opportunities that are re-emerging and coming to market, particularly from our retained, blue chip customer base which includes FIBA, Cengiz and Tahincioglu.

### Middle East

	2015 £'000	2014 £'000	2013 £'000
Revenue less sub consultant costs	1,306	492	252
Operating costs	(1,259)	(478)	(384)
Profit / (loss) before tax	47	14	(132)

With the acquisition of JRHP in June 2015, we moved a step towards achieving our growth strategy in the Middle East. The results for the year reflect both JRHP's contribution and that of our existing business Aukett Fitzroy Robinson International Limited (AFRI) and show a 165% increase in revenue less sub consultant costs.

In the 3 months of ownership, JRHP performed in line with our expectation and contributed a positive result. During the year, AFRI continued to work on our key project with Majid Al Futtaim, which is now coming to a successful close. In addition, we have bid for and secured future work, also in conjunction with JRHP, thereby confirming our acquisition strategy.

It has become clear, even in the short period ownership of JRHP, that our bidding success has improved as a result of our increased scale. However, we remain undersized in the market and as we wish to continue our expansion in the Middle East we will pursue growth options as well as invest in additional management capacity.

### Continental Europe

As joint ventures or as an associate, the results of these operations are included in the financial statements as our share of after tax profits. However in order to provide a more insightful view of the true size and scale of each operation the figures shown below are 100% values.

#### Berlin

100% figures in which the Group has a 25% share	2015 £'000	2014 £'000	2013 £'000
Revenue less sub consultant costs	5,497	4,330	4,096
FTE technical staff (number)	79	51	48
Revenue per FTE technical staff	70	85	85
Operating costs	(3,985)	(2,873)	(2,756)
Profit before tax	1,512	1,457	1,340

## Aukett Swanke Group Plc

The Berlin joint venture is again the star of our portfolio. Notwithstanding a weakening of the Euro compared to Sterling, revenues less sub consultant costs increased by 27% to £5.5m and the average number of technical staff increased to 79 compared to 51 last year. Profit before tax also rose, but by less than the revenue growth due to investment costs incurred in expanding the office. Our share of post tax profits amounted to £264k compared to £254k in the previous year. The comparable contribution of revenue per FTE technical staff was also impacted by exchange rate movements.

Projects worked on were for a mix of local and large international clients, in Berlin as well as other German cities, including the Berlin Entertainment District at the Mercedes Platz, the 30 storey WinX office tower working drawings in Frankfurt for BAM, the Barceló Hotel in Berlin, the working drawings of a mixed use development in Berlin for Hines and the interior design of the five star Fontenay Hotel in Hamburg.

### Frankfurt

100% figures in which the Group has a 50% share	2015 £'000	2014 £'000	2013 £'000
Revenue less sub consultant costs	592	909	496
Operating costs	(554)	(617)	(438)
Profit before tax	38	292	58

After an exceptional result in 2014, the Frankfurt office reported a fall in revenues to £592k and profit before tax of £38k representing a more sustainable level of gradual improvement. The studio has continued to carry out planning, design and fit out work for local businesses as well as international clients such as Tishman Speyer and Microsoft. In addition the office has also been commissioned to provide construction drawing services for a large office and laboratory for Hochtief.

### Prague

100% figures in which the Group now has a 50% share	2015 £'000	2014 £'000	2013 £'000
Revenue less sub consultant costs	242	304	308
Operating costs	(242)	(305)	(296)
Profit / (loss) before tax	-	(1)	12

This was another difficult year for the Prague joint venture, where the local market remained very flat. Creditably the team again achieved break even and applied its high levels of skill and expertise supporting both the Berlin and UK studios as well as working with their own portfolio of clients including SAB Miller, the Riverside School, CPI and Moolson Coors.

# Aukett Swanke Group Plc

## Group costs

Group costs at £258k were lower than in the previous year (£398k) as corporate finance and legal costs were lower and there were no recruitment fees.

## Financial position

In monitoring the financial position of the Group the directors look principally at the net investment in project working capital together with the financing available to the business through capital and reserves, and cash and debt facilities.

## Project working capital

Project working capital comprises unpaid amounts invoiced to clients for progress billings plus / less amounts due from/ received from clients for contract work. Amounts due from / received from clients for contract work reflect the extent to which revenue recognised exceeds or falls short of progress billings.

	2015 £'000	2014 £'000	2013 £'000
Net trade receivables	4,141	4,258	2,668
Amounts due from customers for contract work	1,079	581	277
Advances received from customers for contract work	(2,572)	(2,472)	(2,065)
Project working capital	2,648	2,367	880

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 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;
- 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.

Our project working capital has increased compared to the previous year, primarily as a result of the acquisition of JRHP.

# Aukett Swanke Group Plc

## Financing

At the year end the Group had total equity of £6.3m and net funds of £1.9m (2014: £5.1m and £1.8m respectively).

The increase of £1.2m in net equity comprises retained earnings for the year of £1.1m, net of dividends paid of £0.3m and foreign exchange revaluation losses, principally in respect of the Russian Rouble's devaluation, of £0.2m. The remainder £0.1m is due to the non controlling interest's share.

The net cash position of £1.9m comprises cash and cash equivalents of £1.9m with no short term borrowings (2014: £1.8m, £1.9m and £0.1m respectively). As explained in note 21, the Group is free of debt.

The Group also has the benefit of a gross secured overdraft facility from its bankers Coutts & Co. This facility is used by the Group to hedge foreign exchange movements.

The Group has a strong focus on cash management which is common across all of its businesses. It is a requirement that all businesses are cash generative or at least cash neutral. Excess funds are remitted to the Group's head office on a regular basis and any loans or short term funding are subject to formal approval.

	2015 £'000	2014 £'000	2013 £'000
Net funds	1,873	1,778	1,080
Total equity	6,251	5,053	3,029
Net gearing	Nil	Nil	Nil

There were no changes in the objectives, policies or processes for managing capital during the year. However the Group's head office is increasingly acting as the Group's internal banker, as explained above.

## Outlook

The pipeline of future work has decreased to 43% reflecting the greater uncertainties and visibility of earnings as we move from a predominantly site phased workload to newer concept and planning activities.

	2016	2015	2014
Percentage of budgeted workload secured at the start of the financial year	43%	51%	48%



# Aukett Swanke Group Plc

## 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 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.

### 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 by sharp unpredicted falls in revenue.

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 cashflow reporting processes.

The Group's principal bankers remain supportive and in January 2016 renewed the Group's facilities for a further year.

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 so doing 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 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 and education assistance are provided, including helping our professionally qualified staff comply with their continuing professional development

# Aukett Swanke Group Plc

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 operating our 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.

Additionally, 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.

# Aukett Swanke Group Plc

## 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 locations when compared to the UK which 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 and, where applicable joint venture partners, to monitor and review the businesses. There is regular, comprehensive management reporting and KPIs are used to review both contract pricing issues and staffing efficiency.
- 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; and
- 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. In addition as far as possible foreign currency flows are matched to minimise any impact of exchange rate movements and significant exposures are hedged.

## Summary

The 2015 results represent another year of growth and improved performance. The executive directors believe that the strong financial position of the Group will support further success in the future.

By order of the Board



Nicholas Thompson  
Chief Executive Officer  
27 January 2016



Beverley Wright  
Chief Financial Officer

# Aukett Swanke Group Plc

## Directors' report

The directors present their report for the year ended 30 September 2015.

### Corporate governance

The UK Corporate Governance Code issued in September 2014 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 in 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 financial 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 their 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.

# **Aukett Swanke Group Plc**

## **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 Andrew Murdoch.

## **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 Risk Committee is chaired by Anthony Simmonds. Nicholas Thompson and Beverley Wright are also members.

## **Directors**

Anthony Simmonds, John Bullough, Nicholas Thompson, David Hughes, Andrew Murdoch, Nick Pell and Beverley Wright served as directors of the Company throughout the year ended 30 September 2015.

Duncan Harper resigned as director on 10 October 2014. David Hughes resigned as director on 22 December 2015.

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

A resolution to re elect Anthony Simmonds will be proposed at the Annual General Meeting.

The Company maintains directors and officers liability insurance.

# Aukett Swanke Group Plc

## Directors' interests

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

Number of ordinary shares	30 September 2015	1 October 2014
Anthony Simmonds	1,000,000	400,000
Nicholas Thompson	16,602,411	16,602,411
Beverley Wright	-	-
John Bullough	500,000	-
Andrew Murdoch	12,478,486	13,478,486
Nick Pell	1,826,700	2,226,700
David Hughes	2,963,446	3,058,933

## 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, car allowance (except Nick Pell), contributions to defined contribution pension arrangements, annual bonus 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.

# Aukett Swanke Group Plc

## Substantial shareholdings

At 27 January 2016 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	16,602,411	10.05%
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%
Stephen Atkinson	Employee of the Group	8,260,712	5.00%
River & Mercantile Long Term Recovery Fund		8,150,000	4.93%
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 2015 was 6.13 pence and the range of mid market closing prices of the shares during the year was between 6.13 pence and 8.63 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;

## **Aukett Swanke Group Plc**

- 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 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.



# Aukett Swanke Group Plc

## 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

The Group has retained its stated policy of paying two dividends per annum, one each declared at the time of the interim results and final results respectively.

The Directors recommend a second and final dividend in respect of the year ended 30 September 2015 of 0.11 pence per share. Subject to approval at the Annual General Meeting, this dividend will become payable on 22 April 2016 to shareholders on the register on 8 April 2016.

By order of the Board



Beverley Wright  
Company Secretary  
Aukett Swanke Group Plc  
Registered number 2155571  
27 January 2016

# Aukett Swanke Group Plc

## Directors

### **Anthony Simmonds (Non Executive Chairman) \*\* #^**

BA (Hons) FCA FCCA Aged 71

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 61

Nicholas is Aukett Swanke's CEO and has over 30 years of experience in the property and consulting sector having originally joined Fitzroy Robinson as its Finance Director in 1994. 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 and has wide experience in this area. During his career he led the finance team of Bernard Thorpe, a major UK surveying practice, to create what later became DTZ in 1993; and followed this with a reverse takeover of Aukett Group Plc by Fitzroy Robinson Limited in 2005. In 2013 he led the negotiations to acquire Swanke Hayden Connell Europe Limited and established a new international brand: Aukett Swanke; and followed this in 2015 with the acquisition of a controlling interest in John R Harris & Partners Limited.

### **Beverley Wright (Chief Financial Officer & Company Secretary)^**

BA (Hons) FCA Aged 57

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 she was heavily involved in the acquisition in the year of John R Harris & Partners Limited.

### **John Bullough (Non Executive Director) \*\***

FRICS Aged 65

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.

# Aukett Swanke Group Plc

## **Andrew Murdoch (Executive Director) #**

MA RIBA Aged 66

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 London's West End 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. Andrew sat on the board of management of the British Council of Offices for 12 years and regularly chairs design reviews of recent office buildings for them.

## **Nick Pell (Executive Director)**

BA (Hons) Aged 54

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 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.

## **Aukett Swanke Group Plc**

### **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 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company Statement of Financial Position, the consolidated and Company statement of cash flows, the consolidated and Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, 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](http://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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs 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.

## Aukett Swanke Group Plc

### 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.

BDO uk/

Tim Neathercoat (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
27 January 2016

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

# Aukett Swanke Group Plc

## Consolidated income statement

For the year ended 30 September 2015

	Note	2015 £'000	2014 £'000
Revenue	3	18,668	17,326
Sub consultant costs		(1,782)	(2,594)
Revenue less sub consultant costs	3	16,886	14,732
Personnel related costs		(11,464)	(9,868)
Property related costs		(2,730)	(2,343)
Other operating expenses		(1,715)	(1,861)
Other operating income		626	404
Operating profit		1,603	1,064
Finance income	4	3	-
Finance costs	5	(13)	(18)
Profit after finance costs		1,593	1,046
Share of results of associate and joint ventures		277	354
Profit before tax		1,870	1,400
Tax charge	10	(215)	(354)
Profit from continuing operations		1,655	1,046
Profit for the year		1,655	1,046
Profit attributable to:			
Owners of Aukett Swanke Group Plc		1,653	1,046
Non controlling interests		2	-
		1,655	1,046
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company:			
From continuing operations		1.00p	0.65p
Total earnings per share	11	1.00p	0.65p

# Aukett Swanke Group Plc

## Consolidated statement of comprehensive income

For the year ended 30 September 2015

	2015 £'000	2014 £'000
Profit for the year	1,655	1,046
Other comprehensive income:		
Currency translation differences	(201)	(103)
Other comprehensive income for the year	(201)	(103)
Total comprehensive income for the year	1,454	943
Total comprehensive income for the year is attributable to:		
Owners of Aukett Swanke Group Plc	1,451	943
Non controlling interests	3	-
	1,454	943



# Aukett Swanke Group Plc

## Consolidated statement of financial position


At 30 September 2015

	Note	2015 £'000	2014 £'000
Non current assets			
Goodwill	12	2,283	1,835
Other intangible assets	13	818	594
Property, plant and equipment	14	563	648
Investment in associate	16	254	244
Investments in joint ventures	17	100	131
Deferred tax	23	288	290
Total non current assets		4,306	3,742
Current assets			
Trade and other receivables	18	6,430	6,379
Current tax		-	-
Cash and cash equivalents		1,873	1,891
Total current assets		8,303	8,270
Total assets		12,609	12,012
Current liabilities			
Trade and other payables	19	(5,833)	(6,540)
Current tax		(117)	(131)
Short term borrowings	20	-	(113)
Provisions	24	-	(104)
Total current liabilities		(5,950)	(6,888)
Non current liabilities			
Long term borrowings	20	-	-
Deferred tax	23	(54)	(71)
Provisions	24	(354)	-
Total non current liabilities		(408)	(71)
Total liabilities		(6,358)	(6,959)
Net assets		6,251	5,053
Capital and reserves			
Share capital	25	1,652	1,652
Merger reserve		1,176	1,176
Foreign currency translation reserve		(276)	(74)
Retained earnings		1,801	148
Other distributable reserve		1,791	2,151
Total equity attributable to equity holders of the Company		6,144	5,053
Non controlling interests		107	-
Total equity		6,251	5,053

The financial statements on pages 26 to 73 were approved and authorised for issue by the Board of Directors on 27 January 2016 and were signed on its behalf by:



Nicholas Thompson  
Chief Executive Officer



Beverley Wright  
Chief Financial Officer

# Aukett Swanke Group Plc

## Company statement of financial position

At 30 September 2015

	Note	2015 £'000	2014 £'000
Non current assets			
Investments	15	4,321	3,467
Trade and other receivables	18	48	378
Total non current assets		4,369	3,845
Current assets			
Trade and other receivables	18	432	33
Cash and cash equivalents		1,007	916
Deferred tax	23	2	-
Total current assets		1,441	949
Total assets		5,810	4,794
Current liabilities			
Trade and other payables	19	(2,300)	(1,681)
Total current liabilities		(2,300)	(1,681)
Total liabilities		(2,300)	(1,681)
Net assets		3,510	3,113
Capital and reserves			
Share capital	25	1,652	1,652
Retained earnings		(1,109)	(1,866)
Merger reserve		1,176	1,176
Other distributable reserve		1,791	2,151
Total equity attributable to equity holders of the Company		3,510	3,113

The financial statements on pages 26 to 73 were approved and authorised for issue by the Board of Directors on 27 January 2016 and were signed on its behalf by:



Nicholas Thompson  
Chief Executive Officer



Beverley Wright  
Chief Financial Officer

# Aukett Swanke Group Plc

## Consolidated statement of cash flows

For the year ended 30 September 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	27	1,443	1,360
Interest paid		(13)	(18)
Income taxes (paid) / received		(238)	70
Net cash inflow from operating activities		1,192	1,412
Cash flows from investing activities			
Purchase of property, plant and equipment		(163)	(523)
Sale of property, plant and equipment		2	4
Acquisition of subsidiary, net of cash acquired		(824)	(57)
Interest received		3	-
Dividends received		278	184
Net cash used in investing activities		(704)	(392)
Net cash inflow before financing activities		488	1,020
Cash flows from financing activities			
Repayment of bank loans		(113)	(150)
Dividends paid		(360)	(291)
Net cash used in financing activities		(473)	(441)
Net change in cash, cash equivalents and bank overdraft		15	579
Cash and cash equivalents and bank overdraft at start of year		1,891	1,343
Currency translation differences		(33)	(31)
Cash, cash equivalents and bank overdraft at end of year	22	1,873	1,891

# Aukett Swanke Group Plc

## Company statement of cash flows

For the year ended 30 September 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from / (used by) operations	27	70	(164)
Income taxes paid		(1)	-
Net cash inflow / (outflow) from operating activities		69	(164)
Cash flows from investing activities			
Purchase of subsidiaries		(897)	(209)
Dividends received		1,279	1,166
Net cash generated from investing activities		382	957
Net cash flow before financing activities		451	793
Cash flows from financing activities			
Dividends paid		(360)	(291)
Net cash used in financing activities		(360)	(291)
Net change in cash, cash equivalents and bank overdraft		91	502
Cash, cash equivalents and bank overdraft at start of year		916	414
Cash, cash equivalents and bank overdraft at end of year		1,007	916

# Aukett Swanke Group Plc

## Consolidated statement of changes in equity

For the year ended 30 September 2015

	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 2013	1,456	29	(898)	2,442	-	3,029	-	3,029
Profit for the year	-	-	1,046	-	-	1,046	-	1,046
Other comprehensive income	-	(103)	-	-	-	(103)	-	(103)
Issue of ordinary shares in relation to business combination	196	-	-	-	1,176	1,372	-	1,372
Dividends paid	-	-	-	(291)	-	(291)	-	(291)
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

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

# Aukett Swanke Group Plc

## Company statement of changes in equity

For the year ended 30 September 2015

	Share capital £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000
At 30 September 2013	1,456	(2,029)	2,442	-	1,869
Profit for the year	-	163	-	-	163
Share based payment value of employee services	-	-	-	-	-
Issue of ordinary shares in relation to business combination	196	-	-	1,176	1,372
Dividends paid	-	-	(291)	-	(291)
At 30 September 2014	1,652	(1,866)	2,151	1,176	3,113
Profit for the year	-	757	-	-	757
Share based payment value of employee services	-	-	-	-	-
Dividends paid	-	-	(360)	-	(360)
At 30 September 2015	1,652	(1,109)	1,791	1,176	3,510

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 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

The following new accounting standards have required additional disclosures to this year's financial statements.

IFRS 10 'Consolidated financial statements'. The standard changes the definition of control and how control is deemed to arise within a group of companies. This has not had a material impact to the Group.

IFRS 11 'Joint arrangements'. The standard amends the categories of joint arrangements and narrowly defines what can be considered a joint operation. The Group has investments in joint venture arrangements which have been accounted for under the equity method. This is unchanged from the prior year.

IFRS 12 'Disclosure of interests in other entities'. The standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities. The Group has included relevant disclosures within these 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 2015 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.
- (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.
- (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 basically treats all leases as finance leases. The Group has yet to assess the full impact of this accounting standard.

## Aukett Swanke Group Plc

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 overdraft facility for additional financial flexibility and foreign currency hedging purposes. This overdraft facility was renewed for a further year in January 2016.

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 2009 by the Financial Reporting Council entitled Going Concern and Liquidity Risk.

Although the financial performance of the Group has improved significantly, the directors continue to use the Group's pipeline of secure and potential future work to monitor on a continual basis likely forward demand for the Group's services.

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 base forecasts and projections show the Group should be able to comfortably 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 been supportive of the Group in recent difficult economic times and have recently again renewed the Group's facility as described in note 32.

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 and the ability of the Group to use its power to affect those variable returns and direct the activities of the entity. 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.



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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 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 £757,000 (2014: Profit of £163,000).

### **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.

## **Aukett Swanke Group Plc**

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.

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

## **Aukett Swanke Group Plc**

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 intangibles 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. These are primarily identified by the different economic characteristics of these locations. 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.

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## 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.

## 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.

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

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## **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 12.

## **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 returned to profitability and generated significant profits in 2014 and 2015 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 12, 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.

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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.

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## 3 Operating segments

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

The Group's associate and joint ventures are all based in Continental Europe.

### Income statement segment information

Segment revenue	2015 £'000	2014 £'000
United Kingdom	14,488	13,882
Russia	1,283	1,598
Turkey	768	853
Middle East	2,129	993
Continental Europe	-	-
Revenue	18,668	17,326

Segment revenue less sub consultant costs	2015 £'000	2014 £'000
United Kingdom	14,368	12,779
Russia	638	774
Turkey	574	687
Middle East	1,306	492
Continental Europe	-	-
Revenue less sub consultant costs	16,886	14,732

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

Segment net finance expense	2015 £'000	2014 £'000
United Kingdom	(5)	(17)
Russia	3	-
Turkey	-	-
Middle East	-	-
Continental Europe	-	-
Group costs	(8)	(1)
Net finance expense	(10)	(18)

Segment depreciation	2015 £'000	2014 £'000
United Kingdom	303	226
Russia	7	19
Turkey	25	12
Middle East	10	2
Continental Europe	-	-
Depreciation	345	259



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Segment amortisation	2015 £'000	2014 £'000
United Kingdom	27	20
Russia	1	1
Turkey	20	61
Middle East	32	-
Continental Europe	-	-
Amortisation	80	82

2015 Segment result	Before goodwill impairment £'000	Goodwill impairment £'000	Total £'000
United Kingdom	1,993	-	1,993
Russia	(56)	-	(56)
Turkey	(133)	-	(133)
Middle East	47	-	47
Continental Europe	277	-	277
Group costs	(258)	-	(258)
Profit before tax	1,870	-	1,870

2014 Segment result	Before goodwill impairment £'000	Goodwill impairment £'000	Total £'000
United Kingdom	1,815	-	1,815
Russia	(350)	(125)	(475)
Turkey	90	-	90
Middle East	14	-	14
Continental Europe	354	-	354
Group costs	(398)	-	(398)
Profit before tax	1,525	(125)	1,400

### Statement of financial position segment information

Segment assets	2015 £'000	2014 £'000
United Kingdom	3,443	4,073
Russia	373	236
Turkey	97	194
Middle East	1,307	336
Continental Europe	-	-
Trade receivables and amounts due from customers for contract work	5,220	4,839
Other current assets	3,083	3,431
Non current assets*	4,306	3,742
Total assets	12,609	12,012

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

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## Geographical areas

Revenue	2015 £'000	2014 £'000
United Kingdom	14,488	13,882
Country of domicile	14,488	13,882
Russia	1,283	1,598
Turkey	768	853
United Arab Emirates	2,129	993
Foreign countries	4,180	3,444
Revenue	18,668	17,326
Non current assets	2015 £'000	2014 £'000
United Kingdom	2,518	2,675
Country of domicile	2,518	2,675
Russia	43	64
Czech Republic	7	7
Germany	347	368
Turkey	237	336
United Arab Emirates	866	2
Foreign countries	1,500	777
Non current assets excluding deferred tax	4,018	3,452
Deferred tax	288	290
Non current assets	4,306	3,742

## Major clients

During the year ended 30 September 2015 the Group derived 10% or more of its revenues from one (2014: one) client.

	2015 £'000	2014 £'000
Largest client revenues	2,309	2,346

The largest client revenues for 2015 relate to the United Kingdom operating segment and for 2014 related to the United Kingdom operating segment.

## Revenue by project site

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

	2015 £'000	2014 £'000
United Kingdom	14,262	12,267
Russia	1,283	1,921
Turkey	768	884
Middle East	2,311	1,744
Continental Europe	34	183
Rest of the World	10	327
Revenue	18,668	17,326

# Aukett Swanke Group Plc

## 4 Finance income

	2015 £'000	2014 £'000
Receivable on bank deposits	-	-
Other finance income	3	-
Total finance income	3	-

## 5 Finance costs

	2015 £'000	2014 £'000
Payable on bank loans and overdrafts	12	21
Other finance costs	1	(3)
Total finance costs	13	18

## 6 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:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	36	37
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	69	91
Non audit services - corporate finance advisory	-	30
Non audit services - tax compliance 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.

## 7 Employee information

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

	2015 Number	2014 Number
Technical	201	173
Administrative	43	45
Total	244	218

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 105 persons (2014: 71 persons).

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

	2015 £'000	2014 £'000
Wages and salaries	8,783	7,336
Social security costs	895	842
Contributions to defined contribution pension arrangements	347	267
<b>Total</b>	<b>10,025</b>	<b>8,445</b>

The wages and salaries costs above include £151,000 of restructuring costs (2014: £9,000).

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.

### 8 Operating leases

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

	2015 £'000	2014 £'000
Property	1,144	1,109
Plant & equipment	33	22
<b>Total</b>	<b>1,177</b>	<b>1,131</b>

### 9 Directors' emoluments

Under the terms of the acquisition of SHC one director waived salary of £1,000 in the year and £4,000 during the prior year.

2015	Aggregate emoluments £'000	Pension contrib- utions £'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
<b>Total</b>	<b>921</b>	<b>75</b>	<b>996</b>	<b>1</b>	<b>997</b>

Duncan Harper resigned on 10 October 2014.

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2014	Aggregate emoluments £'000	Pension contrib- utions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	37	-	37	-	37
Nicholas Thompson	223	28	251	-	251
Beverley Wright	7	1	8	-	8
John Bullough	10	-	10	-	10
Andrew Murdoch	117	13	130	-	130
Nick Pell	84	1	85	4	89
David Hughes	133	1	134	-	134
Duncan Harper	110	15	125	-	125
John Vincent	40	4	44	-	44
Total	761	63	824	4	828

Aggregate emoluments include bonuses awarded.

Benefits were accruing to six directors (2014: seven directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid director were £241,000 (2014: £223,000).

### 10 Tax charge

	2015 £'000	2014 £'000
Current tax	261	100
Adjustment in respect of previous years	(26)	-
Total current tax	235	100
Origination and reversal of temporary differences	(19)	275
Changes in tax rates	(1)	(21)
Total deferred tax (note 23)	(20)	254
Total tax charge	215	354

The standard rate of corporation tax in the United Kingdom reduced from 23% to 21% in April 2014 and has reduced further to 20% in April 2015.

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

	2015 £'000	2014 £'000
Profit before tax	1,870	1,400
Profit before tax multiplied by the standard rate of corporation tax in the United Kingdom of 20.5% (2014: 22%)	383	308
Effects of:		
non tax deductible goodwill impairment	-	28
other non tax deductible expenses	69	72
differences in overseas tax rates	(1)	(4)
associate and joint ventures reported net of tax	(57)	(78)
impact on deferred tax of change in UK tax rate	(1)	(20)
tax losses not recognised	-	77
utilisation of previously unrecognised tax losses	(80)	(29)
current tax adjustment in respect of previous years	(26)	-
income not taxable	(72)	-
Total tax charge	215	354

# Aukett Swanke Group Plc

## 11 Earnings per share

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

<b>Earnings</b>	2015 £'000	2014 £'000
Continuing operations	1,653	1,046
Profit for the year	1,653	1,046

<b>Number of shares</b>	2015 Number	2014 Number
Weighted average of Ordinary Shares in issue	165,213,652	161,026,436
Effect of dilutive options	305,482	463,370
Diluted weighted average of ordinary shares in issue	165,519,134	161,489,806

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 2015 and they therefore have a dilutive effect.

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## 12 Goodwill

### Group

	£'000
Cost	
At 1 October 2013	1,494
Acquisition of subsidiary	605
Exchange differences	(14)
At 30 September 2014	2,085
Acquisition of subsidiary (note 35)	481
Exchange differences	(33)
At 30 September 2015	2,533
Impairment	
At 1 October 2013	125
Impairment	125
At 30 September 2014	250
Charge	-
At 30 September 2015	250
Net book value	
At 30 September 2015	2,283
At 30 September 2014	1,835
At 30 September 2013	1,369

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

	United Kingdom £'000	Russia £'000	Turkey £'000	Middle East £'000	Total £'000
At 30 September 2013	1,244	125	-	-	1,369
Acquisition of subsidiary	496	25	70	-	591
Impairment	-	(125)	-	-	(125)
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

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 Russia and Turkey is not.

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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 2.5% 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 19% (2014: 19%). This is considered appropriate as the United Kingdom operation produces the majority of the Group's revenue less sub consultant costs.

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 30 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% 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 costs of capital has been assessed at 16%. This is considered appropriate as the Middle East operation does not suffer corporation tax.



# Aukett Swanke Group Plc

## 13 Other intangible assets

Group	Trade name £'000	Customer relationships £'000	Order book £'000	Trade licence £'000	Total £'000
Cost					
At 30 September 2013	-	-	-	-	-
Acquisition of subsidiary	415	249	40	-	704
Exchange differences	(13)	(15)	(4)	-	(32)
At 30 September 2014	402	234	36	-	672
Acquisition of subsidiary (note 35)	-	158	117	63	338
Exchange differences	(23)	(23)	(4)	2	(48)
At 30 September 2015	379	369	149	65	962
Amortisation					
At 30 September 2013	-	-	-	-	-
Charge	13	29	40	-	82
Exchange differences	-	-	(4)	-	(4)
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
Net book value					
At 30 September 2015	352	309	94	63	818
At 30 September 2014	389	205	-	-	594
At 30 September 2013	-	-	-	-	-

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 SHC in December 2013 and reflects the inclusion of the Swanke name in the enlarged Group. The trade name is 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 and also the acquisition of JRHP (note 35) in the current year. 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 (note 35) in the current year. 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.

# Aukett Swanke Group Plc

## Trade licence

The trade licence was acquired as part of the acquisition of JRHP (note 35) in the current year. 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.

## 14 Property, plant & equipment

Group	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
Cost			
At 30 September 2013	317	816	1,133
Additions	241	282	523
Acquisition of subsidiary	16	53	69
Disposals	-	(106)	(106)
Exchange differences	(5)	(20)	(25)
At 30 September 2014 (restated)	569	1,025	1,594
Additions	-	209	209
Acquisition of subsidiary (note 35)	-	75	75
Disposals	-	(25)	(25)
Exchange differences	(11)	(34)	(45)
At 30 September 2015	558	1,250	1,808
Depreciation			
At 30 September 2013	161	646	807
Charge	67	192	259
Disposals	-	(106)	(106)
Exchange differences	(1)	(13)	(14)
At 30 September 2014 (restated)	227	719	946
Charge	106	239	345
Disposals	-	(19)	(19)
Exchange differences	(5)	(22)	(27)
At 30 September 2015	328	917	1,245
Net book value			
At 30 September 2015	230	333	563
At 30 September 2014	342	306	648
At 30 September 2013	156	170	326

## Restatement of prior period

The cost and depreciation at 30 September 2014 have been restated for a misallocation of disposals between the two categories. This restatement has no effect on the net book value as at 30 September 2014 or the Group's income statement which remain unchanged. The correction has increased total cost at 30 September 2014 by £339,000 and increased accumulated depreciation at 30 September 2014 by the same amount.

# Aukett Swanke Group Plc

## 15 Investments

Company	Subsidiaries £'000	Joint ventures £'000	Associate £'000	Total £'000
Cost				
At 30 September 2013	5,350	21	12	5,383
Additions	1,581	-	-	1,581
Disposals	-	-	-	-
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
Provisions				
At 30 September 2013	3,032	-	-	3,032
Charge	465	-	-	465
At 30 September 2014	3,497	-	-	3,497
Charge	-	-	-	-
At 30 September 2015	3,497	-	-	3,497
Net book value				
At 30 September 2015	4,288	21	12	4,321
At 30 September 2014	3,434	21	12	3,467
At 30 September 2013	2,318	21	12	2,351

# Aukett Swanke Group Plc

## Subsidiary operations

The following are the subsidiary undertakings at 30 September 2015:

Name	Country of Incorporation	Class and proportion of ordinary equity held		Nature of business
		2015	2014	
<b>Subsidiaries</b>				
Aukett Swanke Limited	England & Wales	100%	100%	Architecture & design
Fitzroy Robinson Limited	England & Wales	100%	100%	Non trading
Aukett Fitzroy Robinson International Limited	England & Wales	100%	100%	Architecture & design
Veretec Limited	England & Wales	100%	100%	Architecture & design
ZAO Aukett Fitzroy Vostok	Russia	100%	100%	Architecture & design
Swanke Hayden Connell Europe Limited	England & Wales	100%	100%	Non trading
Swanke Hayden Connell International Limited	England & Wales	100%	100%	Architecture & design
Swanke Hayden Connell Mimarlik AS	Turkey	100%	100%	Architecture & design
Swanke Hayden Connell Architectes SARL	France	100%	100%	Non trading
Swanke Limited	England & Wales	100%	100%	Dormant
John R Harris & Partners Limited	Cyprus	80%	-	Architecture & design
John R Harris & Partners Limited	England & Wales	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 incorporated in Cyprus, operates principally in the Middle East and is registered in the Dubai Emirate of the United Arab Emirates. It is the only subsidiary to have a different reporting date to the Group, of 31 December. This will be brought in line with the Group in the next financial year. It is also the only subsidiary for which there is a non controlling interest. The proportion of equity and voting rights held by these non controlling interests is 20%.

# Aukett Swanke Group Plc

## Interest in associate and joint ventures

Set out below are the associate and joint ventures of the Group as at 30 September 2015. 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		Nature of relationship	Measurement method
		2015	2014		
Aukett + Heese 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 architecture and design services. There are no contingent liabilities or commitments in relation to joint ventures or associates.

## 16 Investment in associate

As disclosed in note 15, 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 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	2015 £'000	2014 £'000
Assets		
Non current assets	233	110
Current assets	1,991	2,392
Total assets	2,224	2,502
Liabilities		
Current liabilities	(1,207)	(1,526)
Non current liabilities	-	-
Total liabilities	(1,207)	(1,526)
Net assets	1,017	976
Reconciliation to carrying amounts:		
Opening net assets at 1 October	976	760
Profit for the period	1,055	1,017
Other comprehensive income	(49)	(65)
Dividends paid	(965)	(736)
Closing net assets	1,017	976
Group's share in %	25%	25%
Group's share in £'000	254	244
Carrying amount	254	244

# Aukett Swanke Group Plc

<b>Summarised statement of comprehensive income</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Revenue	7,713	5,894
Sub consultant costs	(2,215)	(1,564)
Revenue less sub consultant costs	5,498	4,330
Operating costs	(3,986)	(2,872)
Profit before tax	1,512	1,458
Taxation	(457)	(441)
Profit for the period from continuing operations	1,055	1,017
Other comprehensive income	(49)	(65)
Total comprehensive income	1,006	952

The Group received dividends of £241,000 (2014: £184,000) 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.

## 17 Investments in joint ventures

### Frankfurt

As disclosed in note 15, the Group owns 50% of Aukett + Heese Frankfurt GmbH which is based in Frankfurt.

	<b>£'000</b>
At 1 October 2013	31
Share of profits	101
Exchange differences	(8)
At 30 September 2014	124
Share of profits	13
Dividends paid	(37)
Exchange differences	(6)
At 30 September 2015	94

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

	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Assets</b>		
Non current assets	9	15
Current assets	186	360
Total assets	195	375
<b>Liabilities</b>		
Current liabilities	(101)	(251)
Non current liabilities	-	-
Total liabilities	(101)	(251)
<b>Net assets</b>	<b>94</b>	<b>124</b>

## Aukett Swanke Group Plc

	2015 £'000	2014 £'000
Revenue	443	718
Sub consultant costs	(147)	(263)
Revenue less sub consultant costs	296	455
Operating costs	(277)	(309)
Profit before tax	19	146
Taxation	(6)	(45)
Profit after tax	13	101

### Prague

As disclosed in note 15, the Group owns 50% of Aukett sro which is based in Prague.

	£'000
At 1 October 2013	8
Share of profits	(1)
Exchange differences	-
At 30 September 2014	7
Share of profits	-
Exchange differences	(1)
At 30 September 2015	6

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

	2015 £'000	2014 £'000
Assets		
Non current assets	1	1
Current assets	64	58
Total assets	65	59
Liabilities		
Current liabilities	(59)	(52)
Non current liabilities	-	-
Total liabilities	(59)	(52)
Net assets	6	7

	2015 £'000	2014 £'000
Revenue	143	206
Sub consultant costs	(22)	(55)
Revenue less sub consultant costs	121	151
Operating costs	(121)	(152)
(Loss) before tax	-	(1)
Taxation	-	-
(Loss) after tax	-	(1)

# Aukett Swanke Group Plc

## 18 Trade and other receivables

Group	2015 £'000	2014 £'000
Gross trade receivables	4,498	4,302
Impairment allowances	(357)	(44)
Net trade receivables	4,141	4,258
Amounts due from customers for contract work	1,079	581
Amounts owed by associate and joint ventures	70	48
Other receivables	425	685
Prepayments	715	807
Total	6,430	6,379

Company	2015 £'000	2014 £'000
Amounts due after more than one year		
Amounts owed by subsidiaries	-	330
Amounts owed by associate and joint ventures	48	48
Total amounts due after more than one year	48	378
Amounts due within one year		
Amounts owed by subsidiaries	382	-
Amounts owed by associate and joint ventures	22	-
Other receivables	16	10
Prepayments	12	23
Total amounts due within one year	432	33
Total	480	411

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.

## 19 Trade and other payables

Group	2015 £'000	2014 £'000
Trade payables	881	808
Advances received from customers for contract work	2,572	2,472
Amounts due to associate and joint ventures	4	31
Other taxation and social security	704	921
Other payables	236	207
Accruals	1,436	2,101
Total	5,833	6,540

Company	2015 £'000	2014 £'000
Trade payables	4	22
Amounts owed to subsidiaries	2,157	1,497
Other payables	2	2
Accruals	137	160
Total	2,300	1,681



# Aukett Swanke Group Plc

## 20 Borrowings

### Group

Short term borrowings	2015 £'000	2014 £'000
Secured bank loan (note 21)	-	113
Total	-	113

Long term borrowings	2015 £'000	2014 £'000
Secured bank loan (note 21)	-	-
Total	-	-

## 21 Secured bank loan

Group	2015 £'000	2014 £'000
Instalments repayable within one year	-	113
Current liability	-	113
Instalments repayable between one and two years	-	-
Instalments repayable between two and five years	-	-
Non current liability	-	-
Total	-	113

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 United Kingdom bank base rate.

## 22 Analysis of net funds

Group	2015 £'000	2014 £'000
Cash and cash equivalents	1,873	1,891
Secured bank overdraft	-	-
Cash, cash equivalents and bank overdraft	1,873	1,891
Secured bank loan (note 21)	-	(113)
Net funds	1,873	1,778

# Aukett Swanke Group Plc

## 23 Deferred tax

Group	Tax depreciation on plant and equipment £'000	Trading losses £'000	Unremitted overseas earnings £'000	Other temporary differences £'000	Total £'000
At 30 September 2013	47	357	(6)	50	448
Acquisition of subsidiary	83	64	-	(120)	27
Income statement	(65)	(190)	6	(5)	(254)
Exchange differences	-	(6)	-	4	(2)
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

Group	2015 £'000	2014 £'000
Deferred tax assets	288	290
Deferred tax liabilities	(54)	(71)
Net deferred tax balance	234	219

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 assets of £1,000 (2014: £77,000) in respect of losses amounting to £5,000 (2014: £385,000) that can be carried forward against future taxable income in its Russian operation.

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 £2,000 (2014: £nil) recognised in respect of other temporary differences.

## 24 Provisions

Group	Redundancy provision £'000	Property lease provision £'000	Employee benefit obligations £'000	Total £'000
At 1 October 2013	-	50	-	50
On acquisition of subsidiary	-	259	33	292
Utilised	-	(246)	-	(246)
Released	-	(11)	-	(11)
Provided	7	-	12	19
Exchange differences	-	-	-	-
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

## Aukett Swanke Group Plc

### *Redundancy provision*

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

### *Property lease provision*

The provision carried forward at 30 September 2015 is the future estimated cost of work to be performed after seeking appropriate external professional advice for the Groups two London premises, on obligations arising under its lease.

### *Employee benefit obligations*

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. The liability has been measured in line with IAS 19.

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.

# Aukett Swanke Group Plc

## 25 Share capital

Group and Company	2015 £'000	2014 £'000
Allocated, called up and fully paid		
165,213,652 (2014: 165,213,652) ordinary shares of 1p each	1,652	1,652

	Number
At 1 October 2013	145,618,693
Issue of ordinary shares related to business combination	19,594,959
At 30 September 2014	165,213,652
No changes	-
At 30 September 2015	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:

	At 1 October 2014 Number	Granted Number	Lapsed Number	At 30 September 2015 Number	Exercise price Pence	Earliest exercisable date	Latest exercisable date
Granted							
11 April 2011	1,500,000	-	(500,000)	1,000,000	5.00	12 April 2013	11 April 2017
Total	1,500,000	-	(500,000)	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.

Duncan Harper resigned as a Director on 10 October 2014 his 500,000 share options initially granted lapsed and are no longer exercisable.

The fair value of these share options has been estimated at £14,000 using the Black-Scholes option pricing model with the following inputs:

Input	Value
Share price at date of grant	3.00 pence
Exercise price	5.00 pence
Expected option life	4 years
Expected volatility	55%
Expected dividends	Nil
Risk free interest rate	2.65%

The expected volatility was estimated based on the historical volatility over the three years prior to grant.

# Aukett Swanke Group Plc

## 27 Cash generated from operations

Group	2015 £'000	2014 £'000
Profit before tax – continuing operations	1,870	1,400
Finance income	(3)	-
Finance costs	14	18
Share of results of associate and joint ventures	(277)	(354)
Goodwill impairment provision / write off	-	125
Intangible amortisation	80	82
Depreciation	345	259
Profit on disposal of property, plant & equipment	(2)	(4)
Change in trade and other receivables	597	(604)
Change in trade and other payables	(1,273)	676
Change in provisions	92	(238)
Net cash generated from operations	1,443	1,360

Company	2015 £'000	2014 £'000
Profit before income tax	757	163
Dividends received	(1,279)	(1,166)
Finance costs	2	-
Provision against investment in subsidiary	-	465
Change in trade and other receivables	(26)	270
Change in trade and other payables	616	104
Net cash generated from / (used by) operations	70	(164)

## 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	2015 £'000	2014 £'000
Trade receivables	4,141	4,258
Amounts due from customers for contract work	1,079	581
Amounts owed by associate and joint ventures	70	48
Other receivables	425	685
Cash and cash equivalents	1,873	1,891
Loans and receivables	7,588	7,463
Trade payables	(881)	(808)
Other payables	(236)	(207)
Amounts due to associate and joint ventures	(4)	(31)
Accruals	(1,436)	(2,010)
Secured bank loan	-	(113)
Provisions	(354)	(104)
Financial liabilities measured at amortised cost	(2,911)	(3,273)
Net financial instruments	4,677	4,190

## Aukett Swanke Group Plc

Company	2015 £'000	2014 £'000
Amounts owed by subsidiaries	382	330
Amount owed by associate & joint ventures	70	48
Other receivables	16	10
Cash and cash equivalents	1,007	916
Loans and receivables	1,475	1,304
Trade payables	(4)	(22)
Amounts owed to subsidiaries	(2,157)	(1,497)
Other payables	(2)	(2)
Accruals	(137)	(160)
Financial liabilities measured at amortised cost	(2,300)	(1,681)
Net financial instruments	(825)	(377)

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:

	2015 £'000	2014 £'000
Group	10,959	13,011
Company	1,551	1,625

Other receivables in the consolidated statement of financial position include a £148,000 rent security deposit (2014: £148,000) in respect of one of the Group's London studio premises and a £10,000 rent deposit (2014: £44,000) in respect of the Group's Moscow studio premises.

# Aukett Swanke Group Plc

## 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:

<b>Group</b>	2015 £'000	2014 £'000
Czech Koruna	48	48
EU Euro	63	(6)
Polish Zloty	(9)	(25)
Russian Rouble	408	244
UAE Dirham	512	461
UK Sterling	3,961	3,580
US Dollar	(324)	(151)
Turkish Lira	18	39
Other	-	-
<b>Net financial instruments</b>	<b>4,677</b>	<b>4,190</b>

<b>Company</b>	2015 £'000	2014 £'000
Czech Koruna	48	48
EU Euro	62	18
UK Sterling	(929)	(403)
US Dollar	(74)	(40)
UAE Dirham	68	-
<b>Net financial instruments</b>	<b>(825)</b>	<b>(377)</b>

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.

	2015		2014	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000
Group	45	35	56	13
Company	10	-	3	-

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

	2015 £'000	2014 £'000
Group	(1)	(13)
Company	(12)	(10)

## Aukett Swanke Group Plc

The Group's exchange loss of £1,000 (2014: loss of £13,000) includes cumulative exchange reserve losses of £Nil (2014: £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:

	2015 £'000	2014 £'000
Not overdue	1,978	2,259
Between 0 and 30 days overdue	753	776
Between 30 and 60 days overdue	510	353
Greater than 60 days overdue	900	870
Total	4,141	4,258

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

	£'000
At 1 October 2013	642
Acquisition of subsidiary	3
Release to the income statement	(57)
Allowance utilised	(541)
Exchange differences	(3)
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

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 £5,220,000 (2014: £4,839,000) 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.

	2015 £'000	2014 £'000
Largest exposure	445	932
Second largest exposure	292	612
Third largest exposure	175	309

The Group's principal banker is Coutts & Co, a member of the Royal Bank of Scotland Group.



## Aukett Swanke Group Plc

At 30 September 2015 the largest exposure to a single financial institution represented 87% (2014: 69%) 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	2015 £'000	2014 £'000
Amounts due from associate and joint ventures	-	-
Other receivables	148	148
Secured bank loan	-	(113)
Interest bearing financial instruments	148	35

Company	2015 £'000	2014 £'000
Amounts due from associate and joint ventures	-	-
Secured bank overdraft	(77)	(43)
Interest bearing financial instruments	(77)	(43)

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 United Kingdom bank base rate.

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.

	2015 £'000	2014 £'000
Group	2	1
Company	(1)	(1)

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## 32 Liquidity risk

The Group and the Company have no outstanding borrowings at 30 September 2015 after the repayment in the year of the ten year amortising facility in October 2014.

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

At 30 September 2015 the Group had £850,000 (2014: £750,000) of gross borrowing facility under its £850,000 (2014: 750,000) United Kingdom gross bank overdraft facility.

In January 2016 Coutts & Co renewed the gross overdraft facility which is now next due for review in December 2016. The Group repaid its gross borrowing shown below on 1 October 2014.

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

Gross borrowings	2015 £'000	2014 £'000
Instalments repayable within one year	-	113
Instalments repayable between one and two years	-	-
Instalments repayable between two and five years	-	-
Total gross borrowings	-	113
Expected future finance charges	-	-
Total net borrowings	-	113

## 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 2015 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £205,000 (2014: £276,000).

The Company and certain of its United Kingdom subsidiaries are members of a Group for Value Added Tax (VAT) purposes. At 30 September 2015 the net VAT payable balance of those subsidiaries was £356,000 (2014: £452,000).

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.

	2015 £'000	2014 £'000
Not later than one year	1,012	1,137
Later than one year and not later than five years	1,345	2,355
Later than five years	-	-
Total	2,357	3,492

The Group's most significant lease relates to its two London studio premises which comprises £2,228,000 (2014: £3,144,000) of the amounts shown in the table above.

The lease of its York Way studio does not contain any break clauses, expires in July 2018 and had an upwards only rent review in July 2013 which has been agreed.

## Aukett Swanke Group Plc

The lease of its Christopher Street studio expires in September 2017.

The Company has no operating lease commitments (2014: £Nil).

At both 30 September 2015 and 2014 neither the Group nor the Company had any capital commitments in respect of property, plant & 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.

	2015 £'000	2014 £'000
Not later than one year	346	346
Later than one year and not later than five years	258	604
Later than five years	-	-
Total	604	950

### 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 directors of the United Kingdom and international operations. As a result of the growth in the Group the management team has been increased in anticipation of the expansion of the business.

Group	2015 £'000	2014 £'000
Short term employee benefits	2,065	1,403
Post employment benefits	132	103
Total	2,197	1,506

The key management personnel of the Company comprise its directors.

Company	2015 £'000	2014 £'000
Short term employee benefits	1,035	862
Post employment benefits	76	62
Total	1,111	924

#### Transactions and balances with associate and joint ventures

The amount owed to the Group by Aukett + Heese Frankfurt GmbH at 30 September 2015 was £22,093 (2014: £Nil) relating to management charges raised. Invoices issued by the group in respect of these services amounted to £18,000.

The amount owed by the Group from Aukett + Heese Frankfurt GmbH in respect of services rendered was £nil (2014: £31,000).

The Group makes management charges to Aukett + Heese GmbH. Invoices issued by the Group during the year in respect of these services amounted to £60,000 (2014: £60,000). The amount owed to the Group by Aukett + Heese GmbH at 30 September 2015 in respect of these management charges was £Nil (2014: £Nil).

## **Aukett Swanke Group Plc**

As disclosed in note 15, 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 2015 was £48,000 (2014: £48,000) relating to previously declared but not yet paid dividends and name licence charges.

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 15.

The Company made management charges to its subsidiaries for management services of £782,000 (2014: £399,000) and paid charges to its subsidiaries for office accommodation and other related services of £390,000 (2014: £60,000).

The treasury activities of the Company and its United Kingdom subsidiaries were managed on a consolidated basis by one of those subsidiaries, with funds being transferred to and from that subsidiary as required.

At 30 September 2015 the Company was owed £382,000 (2014: £330,000) by its subsidiaries and owed £2,157,000 (2014: £1,497,000) to its subsidiaries. These balances arose through various past transactions including treasury management and management charges.

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 15 June 2015 the Group acquired 80% of the issued share capital of John R Harris & Partners Limited (JRHP), a well-established firm of architects, interior designers, engineers and master planners incorporated in Cyprus and operating in the Middle East.

The total consideration for the acquisition was £897,000 satisfied in cash.

The acquisition considerably improves our market position and offer in the Middle East. The acquisition will further provide the opportunity for some overhead cost savings. The goodwill acquired on the acquisition represents the knowledge and experience of the assembled workforce in addition to expected integration savings and economies of scale. The goodwill is not considered deductible for income tax purposes.

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

Consideration at 15 June 2015	£'000
Cash	897
Total consideration transferred	897
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	73
Property, Plant and Equipment (note 14)	75
Customer relationships (included in other intangible assets) (note 13)	158
Order book (included in other intangible assets) (note 13)	117
Trade licence (included in other intangible assets) (note 13)	63
Amounts recoverable on contracts	-
Trade and other receivables	887
Trade and other payables	(689)
Provision for liabilities (note 24)	(164)
Total identifiable net assets	520
Non-controlling interest	(104)
Goodwill	481
Total	897

Acquisition costs of £57,000 have been included in other operating charges in the consolidated income statement for the year ended 30 September 2015.

The fair value of trade and other receivables is £887,000 and includes trade receivables with a fair value of £845,000. The gross contractual amount for trade receivables due is £1,166,000, of which £321,000 is expected to be uncollectable. The fair value of trade and other receivables is provisional pending future receipts.

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

## **Aukett Swanke Group Plc**

The revenue included in the consolidated income statement since 15 June 2015 contributed by JRHP was £865,000. The revenue less sub consultant costs contributed by JRHP over the same period was £618,000. The profit before tax and amortisation contributed over the same period was £42,000.

Had JRHP been consolidated from 1 October 2014 the consolidated income statement would show pro-forma revenue of £21,000,000 and profit before tax of £2,162,000.

### **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 77. A description of the Group's operations and principal activities is given within the Strategic Report.

# Aukett Swanke Group Plc

## Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10:00am on Wednesday 30 March 2016 at 25 Christopher Street, London, EC2A 2BS for the following purposes:

### Ordinary business

- 1 To receive and adopt the annual report for the year ended 30 September 2015.
- 2 To re elect Anthony Simmonds as a director. Anthony Simmonds retires by rotation.
- 3 To re-appoint BDO LLP as auditors of the Company to hold office, from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, at a remuneration to be fixed by the directors.
- 4 The final dividend of 0.11 pence per share recommended by the directors be declared to be payable on 22 April 2016 to holders of ordinary shares registered at the close of business on 8 April 2016.

### Special business

- 5 That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the Company to allot shares in the Company up to an aggregate nominal amount of £826,068 to such persons and upon such conditions as the directors may determine, such authority to expire at the conclusion of the next annual general meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted after such expiry and the directors may allot shares in the Company in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- 6 To propose as a special resolution that the directors be and are hereby empowered pursuant to section 570 of the Act to allot shares in the Company up to an aggregate nominal amount of £165,214 for cash pursuant to the authority conferred by resolution 6 above as if section 561 of the Act did not apply to such allotment, such authority to expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted after such expiry and the directors may allot shares in the Company in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- 7 To propose that the articles of association of the Company be amended by deleting in its entirety the text from articles 14, 19 and 20 and for such numbered articles to contain no substantive text and there instead be set out the wording 'article deleted'.

By order of the Board



Beverley Wright, Company Secretary  
27 January 2016  
Registered office: 36-40 York Way, London, N1 9AB

# Aukett Swanke Group Plc

## Notes

- 1 Any member entitled to attend and vote at the meeting may appoint another person, whether a member or not, as their proxy to attend and, on a poll, to vote instead of them. A form of proxy is enclosed for this purpose and to be valid must be lodged with the Company's registrars together with any power of attorney or other authority under which it is signed, not less than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting.
- 2 In accordance with regulation 41 of Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of members at 6pm on Monday 28 March 2016 (the 'Specified Time') will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at that meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period then to be so entitled members must be entered on the register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.

## Explanatory note to resolution 7

Section 84 of The Small Business, Enterprise and Employment Act 2015 with effect from 26 May 2015 prohibits UK companies from issuing bearer shares regardless of whether they are permitted to do so in their Articles of Association. The Company is therefore proposing to delete these redundant provisions from its Articles of Association.



# Aukett Swanke Group Plc

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

The Company Secretary can be contacted by email at [cosec@aukettswanke.com](mailto: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](http://www.sharegift.org).

# Aukett Swanke Group Plc

## Studio locations

36-40 York Way  
**London**, N1 9AB  
United Kingdom  
T: +44 (0) 20 7843 3000  
E: london@aukettswanke.com

25 Christopher Street  
**London**, EC2A 2BS  
United Kingdom  
T: +44 (0) 20 7454 8200  
E: london@aukettswanke.com

Bin Arar Tower, Building 168,  
Najda Street (6th Street)  
**Abu Dhabi**  
United Arab Emirates  
T: +971 (0) 2 495 2731  
E: abudhabi@aukettswanke.com

Budapester Strasse 43  
10787 **Berlin**  
Germany  
T: +49 30 230994 0  
E: mail@aukett-heese.de

PO Box 31043  
Humaid Bin Draï Building  
Office 103, 13<sup>th</sup> Street, Umm Ramool  
**Dubai**  
United Arab Emirates  
T: +971 (0) 4 286 2831  
E: dubai@johnrharris.com

Kore Sehıtleri 34/2  
Deniz Is Hani  
34394 Zincirlikuyu  
**Istanbul**, Turkey  
T: +90 212 318 0400  
E: istanbul@aukettswanke.com

18 Prospekt Andropova, bld  
Floor 11, Office 5  
**Moscow** 115432  
Russia  
T: +7 (499) 683 0145  
E: moscow@aukettswanke.com

Janackovo Nabrezi 471/49  
150 00 **Prague** 5  
Czech Republic  
T: +420 224 220 025  
E: aukett@aukett.cz

Gutleutstrasse 163  
60327 **Frankfurt am Main**  
Germany  
T: +49 (0) 69 76806 0  
E: mail@aukett-heese-frankfurt.de