

**Registered number 215571**

**Aukett Swanke Group Plc**

**Annual report**

**For the year ended 30 September 2019**

# Aukett Swanke Group Plc

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# Aukett Swanke Group Plc

## Five year summary

Years ending 30 September	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Total revenues under management <sup>1</sup>	31,505	31,950	34,583	30,379	27,553
Revenue	15,492	14,380	18,395	20,841	18,668
Revenue less sub consultant costs <sup>1</sup>	13,711	13,094	16,070	18,410	16,886
Profit / (loss) before tax	292	(2,544)	(325)	927	1,870
Basic earnings / (losses) per share (p)	0.21	(1.42)	(0.20)	0.47	1.00
Dividends per share (p)	-	-	-	0.18	0.22
Net assets (as restated)	4,514	4,136	6,761	7,189	6,251
Cash and cash equivalents <sup>2</sup>	1,145	710	960	1,839	1,873
Secured bank loans	(325)	(553)	(776)	(1,049)	-
Net funds <sup>3</sup>	820	157	184	790	1,873

<sup>1</sup>Alternative performance measures, refer to page 13 for definition

<sup>2</sup>Cash and cash equivalents includes cash at bank and in hand less bank overdrafts

<sup>3</sup>Net funds includes cash at bank and in hand less bank loans and overdrafts (see note 21)

## Corporate information

### Company secretary

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### Share registrars

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### Nominated adviser and broker

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### Auditors

BDO LLP  
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### Bankers

Coutts & Co  
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Fox Williams  
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# Aukett Swanke Group Plc

## Chairman's statement

I am delighted to report to you in my first year as Non-Executive Chairman, particularly as I believe the results set out in this report mark a turning point in our recent fortunes.

For the benefit of shareholders not familiar with me I am by training and inclination an architect, having spent 40 years in the profession of which 36 were with our Company. I also hold 5.6% of the Company's equity.

I am therefore focused not only in maintaining the high quality of the services that we provide to our clients but also, to have that quality reflected in the Company's share price; something I do not believe is the case today.

As you will see as you read through the Report, our management team led by Nicholas Thompson, has performed strongly in difficult market conditions to restore the Group to profitability. I am confident of further positive progress under his leadership.

In addition to a turnaround in profitability from a loss of £2.54m in 2018 to a profit of £0.29m this year, we have also improved our cash management, ending the year with a healthy balance of £0.82m in net funds. While it is too soon to restore dividend payments, this remains a high priority for the Board.

Since the last Annual Report there have been several Board changes in addition to mine. The first was the retirement of my predecessor, Anthony Simmonds and, I would like to take this opportunity to pay tribute to his many years of service.

Secondly, I wish to welcome our new Group Finance Director Antony Barkwith to the Board. Tony has been with the Company for 15 months now and I am pleased to report that he has made a strong start. Finally, I also welcome Clive Carver, who joined the Board in May 2019, as a Non-Executive Director. The prime focus of the new Board is to work to make sure the Company's many positive attributes are reflected in its valuation.

While our fortunes will always be subject to market conditions, I look forward to the remainder of 2020 and beyond with renewed confidence.

Raúl Curiel  
Chairman

29 January 2020

# Aukett Swanke Group Plc

## Strategic report

The Directors present their Strategic Report on the Group for the year ended 30 September 2019.

### Strategy

We are a professional services group that principally provides architectural design services along with specialisms in master planning, interior design, executive architecture and associated engineering services.

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

In both 2017 and 2018, the markets in which we operate were subject to some significant challenges, including: the onset of Brexit and the uncertainty created around decision-making; a number of competition losses; a one-off property cost due to our UK office move and; finally significant bad debt provisions in our Middle East operation the effect of which resulted in losses in both years. Consequentially our strategy in the short term has been to mitigate the impact of such challenges and not to pursue any new acquisitions which, in part, had contributed to some of the losses previously sustained.

The strategy in the next period is to consolidate the improvements that we have made to our operations and optimise our current platform with consideration being given to the value added by each entity.

### Business Model

We operate through a three hub geographical structure covering: the United Kingdom with our head office in London; the Middle East (United Arab Emirates) with offices in Dubai, Abu Dhabi, Al Ain and Ras Al Khaimah; and Continental Europe with four offices in Berlin, Frankfurt, Istanbul and Prague. Our former operation in Moscow was sold after the year end.

We are primarily focused in the mixed-use commercial property markets including offices, hotels, retail shops and malls, specialist industrial and larger residential schemes. Our Clients, therefore, are: Institutional Investors such as large insurance companies and finance houses; private development companies who are the upper tier in the markets in which we operate and; construction companies who require our services during the site phases of project delivery.

The United Kingdom hub comprises three principal service offers: comprehensive architectural design including master planning; along with interior design and fit-out capability and; an executive architectural delivery service operating under the 'Veretec' brand.

Our Middle East business comprises a number of registered companies which are now marketed under a common brand 'Aukett Swanke'. The service offers within the region include architectural and interior design, post contract delivery services including architect of record and engineering design and site services. Increasingly these separate activities are being combined as a single multidisciplinary service as demanded by this market and we are now well placed to offer such a 'one-stop shop' service. Additionally, we can tailor our services to different pricing points as a result of our varied staff profile, offering services from high design through to site inspection.

The Continental European operations are all separately managed by local directors (with main board oversight), operating through wholly owned subsidiaries, associates, joint

## Aukett Swanke Group Plc

ventures and, a Licensee structure. The services offered are consistent with the other two hubs. Entities within this hub provide additional drawing services to the larger operations in order to optimise both local and group resources.

All operations cover new buildings, refurbishments and historical properties for conversion or repurposing.

As a Group we now have a total average full time equivalent (“FTE”) staff contingent of 305 (2018: 330). We are ranked by professional staff in the 2020 World Architecture 100 at number 64 (2018: 67).

In order to provide greater transparency of our underlying trading performance the new segmental analysis separates out Central Costs from operating subsidiary results to show underlying trading pre management charges and, to highlight the full cost of running the Group. Under the previous disclosure Central Costs were weighted towards wholly owned operations, with smaller management charges borne by joint ventures and associates and on whom the Group relied for their contribution in the form of dividend income to cover their associated central cost.

The Board believes that this revised approach to segmental reporting provides shareholders with greater understanding of the relative performances of the geographies that make up the Group and removes inconsistencies in overhead reporting and recovery from each operation.

Therefore all profits figures referred to under Group activities reflect operating profit before management charges, except where noted and not, profit before or after tax.

### Group Activities and performance

Performance in the period shows revenue growing by 7.7% to £15.49m (2018: £14.38m) and revenue before sub consultants rising by £613k to £13.71m (2018: £13.09m). However, costs fell significantly and we achieved a profit of £292k following the loss in 2018 of £2.54m. The segmental analysis shows that each geographic hub either reversed a loss or increased a profit with Central Costs falling in the same period. A financial success all round.

Cost reductions were achieved across expenditure lines. A reduction in our headcount saved £600k during the year and our property costs fell by nearly £500k much of which was due to one-off property relocation costs in the UK in 2018. Finally, we saw a large reduction in other operating expenses following a £440k reduction in bad debt provisions plus £80k of favourable exchange rate gains primarily due to the movement of the GBP:AED exchange rate on intercompany loan balances denominated in AED.

Post tax profit has benefited from a £218k tax credit arising from an R&D tax claim for the two previous years (2016/17 and 2017/18) in the United Kingdom; with the resulting cash being received after the year end. Whilst future tax credits have yet to be established we believe that similar tax credits should be available in the future.

As such our EPS has returned 0.21 pence per share compared to a loss in 2018 of 1.42.

As mentioned earlier, cash improved dramatically by the year end and stood at £1.15m (2018: £710k) which, with the reduction in the long term acquisition loan of a further £228k, resulted in net funds standing at an impressive improvement of £820k (2018: £157k). A large portion of this improvement came from our more systematic collection regime in the Middle East and from general cost savings around the Group.

Total revenues under management were £31.50m (which includes 100% of our joint ventures and associate’s revenue) (2018: £31.95m). Of the 305 FTE staff (2018: 330) some 115 FTE staff (2018: 126) are employed by our joint ventures and associate so the income and costs attributable to them are not reflected in the consolidated revenue or expense lines. More detailed financial information is given on page 10.

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## United Kingdom

For the first time in three years revenues rose and ended the year 10.5% higher at £7.45m (2018: £6.74m). This reflects a fairly difficult opening six months but then a gradual improvement as we progressed through the year; with our client portfolio beginning to become more active again. Interestingly, many developers started to shrug off the uncertainty of Brexit and returned to the speculative development market as underlying demand once again outstripped supply, especially in Grade A office space. This trend augurs well for the current year and, of course, represents a good commercial decision with the benefit of hindsight given the UK election result in December 2019. This point is exemplified by the first of our projects to be cancelled (on Friday 17 June 2016) which has now been fully re-instructed as a £50m regional office HQ with planning submitted in early December, before the UK election.

This revenue improvement has been mirrored at the bottom line with the hub's contribution to Group profit reversing a 2018 loss of £965k to a profit of £451k – a £1.42m turnaround in one year. This turnaround figure comprises not only an increase in revenue of £710k but also cost reductions of £706k and reflects our expectation, as reported in the 2018 results, that the lower operating base would only require a small amount of revenue improvement to achieve a profit.

Given the back drop of a decline in revenue in 2018 the projects in 2019 reflected a recovery through much increased levels of new enquiries and an accelerated activity on continuing instructions. Continuing instructions included projects such as Statesman House in Maidenhead for Royal London, a mixed use masterplan; 111 Victoria Street in Bristol for CEG, a 250,000 sq ft speculative office; a number of projects at Cambridge Science Park for Trinity College and a hotel for Village Hotels; Steamhouse at Eastside Locks in Birmingham for Goodman, a faculty building for Birmingham City University, that combines undergraduates, post graduates, entrepreneur start-ups and SME businesses.

Newer commissions included the refurbishment of Asticus building in London's Mayfair for AXA; strategic building studies for Astrea around Berkeley Square in London; Orchard Wharf in East London, a Hybrid architect role for Regal London, a large number of Hybrid feasibilities including studies for Royal London, Travis Perkins, Freshwater, CBRE Global Investment, and others - "beds on sheds" by another name, all around the London boroughs. Interiors enjoyed a number of wins across the capital, including a major West End occupier commercial fit-out shortly after the year end.

Elsewhere our Veretec service offer to other architects and contractors continued to grow with commissions from Multiplex, Skanska, Sir Robert MacAlpine, and the delivery of designs by Stiff & Trevellion, Buckley Grey Yeoman, DSDHA and EDS Avantgarde. In addition we were commissioned by Land Securities, Derwent, and Native Land.

In a more stable market environment, with electoral related uncertainty now resolved, and the Brexit process progressing, we expect the UK market to enter a new development cycle from which we'd expect to benefit.

# Aukett Swanke Group Plc

## Middle East

Revenue rose in the Middle East by £700k (10%) from £6.82m to £7.52m in the period, and costs fell by £410k resulting in an operating profit of £525k (2018: loss £585k). The cost reductions came from all expenditure lines reflecting a concerted effort to streamline the operations, remove duplicate overhead costs and proactively manage the debtor book. This has all been very successful.

The three operations (Aukett Swanke, John R Harris and Shankland Cox) all had a good order book positions at the outset of the year but they were all impacted by project delays of one sort or another throughout the year. Only when the very large new Samanea Mall in Dubai was finally given the green light was the operation able to start to recover the losses that it incurred in the first half as this project's services of architecture and engineering were spread across all operations.

Major contributors to revenue this year were varied in their type, geographical spread and scale, reflecting the expertise and diverse nature of our Middle Eastern business.

Retail sector commissions included the design and delivery of the 110,000 sq m new build Samanea Market concept for home furnishings in Dubai for the Chinese conglomerate Lesso and, the delivery of a 75,000 sq m Sports Society Mall in Dubai which will be the largest sports mall in the world on completion for Leader. We are continuing the refurbishment of the Al Ain Mall and the extension of another major Shopping Mall in Ras Al Khaimah. Our specialist Hotel skills were further utilised on the refurbishment of the Mercure hotel Dubai – the largest of its brand in the Middle East; continuing work on the 1,555 guestrooms, signature suites and Imperial Club Lounge at Atlantis, The Palm; as well as completing a major refurbishment of the Kempinski Hotel 'Mall of the Emirates' Dubai for Majid Al Futtaim.

Under Client Frameworks were included a number data, technical and retail projects for Du telecom & Etisalat.

The Group has held a long association with cultural and heritage projects in the UAE, such as the World Trade Centre Dubai, and has continued with involvement in the preservation of Sheikh Mohamed Bin Khalifa House and Al Ain Museum in Al Ain and, in Abu Dhabi with the Sir Bani Yas Island Pavilion gateway to the unique nature-based destination alive with wildlife and adventure activities. We have undertaken detailed design, Architect of Record and delivery Services on Shindagha Perfume House a recent addition to the 25 hectare Shindagha Historic District beside Dubai Creek, originally the historic centre of Dubai where the ruling Sheikhs & famous traders lived. Aldar also commissioned the concept designs for several buildings in Abu Dhabi on a site flanked by the Zayed National Museum, Guggenheim and the Louvre. We have been active in varied aspects of design, delivery, Architect of Record and technical evaluation for several pavilions including the UK, USA, KSA and Australia as well as other support facilities for the Expo Dubai 2020.

Lastly and, perhaps the most novel and exciting, was a commission by Miral to design and deliver a new 'Viewing Walkway and Zipwire ride' that will traverse the Ferrari World site on Yas Island Abu Dhabi at over 25m aboveground and pass thrillingly through the roller coaster – this project will be completed by Spring 2020.

With the Middle East market experiencing a tightening of the purse strings we can foresee 2020 being more competitive than 2019, albeit many consultants have shifted their emphasis to Saudi Arabia where there are a number of mega projects. This shift of resources should dilute the price competition that might otherwise ensue.

The outlook for this region remains cautious but we are budgeting an increase in our revenue in the year ahead. Cost management will remain a key focus.



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## Continental Europe

This operation comprises one wholly owned subsidiary, two joint ventures and an associate plus a former wholly owned subsidiary in Russia which was wholly owned throughout the year, and post year end operates under a licensee arrangement following its disposal to a local shareholder. Revenue and costs for the partly-owned entities are not included in revenue or costs in the Consolidated Income Statement; in line with the use of the equity method of accounting only the after-tax result is included in Group income statement.

Revenue for the hub (i.e. the Russian and Turkish wholly owned subsidiaries only), declined again, this time by 37% to £516k (2018: £817k). However, the region benefits from total revenues under management of £16.529m (2018: £18.387m) and the hub has built on this greater sum by increasing profitability and making an increased contribution to the Group in the year of £495k (2018: profit £284k). Whilst staff numbers reduced from 132 to 116 the net revenue per FTE technical staff increased by 14.5% to £87k (2018: £76k).

Project completions this year by the Berlin office included the refurbishment and conversion of the Kaufhaus Jandorf in Berlin-Mitte to offices for Mercedes-Benz R&D, the Zoom mixed-use building next to Berlin-Zoo, the Allianz HQ in Berlin-Adlershof and the WinX office tower in Frankfurt, where we were the Executive Architect on all four projects. Other completions include a Premier Inn Hotel in Hamburg and in August 2019 the Campus in a listed heritage electrical sub-station building in Berlin-Kreuzberg sponsored by Google.

In Frankfurt the first phases of the refurbishment of the iconic Messeturm building were completed including some tenant fit-outs, along with a banking sector data centre and the Living Lyon residential building. Other completions include a major insurance group fit-out in Cologne and a rollout of branch offices for Commerzbank in Korbach.

In Prague significant projects are under way including the refurbishment of the Trikaya OC Repy shopping centre, the first phases of the WPP Bubenska HQ and a logistics building extension for DB Schenker which will continue into 2020. New projects are in early design stages for a shopping centre and major office fit-out in Prague, a logistics centre in Ostrava and data centre projects in Romania.

In Turkey a large number of fit-out completions occurred in Istanbul this year for Sanofi, Credit Suisse, Nike, 3M, KPMG and for VM Ware's HQ Project in Sofia, Bulgaria where further expansion phases continue into 2020. Work also started on an architectural project for a large private house in Istanbul.

The Moscow office completed a 20,000 sq m luxury Kosygina residential development, interiors projects for a luxury apartment in Moscow, a Training Centre for Sibur in Tobolsk and a residential complex masterplan for a 40 ha site near Tyumen for Embaevo. The Moscow operation was co-located and transferred into new ownership in October to a Russian National who also owns the Aurora Group, a significant and renowned 100 person strong project management, architecture and engineering practice.

## Group Expenditure

The Group continued to carefully manage the operational costs of the Plc Company during the current year and, as a result, saved around £100k year on year. £80k of this saving came from an advantageous foreign exchange gain, due to the movement of the GBP:AED exchange rate on intercompany loan balances denominated in AED.

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## Shareholder base

For a small cap company our shareholder register is large with around 2,200 individual shareholders, many with extremely small holdings. This results in disproportionate costs whenever we need to convene shareholder meetings.

Around 50% (1,100) of the shareholder register, by number, hold, in aggregate, under 2% (c.3m shares) of the total equity which, at the current market price of 1.95 pence per share has a value of c. £65,000, an average value of just £59 each.

For some time the Board has been considering a capital reorganisation to make the register more manageable and to rebase the share price at new level. At an appropriate moment the Board will put proposals to shareholders to implement such action.

## Summary, Group Prospects and Shareholder Value

The action we have taken over the past two years to reduce costs and focus on known income streams in each operation has borne fruit in this set of results. This has especially been the case in the Middle East and the UK. As a result 2019 was a far better year than 2018. Looking forward we can see greater stability in all of our operations, despite the vagaries of both the political and economic environment in which we operate. We hope to build on our current recovery and expect to grow our profit level in 2020.

On behalf of the Board  
Nicholas Thompson  
Chief Executive Officer  
29 January 2020

# Aukett Swanke Group Plc

## Financial review

The headline financial results of the Group were:

	2019 £'000	2018 £'000
Total revenues under management <sup>1</sup>	31,505	31,950
Revenue	15,492	14,380
Revenue less sub consultant costs <sup>1</sup>	13,711	13,094
Net operating expenses (as restated)	(14,130)	(16,006)
Other operating income	371	287
Net finance costs (as restated)	(42)	(40)
Share of results of associate and joint ventures	382	121
Profit / (loss) before tax	292	(2,544)
Tax credit	40	171
Profit / (loss) for the year	332	(2,373)

<sup>1</sup>Alternative performance measures, refer to page 13 for definition

Revenues for the year were £15.49m, an increase of 7.7% on the previous year (2018: £14.38m), marking an improvement in performance in both the Group's major hubs, the UK and the Middle East. Similarly, revenues less sub consultants increased to £13.71m (2018: £13.09m), a 4.7% increase. Subconsultant costs increased from £1.29m last year to £1.78m. Most of the increase was in the Middle East.

Operating expenses in the year were also reduced by £1.87m, of which £0.6m related to technical staff, which was almost entirely within the UAE reflecting the reduction in technical staff to right size with the volume of work. £0.5m related to property costs primarily in the UK following a full year in the new London office, with the prior year including moving costs, overlap of rent across two sites, and final dilapidation settlement. Other operating expenses reduced £0.9m mainly due to a reduction in bad debt provisions in the UAE, supported by further cost reductions in the UK.

The result before tax was a profit of £292k (2018: £2,544k loss). This reflected significant improvements in the result from Continental Europe driven primarily by an improvement in the performance of the associate in Berlin, and the turnaround in the UK and Middle East which both report significant profits before tax (excluding Group management charges) and reduced their losses before tax (including Group management charges) down to almost breakeven in the current year.

Taking account of a £40k tax credit, our profit after tax at £332k gives an EPS profit of 0.21 pence per share (2018: 1.42 pence per share (loss)).

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## United Kingdom

	2019 £'000	2018 £'000
Revenue	7,454	6,744
Revenue less sub consultant costs <sup>1</sup>	7,379	6,610
FTE technical staff <sup>1</sup>	73	72
Net revenue per FTE technical staff <sup>1</sup>	101	91
Profit/(loss) before tax (excluding Group management charges)	451	(965)
Loss before tax (including Group management charges)	(89)	(1,505)

<sup>1</sup>Alternative performance measures, refer to page 13 for definition

The UK's revenue increased 10.5% year on year driven by growth in the Veretec executive architecture offering. Staff numbers were maintained, and productivity improved (net revenue per FTE) on the back of a more continuous stream of fee earning work and reduced speculative bid and competition work. Property costs were significantly reduced, as the prior year included one-off costs of £375k.

The combined effects of these improvements and cost reductions resulted in a year on year improvement on the result before tax of over £1.4m.

## Middle East

	2019 £'000	2018 £'000
Revenue	7,522	6,819
Revenue less sub consultant costs <sup>1</sup>	5,900	5,852
FTE technical staff <sup>1</sup>	70	83
Net revenue per FTE technical staff <sup>1</sup>	84	70
Profit/(loss) before tax (excluding Group management charges)	525	(585)
Loss before tax (including Group management charges)	(69)	(1,209)

<sup>1</sup>Alternative performance measures, refer to page 13 for definition

Revenues increased 10.3% from £6.82m to £7.52m in the year, due to the effect of a start up of some of the large projects which had been delayed from the prior year, combined with new work won, however further delays and projects put on hold restricted further improvements in the performance of the region. Profit/(loss) before tax (excluding Group management charges) improved by £1.1m to £525k, whilst the first half loss (excluding management charges) of £141k was largely negated by an improved profit of £666k in the second half.

Staff numbers were reduced further to align with the forecast order book, resulting in a significant improvement in productivity at £84k net revenue per FTE technical staff.

## Continental Europe

	2019 £'000	2018 £'000
Revenue	516	817
Revenue less sub consultant costs <sup>1</sup>	432	632
FTE technical staff <sup>1</sup>	13	15
Net revenue per FTE technical staff <sup>1</sup>	33	42
Profit before tax (excluding Group management charges)	495	284
Profit before tax (including Group management charges)	351	131

## Including 100% of associate & joint ventures

Total revenues under management <sup>1</sup>	16,529	18,387
Revenue less sub consultant costs <sup>1</sup>	10,140	9,990
FTE technical staff <sup>1</sup>	116	132
Net revenue per FTE technical staff <sup>1</sup>	87	76

<sup>1</sup>Alternative performance measures, refer to page 13 for definition

## Aukett Swanke Group Plc

Reported revenues, comprising the two Continental European subsidiaries, Russia and Turkey, were at £516k, 36.8% lower than the prior year (£817k). The result before tax (excluding Group management charges), also including the joint venture and associate in Germany and the joint venture in the Czech Republic, was a profit of £495k (2018: £284k).

Continental Europe's result is driven through the investments in Berlin and Frankfurt, which remain strong and profitable, together contributing £382k profit (including Group management charges), to the Continental Europe result. Turkey suffered from reduced earnings, however still managed to achieve a small profit. Russia and the Czech Republic both reported small negative results.

While revenues less sub consultant costs (including 100% of the associate and joint ventures) increased marginally year on year, total revenues under management decreased by £1,858k. The movement was primarily due to the changing mix of requirements for sub-consultants on a variety of projects, however it was dominated in 2018 by one project in which the concept architect is contracted to our Berlin associate as a sub-consultant. The concept architect fee on this project alone was £4.15m in the prior year, reducing down to £1.63m in the current year.

Staff numbers reduced to 116 from 132 due to moderate down-sizing in Berlin, which enabled this associate to operate significantly more efficiently and profitably. As a result, earnings per FTE technical staff were significantly improved at £87k (2018: £76k).

### Financing

Taking account of the year's result, total equity is now £4.51m (2018: as restated £4.14m).

Net funds (see note 21) at year end were significantly improved, being £820k (2018: £157k), comprising cash of £1,145k (2018: £710k), and the loan taken out in respect of the acquisition of Shankland Cox Limited ("SCL"), which now stands at £325k (2018: £553k).

The loan set out in note 20 to acquire SCL was taken out in February 2016 for the principal sum of USD 1.6m representing AED 6m. It is being repaid in equal quarterly instalments of USD 80k over five years. This facility is also used by the Group to hedge foreign exchange exposures.

The Group's overdraft facility from its bankers Coutts & Co was maintained at £500k throughout the year, continuing to provide working capital flexibility and to support the UK business. This is renewable annually and currently remains in place until November 2020, with a review in May 2020.

As further explained in note 35, Management identified that 3 finance leases taken out by Aukett Swanke Limited to fund the purchase of fit out costs of the new London office in June 2018, should have been capitalised as a tangible fixed asset and finance lease liabilities, and have restated the prior year balances to reflect this. A further lease in November 2018 was also taken out in the current year. The lease liability as at 30 September 2019 was £278k (2018: £314k).

Throughout the year there has continued to be a very strong focus on cash management, liquidity forecasts and covenant compliance. Although nothing was drawn at year end, use was made of the overdraft throughout the year. Going forward and from the second half of the 2020 financial year, utilisation of the facility is expected to reduce.

The Plc continues to act as the Group's central banker and it has sought to optimise the Group's position by maximising cash flows and flexibility across geographies. The overdraft is effectively assigned to the UK businesses. All other businesses are required to be cash generative or as a minimum cash neutral. Subject to formal approval, short term working capital advances or small funding loans may be made.

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## Future work

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

With the distribution of the business across the three hubs, there are differing profiles:

- The UK trades as 2 businesses: Veretec and Aukett Swanke Limited. Veretec is continuing to grow and increasing revenues and commensurately staff numbers. Following prior year reductions in staffing levels Aukett Swanke Limited maintained a core stable team through much of the year with a small growth in Q4 as work levels improved.
- The Middle East continues the strategy of Aukett Swanke Architectural Design Limited winning larger, longer-term projects which underpin its workload and in part that of SCL. John R Harris & Partners Limited (“JRHP”) and SCL also pursue and win smaller projects which they deliver individually.
- Continental Europe remains mixed across the portfolio. The German businesses are strongest and Berlin and Frankfurt have strong forward order books continuing their levels of profitability. Turkey and the Czech Republic continue to try and build strength, with both enhancing their capability to support other businesses in the Group. The Russian business was sold after the year end.

## Key Performance Indicators (“KPIs”)

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

- Total revenues under management. This includes 100% of the revenues generated by our joint ventures in Prague and Frankfurt and associate in Berlin. This is used as a measurement of the overall size and reach of the Group and to track performance against the strategic objective of creating a diversified and balanced business across the three regional hubs, and is disclosed on pages 10 and 11. As total revenues under management includes revenue derived from subconsultants, this figure can vary significantly year on year depending on the nature of external expertise required on individual projects as described on page 12. Consolidated Group revenue can be reconciled to total revenues under management by adding i) the revenue of the associate disclosed in note 16; and ii) double the share of revenue in joint ventures disclosed in note 17;
- Revenue less sub consultant costs which reflects the revenue generated by our own technical staff but excludes the revenue attributable to sub consultants, which are mainly passed through at cost. This is the key driver of profitability for our business, and is discussed by segment on pages 10 to 12;
- Revenue less sub consultant costs being generated per full time equivalent (FTE) technical member of staff (‘net revenue per FTE technical 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 is a key measure of productivity. This KPI is only analysed on a segmental basis and calculations for each segment can be found on page 11;

## Aukett Swanke Group Plc

- Result before taxation (excluding Group management charges), and result before taxation (including Group management charges), which are further assessed on pages 10 to 12;
- Cash at bank and in hand and net funds / (debt), which is assessed further on page 5.

The numbers of full time equivalent technical members of staff differs from the employee numbers disclosed in note 7 as, at times, the Group uses some non-employed workers through agencies and freelance contracts. Staff working on a part time basis, or on long term leave, are also pro-rated in the number of full time equivalent staff number, which differs from the method of calculating the average number of employees for the year under the Companies Act 2006 as disclosed in note 7. Full time equivalent technical members of staff are given for each hub on page 11.

### 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, investment in the property sector and numbers of new clients. Not all of this information is available in each market place and so we have to adapt to the information flow that is available.

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

#### Geo-political factors

Political events and decisions, or the lack thereof, can seriously affect the markets and economies in which the Group operates, leading to a lack of decisions by government bodies and also by clients. In turn this directly impacts workload and can even delay committed projects. Whilst we now appear to have progress in the Brexit process, there still remains uncertainty in predicting the end result, and therefore quantifying its impact for the UK business, albeit as we note on page 6 we expect the UK market to enter a new development cycle from which we'd expect to benefit.

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

#### Share price volatility

A strong share price and higher market capitalisation attract new investors and provide the Group with greater flexibility when considering M&A activity. Conversely a weaker share price affords the Group less flexibility.

#### Operational gearing and funding

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

## Aukett Swanke Group Plc

The UK continues to benefit from a rent free period which expires in May 2020, however includes the option to further extend the rent free period a further 4 months subject to landlord approved installation of specific property improvements. Action was taken to reduce property costs in the UAE through a process of property rationalisation which has now been completed. The UK has also rebalanced the mix of permanent vs. contract and agency staff to give improved flexibility to respond to falls in revenue.

The project payment arrangements under which the Group operates vary significantly by geographical location. Payment terms by jurisdiction are typically:

- 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 Turkey it is usual to either agree in advance with the client a monthly billing schedule or to agree a billing schedule based on deliverable work stages; and
- in the Middle East it is usual to bill clients monthly, but the value of the monthly invoices raised is dependent upon demonstrating specific progress from the work performed, which generally leads to higher levels of amounts due from customers for contract work. Payment also tends to take longer in the Middle East.

Growth in revenue in the UK and the Middle East in the year, combined with improved cash collection in the Middle East improved the free cash available to be remitted to the Plc in the year.

The Directors seek to ensure that the Group retains appropriate funding arrangements and regularly and stringently monitor expected future requirements through the Group's annual budgeting, quarterly forecasting, monthly cash flow and weekly and daily cash reporting processes in order to react immediately to a required change with maximum flexibility. Covenant compliance is also strictly monitored.

The Group's principal bankers remain supportive and in December 2019 renewed the Group's overdraft facility until November 2020, at the existing £500k level. In February 2016 a USD 1.6m loan was also offered and drawn down with respect to the acquisition of Shankland Cox Limited, the current value as at 29 January 2020 of which is USD 320k.

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

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

Second, the Group can sub-let or licence occupation of part of its property space to other professional services businesses to offset some of the total occupancy cost;

Third, the Group maximises the benefit of different payment terms in varying geographies, mainly the UK and UAE, to take advantage of the flexibility between the businesses; and

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



# Aukett Swanke Group Plc

## **Staff skills and retention**

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

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

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

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

## **Quality of technical delivery**

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

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

The Group's 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 economic downturns and global recession. Additionally architects may be under pressure to work without fees (for a time) in order to win a project or retain sufficient qualified staff to complete the project if won. The Group mitigates this risk by focusing on markets where it has clear skills that are well above average, or avoids it by not lowering prices, thus risking the loss of such work.

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

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

# Aukett Swanke Group Plc

## **Poor acquisitions**

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

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

## **Overseas diversification**

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

- the overseas operations are managed by nationals or highly experienced expatriates, with oversight from senior Group management. All offices are regularly visited by senior Group management to monitor and review the businesses. There is regular, comprehensive reporting and KPIs are used extensively;
- the Group seeks to work for multinational or the larger and more established domestic clients who themselves often have significant international experience;
- when acting as general designer for projects located outside the UK the Group always seeks to appoint sub consultants with an established and successful track record on similar projects;
- within the boundaries imposed by local laws and commercial constraints, the Group seeks to structure contractual arrangements with clients and sub consultants to minimise the significant contractual risks which can arise; and
- as far as possible foreign currency flows are matched to minimise any impact of exchange rate movements and significant exposures are hedged.

The Strategic Report was approved by the Board on 29 January 2020 and signed on its behalf by

Antony Barkwith  
Group Finance Director

# Aukett Swanke Group Plc

## Directors' report

The Directors present their report for the year ended 30 September 2019.

### Corporate governance

In accordance with AIM Rule 26 the Company is required to apply a recognised corporate code. The Board continued to adopt the QCA Corporate Governance Code (2018) published by the Quoted Companies Alliance.

The QCA Corporate Governance Code (2018) comprises 10 Principles. We set out our compliance with these Principles on the Group's website. This includes a matrix ('the QCA Matrix'). This lists the Principles as well as related considerations and requirements, all of which have been assigned a sub-number within each Principle.

### 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 three executive directors and three independent non-executive directors who bring a wide range of experience and skills to the Company.

The Board considers John Bullough, Clive Carver and Raúl Curiel to be independent non-executive directors.

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

### Audit Committee

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

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

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

The Audit Committee currently comprises Clive Carver, as Chairman, John Bullough and Raúl Curiel, and they report to the Board on matters discussed at the Committee meetings.

During the year the Committee met on three occasions to review, in addition to the above, budgets, monthly management accounts and working capital requirements by reference to the Company's financial strategy. It also reviewed through a sub-committee the management of risk inherent in the business.

# Aukett Swanke Group Plc

## Remuneration Committee

The Remuneration Committee convenes not less than twice a year, ordinarily on a six monthly basis, and during the year it met on two occasions. The Committee comprises John Bullough, Clive Carver and Raúl Curiel with John Bullough as Chairman. It is responsible for determining remuneration policy and all aspects of the Executive Directors' remuneration and incentive packages including pension arrangements, bonus provisions, discretionary share options, relevant performance targets and the broader terms and conditions of their service contracts.

In fulfilling its duties the Committee initiates research as appropriate into market remuneration comparables, appointing third party advisors as required. In liaison with the Nomination Committee it has regard to succession planning and makes recommendations to the Board in relation to proposed remuneration packages for any proposed new executive and non-executive appointments.

Where appropriate the Committee consults the Chief Executive Officer regarding its proposals. No Director plays a part in any discussion regarding his or her 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 Raúl Curiel with the other members being Nicholas Thompson, John Bullough and Clive Carver.

During the year the Committee made recommendations with respect to succession planning and evaluation of the board effectiveness, the appointment of additional non-executive directors and an executive director and met on four separate occasions.

## 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 internal control is designed to manage risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Internal Controls and Risk Committee is chaired by Clive Carver. Antony Barkwith and Robert Fry are also members.

## Directors

John Bullough, Nicholas Thompson and Robert Fry served as Directors of the Company throughout the year ended 30 September 2019. On 12 February 2019 Raúl Curiel was appointed as a Director of the Company. On 28 March 2019 Beverley Wright and Anthony Simmonds resigned as Directors of the Company. Raúl Curiel was appointed as Chairman of the Company following the departure of Anthony Simmonds. On 10 May 2019 Clive Carver was appointed and on the 9 July 2019 Antony Barkwith was appointed as Directors of the Company.

## Aukett Swanke Group Plc

Biographical details of the current Directors are set out on pages 24 and 25.

The Company maintains directors' and officers' liability insurance.

Attendance at board meetings by members of the Board were as follows:

	Number of meetings while in office	Number of meetings attended
<b>Executive Directors</b>		
Nicholas Thompson	14	14
Beverley Wright	7	7
Robert Fry	14	14
Antony Barkwith	3	3
<b>Non-executive Directors</b>		
Anthony Simmonds	7	7
John Bullough	14	13
Raúl Curiel	9	9
Clive Carver	6	6

### Directors' interests

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

Number of ordinary shares	30 September 2019	30 September 2018
Anthony Simmonds	1,000,000	1,000,000
Nicholas Thompson	16,802,411	16,802,411
Beverley Wright	100,000	100,000
John Bullough	500,000	500,000
Raúl Curiel	9,240,018	9,240,018
Clive Carver	-	-
Antony Barkwith	-	-
Robert Fry	2,150,000	2,150,000

### 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 has a rolling service contract with the Company which is subject to twelve months' notice of termination by either party. Antony Barkwith and Robert Fry have rolling service contracts with the Company which are subject to six months' notice of termination by either party.

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

Non-executive directors do not have service contracts with the Company, but the appointment of each is recorded in writing. Their remuneration is determined by the Board. Non-executive

## Aukett Swanke Group Plc

directors do not receive any benefits in kind and are not eligible for bonuses or participation in either the share option schemes or pension arrangements.

### Substantial shareholdings

At 29 January 2020 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	16,802,411	10.17%
Jeremy Blake	Former employee of the Group	13,030,638	7.89%
Andrew Murdoch	Former 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%
Raúl Curiel	Non-Executive Director of the Company	9,240,018	5.59%
Stephen Atkinson	Former employee of the Group	7,638,913	4.62%
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 2019 was 1.475 pence and the range of mid-market closing prices of the shares during the year was between 1.09 pence and 1.90 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.

# Aukett Swanke Group Plc

## Environmental policy

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

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

We believe ourselves to be at the forefront of sustainability amongst our peers which is demonstrated by our track record in achieving 72 '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 9 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 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. Antony Barkwith is also a member of the Committee, and Beverley Wright was a member of the Committee for the period up to 28 March 2019.

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 27 to 31 of the financial statements.

## Dividends

Given the uncertainty with respect to near-term trading, the Board will review the position regarding dividend payments in the second half of the 2020 financial year.

## Annual General Meeting

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

The Directors' report was approved by the Board on 29 January 2020 and signed on its behalf by

Antony Barkwith  
Company Secretary  
Aukett Swanke Group Plc  
Registered number 2155571



# Aukett Swanke Group Plc

## Directors

### **Raúl Curiel (Non-executive Chairman) \*\*#**

BA(Hons) MArch Aged 73

Raúl's extensive career as a professional architect spanned some 40 years before his retirement from Aukett Fitzroy Robinson in 2015. During this period, he delivered over 300,000sqm of space in Central London, throughout the rest of UK and internationally, specialising in the design of large-scale Corporate Offices, Business Parks and Master Planning.

As well as a practising architect, he has been Chairman of Fitzroy Robinson, European Managing Director of its successor Aukett Fitzroy Robinson, and subsequently a non-executive director of the Group until 2010. He was appointed Non-executive Group Chairman in 2019.

### **Nicholas Thompson (Chief Executive Officer) #**

BSc (Hons) MBA Aged 65

Nicholas became Group CEO in 2005 and has 35 years of experience in property and consulting organisations; twenty-five of these with Aukett Swanke. During his career with Aukett Swanke he has held the position of Finance Director moving on to become Managing Director in 2002. 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. In 2015 he became a non-executive director of the Wren Insurance Association Limited, a mutual Insurer for architectural practices. Nicholas is responsible for the Group's strategic direction.

### **Antony Barkwith (Group Finance Director & Company Secretary) ^**

ACA MPhys(Hons) Aged 39

Tony is the Group Finance Director of Aukett Swanke Group Plc. He joined the Group in November 2018 as Group Financial Controller, was promoted to Group Finance Director (non-Board) in April 2019, and was subsequently appointed to the Board on 9th July 2019.

Tony is a Chartered Accountant, having qualified with BDO LLP, and has a master's degree from the University of Warwick. He was previously Group Financial Controller for Advanced Power, an international power generation developer, owner and asset manager, working there from 2010 until 2018.

### **John Bullough (Non-executive Director) \*\*#**

FRICS Aged 69

John joined Aukett Swanke as a non-executive director in June 2014. He has over 45 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

## **Robert Fry (Executive Director & Managing Director – International) ^**

BA(Hons) DipArch MA RIBA Int'l AIA Aged 63

Robert was appointed to the Aukett Swanke Group Plc Board in March 2018, retaining the role of Managing Director – International. He graduated with a Diploma in Architecture from Sheffield University becoming a qualified Architect during his 6 year career with Milton Keynes Development Corporation. In 1987 Robert became a founding member of Swanke Hayden Connell's London office joining its Board in 2002, becoming Managing Director of the UK and Europe group in 2005. His 35 years of property and construction experience covers many sectors in the disciplines of master planning, architecture, interior design and workplace consulting. In recent years he has participated in the evaluation of the ASG businesses and senior management teams, mergers and acquisitions and corporate governance initiatives across all geographic locations. He currently has a strategic role working closely with the CEO and GFD in the development of the Group's operational strategy.

## **Clive Carver (Non-executive director) +\*#^**

FCA FCT Aged 59

Clive joined the board in May 2019. He is the Executive Chairman of AIM listed Caspian Sunrise PLC and non-executive chairman of unlisted Airnow PLC. He is an experienced AIM non-executive director who spent 15 years as a Qualified Executive with a number of City broking firms and was until 2011 Head of Corporate Finance at finnCap. He qualified as a Chartered Accountant with Coopers & Lybrand and has worked in the corporate finance departments of Kleinwort Benson, Price Waterhouse, Williams de Broe and Seymour Pierce. He is also a qualified Corporate Treasurer.

### **Board committees**

\* Member of the Audit Committee chaired by Clive Carver

+ Member of the Remuneration Committee chaired by John Bullough

# Member of the Nomination Committee chaired by Raúl Curiel

^ Member of the Internal Controls and Risk Committee chaired by Clive Carver

# Aukett Swanke Group Plc

## Statement of directors' responsibilities

### Directors' responsibilities

The Directors are responsible for preparing the annual report and 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 AIM.

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

### Opinion

We have audited the financial statements of Aukett Swanke Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Aukett Swanke Group Plc

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Matter</b>	<b>How we addressed the matter in our audit</b>
<p data-bbox="236 577 783 640"><i>Recognition of contractual revenue, margin and related receivables and liabilities</i></p> <p data-bbox="236 674 783 853">Refer to the revenue recognition accounting policies on pages 47-48 and the accounting estimates and judgements recognition of contractual revenue policy on page 50 for a description of how the Group recognises its revenue under IFRS 15.</p> <p data-bbox="236 887 783 1189">The stage of completion of contracts for services is calculated by reference to the proportion of costs incurred to the statement of financial position date compared with the estimated final costs of the contract at completion. Variations to expected revenue are assessed and recognised on a contract-by-contract basis when the Group believes it is probable they will result in revenue and they are capable of being measured reliably.</p> <p data-bbox="236 1223 783 1559">A high degree of judgement therefore exists in the Directors' assessment in the stage of completion of individual contracts for services at the statement of financial position date and the completeness of total cost and revenues to be included within individual contracts. Changes to the total contract cost and / or revenue estimates could give rise to material variances in the amount of revenue and margin to be recognised in the reporting period.</p>	<p data-bbox="810 577 1358 913">We considered the design and implementation of controls to monitor amounts recorded as revenue at the statement of financial position date and performed testing over the approval of sales invoices. This included review of the processes and controls under which information flows from key revenue documents (contracts, timecards, resourcing budgets and sales invoices) into the revenue model and ultimately the accounting system.</p> <p data-bbox="810 947 1358 1037">We, or where appropriate the component auditors, selected a sample of contracts to test, from a population of all contracts.</p> <p data-bbox="810 1070 1358 1126">The following procedures were performed in respect of the sample selected:</p> <ul data-bbox="810 1160 1358 2004" style="list-style-type: none"> <li>- We traced total anticipated revenue on the sampled projects (as listed on the revenue recognition spreadsheet) to supporting documentation including the original contract and/or amendments to contracts (where applicable e.g. due to agreed variations).</li> <li>- We agreed the chargeable time costs incurred to date for our sample of projects noted in the stage of the completion calculations to reports from the timekeeping system and tested a sample back to submitted time cards, including checking of the core charge out rate applied to ensure consistency with the firm's charge out rates on the given individuals.</li> <li>- For the UK entities, the accuracy of sales invoices raised to date against the sampled projects and the completeness of the information source with regard to bills raised against those projects were audited by testing the underlying controls. The component auditor's work in this area involved agreeing the bills recorded to the physical sales invoices.</li> </ul>

## Aukett Swanke Group Plc

	<ul style="list-style-type: none"> <li>- We assessed the key judgements adopted by management in relation to the revenue recognition, in particular, judgements with respect to the percentage of completion by obtaining an understanding from the project managers of how they estimated the final expected project costs. This involved challenging assumptions made around expected ongoing team costs and the timing of future events against post-year-end time costs and the occurrence of those events, evaluating the outturn of the projects against budget since inception and agreeing the actual costs incurred after the year-end to the forecasted costs for the project as at the year-end to determine the accuracy with which the project was proceeding by reference to its budget.</li> <li>- The underlying calculations for each of the sampled projects was checked on the basis of the above information to check its compliance with the relevant accounting standard.</li> <li>- Further to this, we traced a sample of year-end trade receivables to invoices and subsequent post year-end cash receipt.</li> <li>- We considered management's judgements around the recognition (or non-recognition) of material fee claims as at the statement of financial position date to determine the validity of the circumstances surrounding the revenue recognised on such claims and challenged management through review of key documentation and consideration of the underlying facts.</li> </ul> <p>Key observation:</p> <ul style="list-style-type: none"> <li>- Based on our procedures performed, we consider that the assumptions made in recognition of revenue on part-completed contracts are reasonable</li> </ul>
<p><i>Goodwill impairment assessment of the UK and Middle East CGUs</i></p> <p>As explained in the Group Goodwill accounting policy on page 45 and assumptions included within value in use calculations on pages 59-60 (note 12), the</p>	<p>Our procedures included critically assessing the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we:</p> <ul style="list-style-type: none"> <li>- considered the consistency and appropriateness of the allocation of</li> </ul>

## Aukett Swanke Group Plc

<p>Group's balance sheet includes goodwill, principally arising from past acquisitions totalling £2.4m as at 30 September 2019. This comprising primarily of £1.7m within the UK Cash Generating Unit ('CGU') and £0.6m within the Middle East CGUs. There is a risk that goodwill allocated to each CGU is not recoverable and should be impaired. An impairment assessment has therefore been carried out by management at the balance sheet date.</p> <p>This assessment includes a number of estimates and assumptions for future performance that determine the net present value of future cash flows, including but not limited to, the discount rate, long term growth rate, and operating profitability of the group.</p> <p>Due to the inherent uncertainty involved in forecasting and discounting future cash flows, notably revenue less sub consultant costs which are the basis of the assessment of recoverability, this is one of the key judgemental areas affecting the level of direction and strategy of our audit and the use of our resources.</p>	<p>businesses and related goodwill balances into CGUs;</p> <ul style="list-style-type: none"> <li>- audited the Value in Use schedules of the Group to check that they were mathematically accurate (agreeing the input net assets of the CGU to the audited consolidation and agreeing the accuracy of cash flow measures included by reference to the relevant accounting standards);</li> <li>- reviewed the revenue less sub consultant costs budgeted for the year ended 30 September 2020 in the context of the degree of work secured, including examination of supporting contracts and consideration of the pipeline activity given the sensitivity of the value in use models to the revenue less sub consultant costs assumption;</li> <li>- considered the underlying assumptions in determining the cash flows and growth assumptions applied with reference to historical forecasting accuracy and wider macro environment conditions;</li> <li>- challenged the assumptions used in the calculation of the discount rates used by the Group, including comparisons with external data sources;</li> <li>- assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the possible impairment of CGUs; and</li> <li>- performed our own sensitivity analysis, notably on net earnings which included consideration of the effect of a possible reduction in assumed growth rates and cash flows, given reasonably possible variations in operating cash flows (such as net earnings shortfall against budget) in the context of the above work.</li> </ul> <p>Key observation:</p> <ul style="list-style-type: none"> <li>- Based on our audit work performed, we are satisfied that management's assumptions used in preparing the value in use calculations are reasonable and supportive of the fact that no impairment has been recorded in the year.</li> </ul>
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# Aukett Swanke Group Plc

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

Materiality for the Group financial statements as a whole was set at £205,000 (2018: £210,000) which represents approximately 1.5% of revenue less sub-consultant costs for the year. This benchmark was considered to be most appropriate as the level of revenue less sub-consultant costs reflects the activity of the Group and its presence in the market as a whole.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. The performance materiality level applied to the Group was £143,000 (2018: £157,000).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £7,000 (2018: £10,000) in addition to other misstatements that warranted reporting on qualitative grounds.

The audit of the company-only financial statements of Aukett Swanke Group Plc was performed at a level of £141,000 (2018: £129,000) which represents approximately 3% of net assets at the year-end. This benchmark was considered to be most appropriate as it represents the principal purpose of the company as a holding entity to the subsidiaries of the Group. The performance materiality level applied to the company-only audit was £98,700 (2018: £96,000).

Component materiality ranged from £14,000 to £66,000, based on 1.5% of revenue less sub-consultant costs as noted above. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

## An overview of the scope of our audit

We planned our audit by undertaking an evaluation of the systems and controls in place on the group's core transactional cycles and the controls in place designed to capture and record information for financial statement disclosures. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement due to fraud. Our testing was performed using a combination of tests of operating effectiveness of controls and for those areas where this would be perceived as being ineffective, substantive analytical procedures and other substantive procedures such as verification of transactions or samples from populations to underlying evidence.

The audit of the Group financial statements comprised full scope audits performed on the consolidated group headed up by Aukett Swanke Group Plc, the standalone parent entity financial statements and its seven UK-domiciled subsidiaries as required by statutory regulations in the UK. The significant components to the Group were determined to be Aukett Swanke Limited, Veretec Limited, John R Harris & Partners and Shankland Cox Limited. The full scope audit of Aukett Swanke Limited and Veretec Limited was conducted by the group audit team, while the full scope audits of John R Harris & Partners and Shankland Cox Limited were performed by the non-BDO component audit firm in Dubai. .

The component auditor's work resulted in them auditing the following percentages of the Group (the balance being audited by BDO UK):



## Aukett Swanke Group Plc

- Revenue less sub-consultant costs: 43%
- Result before taxation (normalised): 49%
- Gross assets: 53%

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. The level of involvement by BDO UK in the component audit work performed was as follows:

- Direction of planning activities and expected areas of audit focus including the materiality, anticipated risk areas and approach to audit work to be adopted;
- Planning meeting between component auditor and BDO UK to establish understanding of terms and instructions;
- Detailed onsite review of audit files produced by UAE component auditor by the Group Engagement Partner;
- Attendance at the clearance meeting between UAE local management and UAE component auditor; and
- Direction and supervision of clearance of core audit areas relevant to the Group.

Whilst not considered significant components, specific procedures were performed around certain elements of the Berlin Associate and Frankfurt joint venture due to their contribution to the Group's result before tax. All entities within the group not subject to a full scope audit were reviewed analytically by reference to their expected financial performance and position. These procedures were performed by the group audit team.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

## Aukett Swanke Group Plc

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the statement of Directors' responsibilities set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Neathercoat (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

Date:

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 2019

	Note	2019 £'000	As restated (note 35) 2018 £'000
Revenue	3	15,492	14,380
Sub consultant costs		(1,781)	(1,286)
Revenue less sub consultant costs	3	13,711	13,094
Personnel related costs		(11,294)	(11,915)
Property related costs		(1,542)	(2,029)
Other operating expenses		(1,294)	(2,062)
Other operating income	4	371	287
Operating loss		(48)	(2,625)
Finance costs	5	(42)	(40)
Loss after finance costs		(90)	(2,665)
Share of results of associate and joint ventures		382	121
Profit / (loss) before tax		292	(2,544)
Tax credit	10	40	171
Profit / (loss) for the year		332	(2,373)
Profit / (loss) attributable to:			
Owners of Aukett Swanke Group Plc		346	(2,345)
Non-controlling interests		(14)	(28)
		332	(2,373)
Basic and diluted earnings per share for loss attributable to the ordinary equity holders of the Company:			
From continuing operations		0.21p	(1.42)p
Total profit / (loss) per share	11	0.21p	(1.42)p

# Aukett Swanke Group Plc

## Consolidated statement of comprehensive income

For the year ended 30 September 2019

	2019 £'000	2018 £'000
Profit / (loss) for the year	332	(2,373)
Currency translation differences	46	(31)
Other comprehensive profit /(loss) for the year	46	(31)
<b>Total comprehensive profit/(loss) for the year</b>	<b>378</b>	<b>(2,404)</b>
Total comprehensive profit/(loss) for the year is attributable to:		
Owners of Aukett Swanke Group Plc	392	(2,370)
Non-controlling interests	(14)	(34)
	<b>378</b>	<b>(2,404)</b>

The prior period misstatement noted on page 88 (note 35) has no net impact on the consolidated statement of comprehensive income.

# Aukett Swanke Group Plc

Company registration number 2155571

## Consolidated statement of financial position

At 30 September 2019

	Note	2019 £'000	As restated (note 35) 2018 £'000
<b>Non current assets</b>			
Goodwill	12	2,412	2,372
Other intangible assets	13	762	810
Property, plant and equipment	14	590	434
Investment in associate	16	711	545
Investments in joint ventures	17	277	248
Deferred tax	22	193	377
<b>Total non current assets</b>		<b>4,945</b>	<b>4,786</b>
<b>Current assets</b>			
Trade and other receivables	18	4,904	4,554
Contract assets (2018: IAS 18 accrued income)	3	663	1,220
Cash at bank and in hand		1,145	710
<b>Total current assets</b>		<b>6,712</b>	<b>6,484</b>
<b>Total assets</b>		<b>11,657</b>	<b>11,270</b>
<b>Current liabilities</b>			
Trade and other payables	19	(4,528)	(4,392)
Contract liabilities (2018: IAS 18 deferred income)	3	(836)	(886)
Current tax		-	(1)
Borrowings	20	(331)	(308)
<b>Total current liabilities</b>		<b>(5,695)</b>	<b>(5,587)</b>
<b>Non current liabilities</b>			
Borrowings	20	(272)	(559)
Deferred tax	22	(53)	(61)
Provisions	23	(1,123)	(927)
<b>Total non current liabilities</b>		<b>(1,448)</b>	<b>(1,547)</b>
<b>Total liabilities</b>		<b>(7,143)</b>	<b>(7,134)</b>
<b>Net assets</b>		<b>4,514</b>	<b>4,136</b>
<b>Capital and reserves</b>			
Share capital	24	1,652	1,652
Merger reserve		1,176	1,176
Foreign currency translation reserve		22	(24)
Retained earnings		37	(309)
Other distributable reserve		1,494	1,494
<b>Total equity attributable to equity holders of the Company</b>		<b>4,381</b>	<b>3,989</b>
<b>Non-controlling interests</b>		<b>133</b>	<b>147</b>
<b>Total equity</b>		<b>4,514</b>	<b>4,136</b>

The financial statements on pages 34 to 88 were approved and authorised for issue by the Board of Directors on 29 January 2020 and were signed on its behalf by:

Nicholas Thompson  
Chief Executive Officer

Antony Barkwith  
Group Financial Director

# Aukett Swanke Group Plc

Company registration number 2155571

## Company statement of financial position

At 30 September 2019

	Note	2019 £'000	2018 £'000
<b>Non current assets</b>			
Investments	15	5,514	5,514
Trade and other receivables	18	27	27
<b>Total non current assets</b>		<b>5,541</b>	<b>5,541</b>
<b>Current assets</b>			
Trade and other receivables	18	2,096	1,475
Cash at bank and in hand		88	166
<b>Total current assets</b>		<b>2,184</b>	<b>1,641</b>
<b>Total assets</b>		<b>7,725</b>	<b>7,182</b>
<b>Current liabilities</b>			
Trade and other payables	19	(2,692)	(2,256)
Borrowings	20	(260)	(246)
<b>Total current liabilities</b>		<b>(2,952)</b>	<b>(2,502)</b>
<b>Non current liabilities</b>			
Borrowings	20	(65)	(307)
<b>Total non current liabilities</b>		<b>(65)</b>	<b>(307)</b>
<b>Total liabilities</b>		<b>(3,017)</b>	<b>(2,809)</b>
<b>Net assets</b>		<b>4,708</b>	<b>4,373</b>
<b>Capital and reserves</b>			
Share capital	24	1,652	1,652
Retained earnings		386	51
Merger reserve		1,176	1,176
Other distributable reserve		1,494	1,494
<b>Total equity attributable to equity holders of the Company</b>		<b>4,708</b>	<b>4,373</b>

The result for the year contained within the parent company's income statement is £335,000 (2018: £211,000).

The financial statements on pages 34 to 88 were approved and authorised for issue by the Board of Directors on 29 January 2020 and were signed on its behalf by:

Nicholas Thompson  
Chief Executive Officer

Antony Barkwith  
Group Financial Director

# Aukett Swanke Group Plc

## Consolidated statement of cash flows

For the year ended 30 September 2019

	Note	2019 £'000	As restated (note 35) 2018 £'000
<hr/>			
Cash flows from operating activities			
Cash generated from operations	26	647	10
Interest paid		(42)	(40)
Income taxes paid		(1)	-
Net cash inflow / (outflow) from operating activities		604	(30)
<hr/>			
Cash flows from investing activities			
Purchase of property, plant and equipment		(90)	(79)
Sale of property, plant and equipment		2	26
Dividends received		186	99
Net cash received in investing activities		98	46
<hr/>			
Net cash inflow before financing activities		702	16
<hr/>			
Cash flows from financing activities			
Payments of lease liabilities		(36)	(17)
Repayment of bank loans		(250)	(236)
Net cash outflow from financing activities		(286)	(253)
<hr/>			
Net change in cash and cash equivalents		416	(237)
<hr/>			
Cash and cash equivalents at start of year		710	960
Currency translation differences		19	(13)
Cash and cash equivalents at end of year	21	1,145	710
<hr/>			
<i>Cash and cash equivalents are comprised of:</i>			
Cash at bank and in hand		1,145	710
Cash and cash equivalents at end of year		1,145	710

# Aukett Swanke Group Plc

## Company statement of cash flows

For the year ended 30 September 2019

	Note	2019 £'000	2018 £'000
<hr/>			
Cash flows from operating activities			
Cash generated from / (expended by) operations	26	10	(292)
Interest paid		(24)	(28)
Net cash outflow from operating activities		(14)	(320)
<hr/>			
Cash flows from investing activities			
Dividends received		186	99
Net cash generated from investing activities		186	99
<hr/>			
Net cash inflow / (outflow) before financing activities		172	(221)
<hr/>			
Cash flows from financing activities			
Repayment of bank loans		(250)	(236)
Net cash outflow from financing activities		(250)	(236)
<hr/>			
Net change in cash and cash equivalents		(78)	(457)
<hr/>			
Cash and cash equivalents at start of year		166	623
Cash and cash equivalents at end of year		88	166
<hr/>			
<i>Cash and cash equivalents are comprised of:</i>			
Cash at bank and in hand		88	166
Cash and cash equivalents at end of year		88	166



# Aukett Swanke Group Plc

## Consolidated statement of changes in equity

For the year ended 30 September 2019

	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 2017	1,652	8	2,250	1,494	1,176	6,580	181	6,761
Loss for the year	-	-	(2,345)	-	-	(2,345)	(28)	(2,373)
Other comprehensive income	-	(25)	-	-	-	(25)	(6)	(31)
Total comprehensive income	-	(25)	(2,345)	-	-	(2,370)	(34)	(2,404)
Balance at 30 September 2018 as originally presented	1,652	(17)	(95)	1,494	1,176	4,210	147	4,357
Changes in accounting policy (note 34)	-	(7)	(214)	-	-	(221)	-	(221)
Restated total equity at 1 October 2018	1,652	(24)	(309)	1,494	1,176	3,989	147	4,136
Profit for the year	-	-	346	-	-	346	(14)	332
Other comprehensive income	-	46	-	-	-	46	-	46
Total comprehensive income	-	46	346	-	-	392	(14)	378
At 30 September 2019	1,652	22	37	1,494	1,176	4,381	133	4,514

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

The merger reserve was created through a business combination in December 2013 representing the issue of 19,594,959 new ordinary shares at a price of 7.00 pence per share.

The prior period misstatement noted on page 88 (note 35) has no net impact on the consolidated statement of comprehensive income, and so no effect is shown here.

# Aukett Swanke Group Plc

## Company statement of changes in equity

For the year ended 30 September 2019

	Share capital	Retained earnings	Other distributable reserve	Merger reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 30 September 2017	1,652	(160)	1,494	1,176	4,162
Profit and total comprehensive income for the year	-	211	-	-	211
At 30 September 2018	1,652	51	1,494	1,176	4,373
Profit and total comprehensive income for the year	-	335	-	-	335
At 30 September 2019	1,652	386	1,494	1,176	4,708

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

The merger reserve was created through a business combination in December 2013 representing the issue of 19,594,959 new ordinary shares at a price of 7.00 pence per share.

# Aukett Swanke Group Plc

## 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.

#### Basis of preparation

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

#### New accounting standards, amendments and interpretations applied

For the year ended 30 September 2019, a number of new or amended standards became applicable and the Group had to change its accounting policies to correctly reflect the requirements of the following standards:

- IFRS 9 *Financial Instruments*, and
- IFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 34.

#### 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 2019 and have not yet been adopted by the Group:

- (i) IFRS 16 'Leases' The standard will require almost all leases to be on the balance sheet of lessees and introduces a single income statement model which effectively brings the majority of leases onto the balance sheet.

This standard is effective for accounting periods beginning on or after 1 January 2019 and the Group expects to adopt this standard for its accounting period beginning on 1 October 2019. The Group presently plan to adopt the full retrospective approach to IFRS 16.

Given the concentration of the long-term property lease arrangements in the UK, and the short-term rolling annual contracts within the UAE, it is envisaged that the material impact of adopting IFRS 16 will be within the UK figures and will lead to the creation of a material "right of use asset" within the property, plant and equipment note, in addition to a material lease liability reflecting the present value of the future operating costs on the statement of financial position.

Since no specific transition work has yet been performed on this new standard by the Group, it is not possible to presently identify the financial impact but the Group will present this in the 31 March 2020 interim financial statements.

- (ii) IFRIC 23 'Uncertainty over income tax treatments' requires an entity to determine whether any of its tax treatments would be accepted, or not accepted, by the relevant tax authorities.

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At present the Group has not analysed the impact of IFRIC 23 on the financial statements, but will provide an assessment of the estimated impact in the 31 March 2020 financial statements

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 31. These factors are all considered when assessing the Group's ability to operate as a going concern.

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 is renewed annually and was renewed for a further 12 months in December 2019, with a review in May 2020.

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

Forecasts for the Group have been prepared on a monthly basis which comprise detailed income statements, statements of financial position and cash flow statements for each of the Group's operations, as well as an assessment of covenant tests.

At times, the flows rely on receipt of specific large amounts, but by managing balances across geographies the forecasts and projections show the Group should be able to operate within its currently available facilities and the directors believe this to be the case.

The Group's principal banker is Coutts & Co with whom the Group has an excellent long term relationship extending through previous business cycles. Coutts & Co has again renewed the Group's overdraft facility as described in note 31 and above.

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

### **Basis of consolidation and equity accounting**

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

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

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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**

The associate in Berlin is the entity for which the Group has significant influence but not control or joint control. This is presumed to be the case where the Group holds between 20% and 50% of the voting rights, but consideration is given to the substance of the contractual governance agreements in place. Investments in associates are accounted for under the equity method.

### **Joint ventures**

The Group has joint ventures in Frankfurt and the Czech Republic where ownership is contractual and the agreements require unanimous consent from all parties for relevant activities. The entities are considered joint ventures.

Joint ventures are accounted for under the equity method.

### **Borrowings**

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

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, bank current accounts held at call, bank deposits with very short maturity terms and bank overdrafts where these form an integral part of the group's cash management process, for the purposes of the statement of cash flows.

### **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 Company's result is disclosed at the foot of the Company's statement of financial position.

### **Current Taxation**

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

### **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, and measured at an undiscounted basis.

## **Aukett Swanke Group Plc**

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

Deferred income tax 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 as the proceeds received, net of direct issue costs.

### **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 consolidated 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, which are materially consistent with the spot rates observed in the year for those entities. Exchange differences arising are recognised directly in equity and transferred to the Group's foreign currency translation reserve. If an overseas operation is disposed of then the cumulative translation differences are recognised as realised income or an expense in the year disposal occurs.

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

### **Goodwill**

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

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

# Aukett Swanke Group Plc

## Impairment

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

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

## Other intangible assets

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

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

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

## Investments

Investments in subsidiaries, associates and joint ventures are held in the statement of financial position of the Company at historical 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. All other lease arrangements are treated as operating leases and the annual rentals are charged to the income statement on a straight line basis over the lease term.

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

## Operating segments

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

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

## Other operating expenses

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

# Aukett Swanke Group Plc

## 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

## Provisions

Provisions are recognised when a present obligation has arisen as a result of a past event which 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.

### *Employee benefits*

In those geographies where it is a legal requirement, provision is also made for end of service benefit ('EOSB'), being amounts payable to employees when their contract with the group ends (see note 23).

The charge to the income statement comprises the service cost and the interest on the liability and is included in personnel related expenses. The obligation has been measured at the reporting date using the projected unit credit method in accordance with IAS 19 and is funded from working capital.

## 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 each performance obligation within the contract and the proportion of total time expected to be required to undertake each performance obligation which had been or is being performed.

### Step 1) Identification of the contract

Contracts with clients are mostly on a fixed basis with the consideration generally being stipulated based on a percentage of the build cost.



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Contract variations are treated as variations to a specific performance obligation, with any additional fees associated with that variation, and the time and cost required to fulfil the variations, included within the overall assessment to time required to complete the overall performance obligation. This is on the basis that those variations are normally not distinct in themselves (modifications to existing elements of the obligations) and therefore are repriced as if they were part of the original contract.

### Step 2) Identification of performance obligations

Whilst the nature of performance obligations may vary from project to project, they are generally split by identification of Royal Institute of British Architects ('RIBA') work stages (delivered as either an individual work stage or a group of work stages depending on the exact nature of the contract). which constitute individual and distinctive promises within the contract. These are capable of being delivered independently. Local equivalents of RIBA apply depending on the jurisdiction of the contract, and may be identified.

### Step 3) Identify the consideration

Consideration is generally fixed and agreed within the contract for services between Aukett Swanke Group Plc and the client, subject to modifications as noted above in step 1.

### Step 4) Allocate the transaction price

The performance obligations within the contract are billed on the basis of a fee allocated to each element of the project, however revenue is allocated to the performance obligations based on the total expected time cost and contract cost expected to be required to undertake each performance obligation within the contract. This leads to recognition of revenue being reallocated between work stages where Management assess that the billing milestones associated to specific stages as stated in the contract do not fairly reflect the total time and cost required to complete those tasks.

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.

### Step 5) Recognition of revenue

For all contracts undertaken by Management, the measurement of revenues follows an "over time" pattern, and therefore is no different in nature to the previous recognition pattern under IAS 18.

The basis on which this is the case is that the work performed by the Group has no alternative use and the contracts contain provisions by which consideration can be recovered for part-performance of obligations in the event that a contract is terminated. The revenue recoverable in such an instance would approximate to compensating the Group for the selling price of the services rendered to date.

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

The impact of adoption of IFRS 15 'revenue from contracts with customers', and the methodology applied under this standard are detailed further in note 34.

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## 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.

Following the adoption of IFRS 9, the Group followed the simplified approach and so makes an expected credit loss allowance using lifetime expected credit losses for all trade receivables and contract assets. The estimates and judgements applied are detailed further in notes 18 and 34.

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 further loss allowances if it is considered that there is a significant risk of non-payment. The factors assessed when considering a loss allowance include the ownership of the development site, the general financial strength and financial difficulties 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 further impairment allowance.

## 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.

### Accounting estimates

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:

#### **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.

An increase of 6% (2018: 5%) as a percentage of total trade receivables would lead to a material bad debt exposure. Based on the combination of credit loss allowances and specifically identified further provisions, there is a £1.0m, (2018: £1.1m) trade receivables provision primarily against Middle East trade receivables. Given the nature of these, there remains the potential to collect these in future years. Further quantitative information concerning trade receivables is shown in notes 18, 29 and 34.

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## **Impairment of goodwill**

Details of the impairment reviews undertaken in respect of the carrying value of goodwill are given in note 12.

## **Impairment of investments in subsidiaries, associate and joint ventures**

The company's investment in subsidiaries, associate and joint ventures is reviewed annually for impairment. The recoverable amount 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 key assumptions made in these projections are the same as those given in relation to impairment of goodwill in note 12.

## **Critical accounting judgements**

Critical judgements represent key decisions made by management in the application of the Group's accounting policies. Where a significant risk of materially different outcomes exists due to management assumptions, this will represent a critical accounting judgement. Accounting judgements are continually reviewed in light of new information and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are considered to be:

## **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.

The Group have limited numbers of situations where we are entitled to a fee claim, on which estimation of the amount we would be entitled to in such a claim is considered on a case by case basis, and only recognised when it is highly probable that there will not be a subsequent reversal of the estimated revenues of a probable outcome under the requirements of IFRS 15 for variable consideration.

In the current year and at the transitional date to IFRS 15, no material fee claim revenue has been recognised at 30 September 2019.

## **3 Operating segments**

The Group comprises three separately reportable geographical segments ('hubs'), together with a group costs segment. Geographical segments are based on the location of the operation undertaking each project.

The Group's operating segments consist of the United Kingdom, the Middle East and Continental Europe. Turkey and Russia are included within Continental Europe together with Germany and the Czech Republic.

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## Income statement segment information

Segment revenue	2019 £'000	2018 £'000
United Kingdom	7,454	6,744
Middle East	7,522	6,819
Continental Europe	516	817
Revenue	15,492	14,380

Segment revenue less sub consultant costs	2019 £'000	2018 £'000
United Kingdom	7,379	6,610
Middle East	5,900	5,852
Continental Europe	432	632
Revenue less sub consultant costs	13,711	13,094

All of the Group's revenue relates to the value of services performed for customers under construction type contracts. These contracts are generally fixed price and take place over a long term basis.

No segmentation of timing of revenue recognition is provided as all services continue to be provided on an 'over time' basis.

All impairment losses recognised in note 18 are in respect of the Group's contracts with customers.

Segment net finance expense	2019 £'000	As restated (note 35) 2018 £'000
United Kingdom	(18)	(12)
Middle East	-	-
Continental Europe	-	-
Group costs	(24)	(28)
Net finance expense	(42)	(40)

Segment depreciation	2019 £'000	As restated (note 35) 2018 £'000
United Kingdom	101	98
Middle East	48	61
Continental Europe	1	19
Depreciation	150	178

Segment amortisation	2019 £'000	2018 £'000
United Kingdom	27	27
Middle East	43	40
Continental Europe	11	13
Amortisation	81	80

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2019 Segment result	Before goodwill and acquisition adjustments	Fair value gains on deferred consideration and acquisition settlement	Sub-total	Reallocation of group management charges	Total
	£'000	£'000	£'000	£'000	£'000
United Kingdom	(89)	-	(89)	540	451
Middle East	(123)	54	(69)	594	525
Continental Europe	351	-	351	144	495
Group costs	99	-	99	(1,278)	(1,179)
Profit before tax	238	54	292	-	292

  

2018 Segment result	Before goodwill and acquisition adjustments	Fair value gains on deferred consideration and acquisition settlement	Sub-total	Reallocation of group management charges	Total
	£'000	£'000	£'000	£'000	£'000
United Kingdom	(1,505)	-	(1,505)	540	(965)
Middle East	(1,336)	127	(1,209)	624	(585)
Continental Europe	131	-	131	153	284
Group costs	39	-	39	(1,317)	(1,278)
Loss before tax	(2,671)	127	(2,544)	-	(2,544)

The Group's share of results from associate and joint ventures included within the Continental Europe segment result are shown in notes 16 and 17.

### Revenue from contracts with customers

#### *Assets and liabilities related to contracts with customers*

The group has recognised the following assets and liabilities related to contracts with customers:

	2019 £'000	As restated 2018 £'000
Current contract assets relating to professional services contracts	680	1,261
Loss allowance	(17)	(41)
Total contract assets	663	1,220
Contract liabilities relating to professional services contracts	836	886
Total contract liabilities	836	886

#### *Significant changes in contract asset and liabilities*

Contract assets have decreased as the Group has provided fewer services ahead of the agreed payment schedules for contracts. Most of the contract assets are derived from contracts in the Middle East operating segment. The Group also recognised a loss allowance for contract assets following the adoption of IFRS 9, see note 34 for further information

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There were no significant changes in Contract liabilities as the timing of invoicing for services ahead of providing services remained largely unchanged. Contract liabilities are derived primarily from contracts in the UK operating segment.

### *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	£'000
Total contract liabilities as at 1 October 2018 (as restated)	(886)
Revenue recognised that was included in the contract liability balance at the beginning of the period	797
Credits issued relating to the contract liability balance at the beginning of the year, previously invoiced but not recognised as revenue.	89
Cash received in advance of performance and not recognised as revenue in the period	(836)
<b>Total contract liabilities as at 30 September 2019</b>	<b>(836)</b>

The Group did not recognise any revenue in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

### **Statement of financial position segment information**

Segment assets	2019	As restated
	£'000	(note 35) 2018 £'000
United Kingdom	1,488	1,798
Middle East	2,565	2,821
Continental Europe	91	84
Trade receivables and contract assets	4,144	4,703
Other current assets	2,568	1,781
Non current assets*	4,945	4,786
<b>Total assets</b>	<b>11,657</b>	<b>11,270</b>

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

Segment liabilities	2019	As restated
	£'000	(note 35) 2018 £'000
United Kingdom	2,989	2,776
Middle East	1,594	1,577
Continental Europe	85	90
Trade payables, contract liabilities and accruals	4,668	4,443
Other current liabilities	1,027	1,144
Non current liabilities	1,448	1,547
<b>Total liabilities</b>	<b>7,143</b>	<b>7,134</b>

# Aukett Swanke Group Plc

## Geographical areas

Revenue	2019 £'000	2018 £'000
United Kingdom	7,454	6,744
Country of domicile	7,454	6,744
Russia	254	311
Turkey	262	506
United Arab Emirates	7,522	6,819
Foreign countries	8,038	7,636
Revenue	15,492	14,380
Non current assets	2019 £'000	As restated (note 35) 2018 £'000
United Kingdom	2,479	2,351
Country of domicile	2,479	2,351
Russia	-	1
Germany	988	793
Turkey	75	75
United Arab Emirates	1,210	1,189
Foreign countries	2,273	2,058
Non current assets excluding deferred tax	4,752	4,409
Deferred tax	193	377
Non current assets	4,945	4,786

## Major clients

During the year ended 30 September 2019, the Group did not derive 10% or more of its revenues from any client (2018: no client).

	2019 £'000	2018 £'000
Largest client revenues	940	1,219

The largest client revenues for 2019 relate to the Middle East operating segment (2018: Middle East operating segment).

## Revenue by project site

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

	2019 £'000	2018 £'000
United Kingdom	6,900	6,200
Middle East	7,827	6,954
Continental Europe	589	998
Rest of the world	176	228
Revenue	15,492	14,380

# Aukett Swanke Group Plc

## 4 Other operating income

	2019 £'000	2018 £'000
Property rental income	170	28
Management charges to joint ventures and associates	114	115
Other sundry income	33	17
Fair value gain on the reduction of deferred consideration	54	127
<b>Total other operating income</b>	<b>371</b>	<b>287</b>

## 5 Finance costs

	2019 £'000	As restated (note 35) 2018 £'000
Payable on bank loans and overdrafts	28	36
Finance lease interest payable	14	4
<b>Total finance costs</b>	<b>42</b>	<b>40</b>

## 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:

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	42	42
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	65	58
Non-audit services - tax compliance services	-	-
Non-audit services - audit related assurance services	-	-

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 and Company during the year was as follows:

	Group		Company	
	2019 Number	2018 Number	2019 Number	2018 Number
Technical	152	174	-	-
Administrative	36	39	7	7
<b>Total</b>	<b>188</b>	<b>213</b>	<b>7</b>	<b>7</b>

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 126 persons (2018: 122 persons).



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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	8,254	9,447	647	630
Social security costs	517	594	75	84
Contributions to defined contribution pension arrangements	259	308	38	79
<b>Total</b>	<b>9,030</b>	<b>10,349</b>	<b>760</b>	<b>793</b>

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 benefits to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity payments.

The Group's Middle East subsidiaries are required to pay termination benefits to each employee who completes one year of service as stipulated by UAE labour laws. Further details of this can be found in note 23.

### 8 Operating leases

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

	2019 £'000	2018 £'000
Property	600	830
Plant & equipment	14	40
<b>Total</b>	<b>614</b>	<b>870</b>

### 9 Directors' emoluments

Directors with operational roles in the UK business, and The Executive Directors of Aukett Swanke Group ("ASG") Plc, waived part of their emoluments in the prior year to reflect difficult trading conditions. The total amounts waived were 2019: £nil (2018: £14,000).

2019	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Total entitlement £'000
Anthony Simmonds	23	-	23	23
Nicholas Thompson	210	21	231	231
Beverley Wright	81	17	98	98
John Bullough	30	-	30	30
Robert Fry	123	17	140	140
Clive Carver	12	-	12	12
Raúl Curiel	19	-	19	19
Antony Barkwith	25	3	28	28
<b>Total</b>	<b>523</b>	<b>58</b>	<b>581</b>	<b>581</b>

## Aukett Swanke Group Plc

2018	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	45	-	45	-	45
Nicholas Thompson	198	24	222	7	229
Beverley Wright	156	18	174	5	179
John Bullough	30	-	30	-	30
Andrew Murdoch	60	9	69	-	69
Nick Pell	57	2	59	-	59
Robert Fry	61	7	68	2	70
<b>Total</b>	<b>607</b>	<b>60</b>	<b>667</b>	<b>14</b>	<b>681</b>

Raúl Curiel was appointed as a Director on 12 February 2019.

Beverley Wright and Anthony Simmonds resigned as Directors' on 28 March 2019.

Clive Carver was appointed as a Director on 10 May 2019.

Antony Barkwith was appointed as a Director on 9 July 2019.

Benefits were accruing to five Directors (2018: five Directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid Director were £210,000 (2018: £198,000) together with pension contributions of £21,000 (2018: £24,000).

# Aukett Swanke Group Plc

## 10 Tax charge

	2019 £'000	2018 £'000
Current tax	1	1
Adjustment in respect of previous years	(218)	-
Total current tax	(217)	1
Origination and reversal of temporary differences	83	(172)
Changes in tax rates	94	-
Total deferred tax (note 22)	177	(172)
Total tax credit	(40)	(171)

The standard rate of corporation tax in the United Kingdom is applicable for the financial year was 19% (2018: 19%)

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

	2019 £'000	2018 £'000
Profit/(loss) before tax	292	(2,544)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%)	55	(483)
Effects of:		
Other non tax deductible expenses	8	59
Associate and joint ventures reported net of tax	(73)	(23)
Tax losses not recognised	105	279
Current tax adjustment in respect of previous years	(218)	-
Deferred tax adjustment in respect of previous years	94	-
Income not taxable	(11)	(3)
Total tax credit	(40)	(171)

## 11 Earnings per share

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

Earnings	2019 £'000	2018 £'000
Continuing operations	346	(2,345)
Profit / (loss) for the year	346	(2,345)

Number of shares	2019 Number	2018 Number
Weighted average of ordinary shares in issue	165,213,652	165,213,652
Effect of dilutive options	-	-
Diluted weighted average of ordinary shares in issue	165,213,652	165,213,652

As explained in note 25 the Company has granted options over 500,000 of its ordinary shares. These have not been included above as the average share price was below the exercise price in 2019 and they therefore do not have a dilutive effect.

# Aukett Swanke Group Plc

## 12 Goodwill

Group	£'000
Cost	
At 1 October 2017	2,648
Exchange differences	(7)
At 30 September 2018	2,641
Exchange differences	42
At 30 September 2019	2,683
Impairment	
At 1 October 2017	271
Exchange differences	(2)
At 30 September 2018	269
Exchange differences	2
At 30 September 2019	271
Net book value	
At 30 September 2019	2,412
At 30 September 2018	2,372
At 30 September 2017	2,377

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

	United Kingdom £'000	Turkey £'000	Middle East £'000	Total £'000
At 30 September 2017	1,740	54	583	2,377
Exchange differences	-	(22)	17	(5)
At 30 September 2018	1,740	32	600	2,372
Exchange differences	-	5	35	40
At 30 September 2019	1,740	37	635	2,412

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 material. The total carrying value of goodwill allocated to Turkey is not.

## Aukett Swanke Group Plc

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

- the future level of revenue, set at a compound growth rate of 5.5% over the next five years - 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. Management also considers the level of future secured revenues at the point of drawing up these calculations;
- long term growth rate - which has been assumed to be 2.1% (2018: 2.3%) 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 UK segment's pre-tax weighted average cost of capital and has been assessed at 13.3% (2018: 13.1%).

Based on the discounted cash flow projections, the recoverable amount of the UK CGU is estimated to exceed carrying values by £6,318k (460%). An 8% fall in all future forecast revenues without a corresponding reduction in costs in the UK CGU, or an increase in the discount rate to over 49%, would result in carrying amounts exceeding their recoverable amount. A decrease in the effective compound growth rate of revenue to 4.2% instead of the 5.5% noted above, without a corresponding reduction in costs in the UK CGU, would result in carrying amounts exceeding their recoverable amount. Management believes that the carrying value of goodwill remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

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

- the future level of revenue, set at a compound growth rate of 6.1% over the next five years - which is based on knowledge of the current and expected level of construction activity in the Middle East;
- working capital requirements - which is based on management's best in a geography where it is common to have high levels of trade receivables;
- long term growth rate - which has been assumed to be 3.5% 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 – which is the Middle East segment's pre-tax weighted average cost of capital has been assessed at 11.9% (2018: 11.6%).

Based on the discounted cash flow projections, the recoverable amount of the Middle East CGU is estimated to exceed carrying values by at least £3.6m (150%). A decrease in the effective compound growth rate of revenue to 4.9% instead of the 6.1% noted above, without a corresponding reduction in costs in the Middle Eastern CGU, would result in carrying amounts exceeding their recoverable amount. A 5% fall in all future forecast revenues without a corresponding reduction in costs in the Middle East CGU, or an increase in the discount rate to 25.9%, would result in carrying amounts exceeding their recoverable amount. Management believe that the carrying value of goodwill remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

# Aukett Swanke Group Plc

## 13 Other intangible assets

Group	Trade name £'000	Customer relationships £'000	Order book £'000	Trade licence £'000	Total £'000
<b>Cost</b>					
At 30 September 2017	689	417	164	73	1,343
Exchange differences	(12)	(34)	(7)	2	(51)
At 30 September 2018	677	383	157	75	1,292
Disposal	-	-	(157)	-	(157)
Exchange differences	24	21	-	5	50
At 30 September 2019	701	404	-	80	1,185
<b>Amortisation</b>					
At 30 September 2017	100	155	164	16	435
Charge	26	47	-	7	80
Exchange differences	(5)	(22)	(7)	1	(33)
At 30 September 2018	121	180	157	24	482
Disposal	-	-	(157)	-	(157)
Charge	26	47	-	8	81
Exchange differences	5	10	-	2	17
At 30 September 2019	152	237	-	34	423
<b>Net book value</b>					
At 30 September 2019	549	167	-	46	762
At 30 September 2018	556	203	-	51	810
At 30 September 2017	589	262	-	57	908

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

### Trade name

The trade name was acquired as part of the acquisition of Swanke Hayden Connell Europe Limited ("SHC") in December 2013 and also on the acquisition of Shankland Cox Limited ("SCL") in February 2016. The SHC trade name reflects the inclusion of the Swanke name in the enlarged Group. Trade names are amortised on a straight line basis over a 25 year period from the acquisition date and have remaining amortisation periods of 19 and 21 years, respectively.

# Aukett Swanke Group Plc

## Customer relationships

The customer relationships were acquired as part of the acquisition of SHC in December 2013, on the acquisition of John R Harris & Partners Limited ("JRHP") in June 2015 and on the acquisition of SCL in February 2016. This represents the value attributed to clients who provided repeat business to the Group on the strength of these relationships. Customer relationships are amortised on a straight line basis over a 7-10 year period from the acquisition dates. The customer relationships acquired in December 2013 have a remaining amortisation period of 1 year. The customer relationships acquired in June 2015 and February 2016 both have remaining amortisation periods of 6 years.

## Trade licence

The trade licence was acquired as part of the acquisition of JRHP in June 2015. This represents the value of licences granted to JRHP for architectural activities in the regions in which it operates. The licence is amortised on a straight line basis over a 10 year period from the acquisition date and has a remaining amortisation period of 6 years.

## 14 Property, plant & equipment

Group	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
<b>Cost</b>			
At 30 September 2017	346	1,456	1,802
Additions (as restated)	337	79	416
Disposals	-	(86)	(86)
Exchange differences	(12)	(23)	(35)
At 30 September 2018 (as restated)	671	1,426	2,097
Additions	241	59	300
Disposals	(317)	(35)	(352)
Exchange differences	2	23	25
At 30 September 2019	597	1,473	2,070
<b>Depreciation</b>			
At 30 September 2017	316	1,276	1,592
Charge (as restated)	45	133	178
Disposals	-	(75)	(75)
Exchange differences	(10)	(22)	(32)
At 30 September 2018 (as restated)	351	1,312	1,663
Charge	95	55	150
Disposals	(317)	(35)	(352)
Exchange differences	2	17	19
At 30 September 2019	131	1,349	1,480
<b>Net book value</b>			
At 30 September 2019	466	124	590
At 30 September 2018 (as restated)	320	114	434
At 30 September 2017	30	180	210

## Aukett Swanke Group Plc

### 15 Investments

<b>Company</b>	<b>Subsidiaries</b>	<b>Joint ventures</b>	<b>Associate</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cost				
At 30 September 2017, 2018 and 2019	10,077	21	12	10,110
Provisions				
At 30 September 2017, 2018 and 2019	4,596	-	-	4,596
Net book value				
At 30 September 2017, 2018 and 2019	5,481	21	12	5,514

The current net book values of the investments in subsidiaries is £5,481k, which is larger than the net assets of the consolidated statement of financial position of £4,514k (2018: £4,136k). The net book values are supported by the value in use calculations detailed further in note 12.



# Aukett Swanke Group Plc

## Subsidiary operations

The following are the subsidiary undertakings at 30 September 2019:

Name	Country of incorporation and registered office address (see table below)	Proportion of ordinary equity held		Nature of business
		2019	2018	
<b>Subsidiaries</b>				
Aukett Swanke Limited	(A)	100%	100%	Architecture & design
Aukett Fitzroy Robinson International Limited	(A)	100%	100%	Architecture & design
Veretec Limited	(A)	100%	100%	Architecture & design
Aukett Swanke OOO	(B)	100%	100%	Architecture & design
Swanke Hayden Connell International Limited	(A)	100%	100%	Architecture & design
Swanke Hayden Connell Mimarlik AS	(C)	100%	100%	Architecture & design
John R Harris & Partners Limited	(D)	80%	80%	Architecture & design
Shankland Cox Limited	(A)	100%	100%	Architecture & Engineering
Aukett Swanke Architectural Design Limited	(A)	100%	100%	Architecture & design
Swanke Hayden Connell Europe Limited	(A)	100%	100%	Non-trading
Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Swanke Limited	(A)	100%	100%	Dormant
John R Harris & Partners Limited	(A)	100%	100%	Dormant
Aukett Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Thomas Nugent Architects Limited	(A)	100%	100%	Dormant
Aukett Fitzroy Robinson Europe Limited	(A)	100%	100%	Dormant
Aukett Limited	(A)	100%	100%	Dormant
Aukett (UK) Limited	(A)	100%	100%	Dormant
Aukett Group Limited	(A)	100%	100%	Dormant
Fitzroy Robinson West & Midlands Limited	(A)	100%	100%	Dormant

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

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

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

Aukett Swanke Architectural Design Limited is incorporated in England & Wales, but operates principally in the United Arab Emirates.

The UAE domiciled branches are consolidated in to the Group principally based on profit sharing agreements in place.

# 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 2019. 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 and registered office address (see below)	Proportion of ordinary equity held		Nature of relationship	Measurement method
		2019	2018		
Aukett + Heese Frankfurt GmbH	(E)	50%	50%	Joint venture	Equity
Aukett sro	(F)	50%	50%	Joint venture	Equity
Aukett + Heese GmbH	(G)	25%	25%	Associate	Equity

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

### Country of incorporation and registered office addresses

Ref	Country of Incorporation	Registered office address
(A)	England & Wales	10 Bonhill Street, London, EC2A 4PE, United Kingdom
(B)	Russia	18 Prospekt Andropova, bld.7, office E 11 POM XVI K 1 O 5, Moscow, 115432, Russia
(C)	Turkey	Esentepe Mahallesi Kore Şehitleri Caddesi 34, Deniz İş Hanı K.6 34394 Zincirlikuyu, Istanbul, Turkey
(D)	Cyprus	17-19 Themistokli Dervi street, The City House, 1066 Nicosia, Cyprus
(E)	Germany	Gutleutstrasse 163, 60327 Frankfurt am Main, Germany
(F)	Czech Republic	Janackovo Nabrezi 471/49, 150 00 Prague 5 , Czech Republic
(G)	Germany	Budapester Strasse 43, 10787 Berlin, Germany

## 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's relevant financial statements and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method.

<b>Summarised balance sheet</b>	2019 £'000	2018 £'000
<b>Assets</b>		
Non current assets	170	146
Current assets	4,568	3,151
<b>Total assets</b>	<b>4,738</b>	<b>3,297</b>
<b>Liabilities</b>		
Current liabilities	(1,896)	(1,118)
<b>Total liabilities</b>	<b>(1,896)</b>	<b>(1,118)</b>
<b>Net assets</b>	<b>2,842</b>	<b>2,179</b>

## Aukett Swanke Group Plc

Reconciliation to carrying amounts:

	2019 £'000	2018 £'000
Opening net assets at 1 October	2,179	2,121
Profit for the period	1,065	170
Other comprehensive income	(4)	21
Dividends paid	(398)	(133)
Closing net assets	2,842	2,179
Group's share in %	25%	25%
Group's share in £'000	711	545
Carrying amount	711	545

<b>Summarised statement of comprehensive income</b>	2019 £'000	2018 £'000
Revenue	13,425	15,729
Sub consultant costs	(5,372)	(7,773)
Revenue less sub consultant costs	8,053	7,956
Operating costs	(6,525)	(7,712)
Profit before tax	1,528	244
Taxation	(463)	(74)
Profit for the period from continuing operations	1,065	170
Other comprehensive income	(4)	21
Total comprehensive income	1,061	191

The Group received dividends of £100,000 (2018: £33,000) 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, Germany.

	£'000
At 30 September 2017	216
Share of profits	96
Dividends paid	(66)
Exchange differences	2
At 30 September 2018	248
Share of profits	117
Dividends paid	(86)
Exchange differences	(2)
At 30 September 2019	277

The Group received dividends of £86,000 (2018: £66,000) from Aukett + Heese Frankfurt GmbH. The following amounts represent the Group's 50% share of the assets and liabilities, and revenue and expenses of Aukett + Heese Frankfurt GmbH.

## Aukett Swanke Group Plc

	2019 £'000	2018 £'000
Assets		
Non current assets	12	14
Current assets	580	444
Total assets	592	458
Liabilities		
Current liabilities	(315)	(210)
Total liabilities	(315)	(210)
Net assets	277	248
	2019 £'000	2018 £'000
Revenue	1,030	754
Sub consultant costs	(343)	(186)
Revenue less sub consultant costs	687	568
Operating costs	(516)	(428)
Profit before tax	171	140
Taxation	(54)	(44)
Profit after tax	117	96

The principal risks and uncertainties associated with Aukett + Heese Frankfurt GmbH are the same as those detailed within the Group's Strategic Report.

### Prague

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

	£'000
At 30 September 2017	17
Share of losses	(17)
Exchange differences	-
At 30 September 2018	-
Share of losses	-
Exchange differences	-
At 30 September 2019	-

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

	2019 £'000	2018 £'000
Assets		
Current assets	88	46
Total assets	46	46
Liabilities		
Current liabilities	(93)	(46)
Total liabilities	(95)	(46)
Net (liabilities) / assets	(5)	-

Aukett sro has net liabilities as at the balance sheet date, however the Group's share of losses is limited to the share in the Group's investment as no shareholder is required to make good those losses on winding up.

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	2019 £'000	2018 £'000
Revenue	265	166
Sub consultant costs	(124)	(33)
Revenue less sub consultant costs	141	133
Operating costs	(146)	(150)
Loss before tax	(5)	(17)
Loss after tax	(5)	(17)

The principal risks and uncertainties associated with Aukett sro are the same as those detailed within the Group's Strategic Report.

### 18 Trade and other receivables

Group	2019 £'000	2018 £'000
Gross trade receivables	4,503	4,578
Impairment allowances	(1,022)	(1,095)
Net trade receivables	3,481	3,483
Other financial assets at amortised cost	510	233
Amounts owed by associates and joint ventures	37	27
Corporate tax asset	218	-
Other current assets	658	811
Total	4,904	4,554

Company	2019 £'000	2018 £'000
<i>Amounts due after more than one year</i>	-	-
Amounts owed by associate and joint ventures	27	27
Total amounts due after more than one year	27	27
<i>Amounts due within one year</i>		
Amounts owed by subsidiaries	2,045	1,422
Amounts owed by associate and joint ventures	10	-
Other financial assets at amortised cost	4	9
Other current assets	37	44
Total amounts due within one year	2,096	1,475
Total	2,123	1,502

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.

# Aukett Swanke Group Plc

## Impairment allowances

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and project retentions, and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group engages with clients who are creditworthy, liquid developers. Management identified that the loss allowances should be calculated and applied separately based on geographic segments of the Group, and more specifically to each country in which the Group has operations. Whilst the specific terms each contract the Group engages in may be different, certain common characteristics can be applied.

Provisions on bad and doubtful debts in the UK, Turkey and Russia have been immaterial in the historical period reviewed in order to establish the expected loss rate at 30 September 2019. In the UK and Russia the Group generally builds up advances for contract work recognised as a credit to the balance sheet which reduces the impact of potential bad debts. Amounts due for contract work not yet billed are generally not material. No loss allowance provision has been made for trade receivables and contracts assets owed to Group entities operating in these countries.

Amounts due for contract work in the Middle East segment are material, with contracts in the Middle East often billed in arrears. Sizeable write offs in prior years have informed the overall rate calculated for the provisioning matrix.

The loss allowance for the Middle East operating segment as at 30 September 2019 (excluding additional loss allowances measured on a case by case basis) was determined as follows for both trade receivables and contract assets:

<b>30 September 2019</b>	<b>Current</b>	<b>1-30 days past due</b>	<b>More than 30 days past due</b>	<b>More than 60 days past due</b>	<b>More than 90 days past due</b>	<b>Total</b>
Expected loss rate (%)	3%	4%	8%	15%	20%	
Gross carrying amount (£'000)	1,955	100	193	105	399	2,752
Loss allowance (£'000) through CSOFP	67	4	16	15	78	180

The loss allowance for the Middle East operating segment as at 30 September 2019 was determined as follows for both trade receivables and contract assets:

The loss allowance was initially calculated in United Arab Emirate Dirhams (AED) being the functional currency of the Group entities in the Middle East operating segment. On conversion to GBP in the Group consolidation, the carried forward loss allowance is converted at the balance sheet rate, whereas the movement in the loss allowance in the year is converted at the average rate in the statement of comprehensive income. A foreign exchange difference of £10k arises which is taken through the foreign currency translation reserve.

The reconciliation of loss allowances for trade receivables and contract assets as at 30 September 2018 to the opening loss allowances on 1 October 2018 are provided in note 34:

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	Contract assets £'000	Trade receivables £'000
Opening loss allowance provision as at 1 October 2018	41	180
Loss allowance provision	(26)	(25)
Amounts restated through opening Foreign Currency translation reserve	2	8
<b>Loss allowance calculated based on ECL loss matrices</b>	<b>17</b>	<b>163</b>
Additional provisions identified on a case by case basis	-	859
<b>Total loss allowance as at 30 September 2019 - calculated under IFRS 9</b>	<b>17</b>	<b>1,022</b>

The loss allowances decreased by £17k to £163k for trade receivables and by £24k to £17k for contract assets during the year to 30 September 2019.

A further allowance for impairment of trade receivables and contract assets is established on a case by case basis (amounting to £859k at 30 September 2019 and £915k at 30 September 2018 when there are indicators suggesting that the specific debtor balance in question has experienced a significant deterioration in credit worthiness. 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 or contract asset 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.

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

	£'000
At 30 September 2017	685
Charged to the income statement based on additional case by case provisions	374
Allowance utilised	(169)
Exchange differences	25
At 30 September 2018 as originally presented	915
On adoption of IFRS 9	180
At 30 September 2018 as restated	1,095
Loss allowance provision	(25)
Charged to the income statement based on additional case by case provisions	137
Allowance utilised	(243)
Exchange differences	58
At 30 September 2019	1,022

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## 19 Trade and other payables

<b>Group</b>	2019 £'000	2018 £'000
Trade payables	1,760	1,493
Other taxation and social security	573	525
Other payables	123	310
Accruals	2,072	2,064
<b>Total</b>	<b>4,528</b>	<b>4,392</b>
<b>Company</b>	2019 £'000	2018 £'000
Trade payables	26	44
Amounts owed to subsidiaries	2,389	1,910
Other payables	4	11
Accruals	273	291
<b>Total</b>	<b>2,692</b>	<b>2,256</b>

\* See note 35 for further detail on the prior period adjustment to other payables.

See note 33 for further details of the amounts due to subsidiaries.

## 20 Borrowings

<b>Group</b>	2019 £'000	As restated (note 35) 2018 £'000
Secured bank loan	325	553
Finance lease liabilities	278	314
<b>Total borrowings</b>	<b>603</b>	<b>867</b>
<b>Amounts due for settlement within 12 months</b>	<b>331</b>	<b>308</b>
Current liability	331	308
<b>Amounts due for settlement between one and two years</b>	<b>136</b>	<b>308</b>
Amounts due for settlement between two and five years	136	251
Non current liability	272	559
<b>Total borrowings</b>	<b>603</b>	<b>867</b>
<b>Company</b>	2019 £'000	2018 £'000
Secured bank loan	325	553
<b>Total borrowings</b>	<b>325</b>	<b>553</b>
<b>Instalments due within 12 months</b>	<b>260</b>	<b>246</b>
Current liability	260	246
<b>Instalments due between one and two years</b>	<b>65</b>	<b>246</b>
Instalments due between two and five years	-	61
Non current liability	65	307
<b>Total borrowings</b>	<b>325</b>	<b>553</b>



## Aukett Swanke Group Plc

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

### 21 Analysis of net funds

Group	2019 £'000	2018 £'000
Cash at bank and in hand	1,145	710
Cash and cash equivalents	1,145	710
Secured bank loan (note 20)	(325)	(553)
Net funds	820	157

### 22 Deferred tax

Group	Tax depreciation on plant and equipment £'000	Trading losses £'000	Other temporary differences £'000	Total £'000
At 30 September 2017	89	115	(62)	142
Income statement	-	165	7	172
Exchange differences	-	-	2	2
At 30 September 2018	89	280	(53)	316
Income statement	(5)	(163)	(9)	(177)
Exchange differences	-	-	1	1
At 30 September 2019	84	117	(61)	140

Group	2019 £'000	2018 £'000
Deferred tax assets	193	377
Deferred tax liabilities	(53)	(61)
Net deferred tax balance	140	316

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 has not recognised deferred income tax in respect of losses that can be carried forward against future taxable income in its Russian operation.

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

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## 23 Provisions

Group	Property lease provision £'000	Employee benefit obligations £'000	Total £'000
At 30 September 2017	151	880	1,031
Utilised	(151)	(156)	(307)
Charged to the income statement	-	191	191
Exchange differences	-	12	12
At 30 September 2018	-	927	927
Utilised	-	(232)	(232)
Recorded in property, plant and equipment (note 15)	210	-	210
Charged to the income statement	-	163	163
Exchange differences	-	55	55
At 30 September 2019	210	913	1,123

### *Property lease provision*

The provision arose from lease obligations in respect of the Company's leased London premises.

There are uncertainties around the provision due to the fact that costs may increase over the period to maturity and the eventual outturn will be dependent on the level of negotiation over settlement of proposals with the Company's landlord.

The provision payable in greater than five years reflects the future estimated cost of work to be performed.

The effect of time value is not considered material, having been assessed by Management as a risk free rate of 10 year UK government bonds.

### *Employee benefit obligations*

The Group's Middle East subsidiaries are required to pay termination indemnities to each employee who completes one year of service as stipulated by UAE labour laws. The applicable labour laws currently require a percentage of final salary to be paid upon resignation or termination. The percentage is determined by reference to the number of years of continuous employment and cannot exceed two years' salary.

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

	2019	2018
Combined average length of service	5 years	5 years
Discount rate	1.98%	3.09%
Salary growth rate	1.2%	4.2%

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

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

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	Change in assumption	Impact on employee benefit obligation	
		Increase in assumption	Decrease in assumption
Combined average length of service	1 year	1.56%	(6.6)%
Salary growth rate	1%	0.37%	(0.36)%
Discount rate	1%	(0.36)%	0.37%

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

### 24 Share capital

Group and Company	2019 £'000	2018 £'000
Allocated, called up and fully paid		
165,213,652 (2018: 165,213,652) ordinary shares of 1p each	1,652	1,652
		Number
At 1 October 2017		165,213,652
No changes		-
At 30 September 2018		165,213,652
No changes		-
At 30 September 2019		165,213,652

The Company's issued ordinary share capital comprises a single class of ordinary share. Each share carries the right to one vote at general meetings of the Company.

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

### 25 Share options

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

Granted	At 1 October 2018 Number	Granted Number	Lapsed Number	At 30 September 2019 Number	Exercise price Pence	Earliest exercisable date	Latest exercisable date
6 March 2017	-	500,000	-	500,000	4.25	6 March 2019	6 March 2023
Total	-	500,000	-	500,000			

The 500,000 share options granted on 6 March 2017 relate to Beverley Wright, a former Director of the Company. These share options vested after 2 years' service and are exercisable between 2 and 6 years after grant. The fair value of these options is not considered to be material. Further details of transactions with related parties can be found in note 33.

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## 26 Cash generated from operations

Group	As restated (note 35)	
	2019 £'000	2018 £'000
Profit / (loss) before tax – continuing operations	292	(2,544)
Finance costs	42	40
Share of results of associate and joint ventures	(382)	(121)
Intangible amortisation	81	80
Depreciation	150	178
Profit on disposal of property, plant & equipment	(3)	(14)
Decrease in trade and other receivables	425	1,952
Increase in trade and other payables	86	586
Change in provisions	(68)	(117)
Unrealised foreign exchange differences	24	(30)
<b>Net cash generated from operations</b>	<b>647</b>	<b>10</b>
<b>Company</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Profit before income tax	335	211
Dividends receivable	(186)	(99)
Finance costs	24	28
Increase in trade and other receivables	(580)	(164)
Increase / (decrease) in trade and other payables	395	(280)
Unrealised foreign exchange differences	22	12
<b>Net cash generated from / (expended by) operations</b>	<b>10</b>	<b>(292)</b>

### Changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes

Group	Non-current loans and borrowings	Current loans and borrowings	Total
	£'000	£'000	£'000
At 1 October 2018 (as restated)	559	308	867
Cash flows			
- Repayment of borrowings	-	(286)	(286)
- Payment of interest	-	(38)	(38)
Non-cash flows			
- Effects of foreign exchange	18	4	22
- Loans and borrowings classified as non-current	(305)	305	-
at 30 September 2019			
- Interest accrued in period	-	38	38
<b>At 30 September 2019</b>	<b>272</b>	<b>331</b>	<b>603</b>

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Company	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 October 2018	307	246	553
Cash flows			
- Repayment of borrowings	-	(250)	(250)
- Payment of interest	-	(24)	(24)
Non-cash flows			
- Effects of foreign exchange	18	4	22
- Loans and borrowings classified as non-current	(260)	260	-
at 30 September 2019			
- Interest accrued in period	-	24	24
At 30 September 2019	65	260	325

## 27 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	As restated (note 35)	
	2019 £'000	2018 £'000
Net trade receivables	3,481	3,483
Contract assets	663	1,220
Other financial assets at amortised cost	510	233
Amounts owed by associate and joint ventures	37	27
Cash at bank and in hand	1,145	710
Loans and receivables measured at amortised cost	5,836	5,673
Trade payables	(1,760)	(1,493)
Other payables	(123)	(310)
Accruals	(2,072)	(2,064)
Finance lease liabilities	(278)	(314)
Secured bank loans and overdrafts	(325)	(553)
Financial liabilities measured at amortised cost	(4,558)	(4,734)
Net financial instruments	1,278	939

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Company	2019 £'000	2018 £'000
Amounts owed by subsidiaries	2,045	1,422
Amount owed by associate and joint ventures	37	27
Other receivables	4	9
Cash at bank and in hand	88	166
Loans and receivables measured at amortised cost	2,174	1,624
Trade payables	(26)	(44)
Amounts owed to subsidiaries	(2,389)	(1,910)
Other payables	(4)	(11)
Accruals	(273)	(291)
Secured bank loan	(325)	(553)
Financial liabilities measured at amortised cost	(3,017)	(2,809)
Net financial instruments	(843)	(1,185)

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 20 the bank loan and overdraft (undrawn at 2018 and 2019 year ends) 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:

	2019 £'000	2018 £'000
Group	3,464	1,941
Company	1,044	745

Other receivables in the consolidated statement of financial position include a £279k rent security deposit (2018: £nil) in respect of the Group's London studio premises.

## 28 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.

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Financial instruments which are denominated in a currency other than the functional currency of the entity by which they are held are as follows:

<b>Group</b>	2019 £'000	2018 £'000
Czech Koruna	37	27
EU Euro	18	32
Russian Rouble	719	642
UAE Dirham	1,993	1,220
UK Sterling	(46)	(51)
US Dollar	(252)	(547)
Net financial instruments held in foreign currencies	2,469	1,323

  

<b>Company</b>	2019 £'000	2018 £'000
Czech Koruna	37	27
EU Euro	18	32
Russian Rouble	40	13
US Dollar	(252)	(547)
UAE Dirham	945	373
Net financial instruments held in foreign currencies	788	(102)

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.

	2019		2018	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000
Group	1	203	(28)	168
Company	79	-	(10)	-

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

	2019 £'000	2018 £'000
Group	(17)	2
Company	18	(25)

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## 29 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 27.

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 an impairment loss allowance following adoption of IFRS 9 has been made, as the directors consider their recovery is probable, was:

	Receivables pre-allowance 2019 £'000	loss allowance £'000	Receivables post-allowance 2019 £'000
Not overdue	2,206	(49)	2,157
Between 0 and 30 days overdue	508	(5)	503
Between 30 and 60 days overdue	336	(16)	320
Greater than 60 days overdue	594	(93)	501
<b>Total</b>	<b>3,644</b>	<b>(163)</b>	<b>3,481</b>

	Receivables pre-allowance 2018 £'000	loss allowance £'000	Receivables post-allowance 2018 £'000
Not overdue	1,555	(30)	1,525
Between 0 and 30 days overdue	635	(24)	611
Between 30 and 60 days overdue	332	(9)	323
Greater than 60 days overdue	1,141	(117)	1,024
<b>Total</b>	<b>3,663</b>	<b>(180)</b>	<b>3,483</b>

The processes undertaken when considering whether a trade receivable may be impaired are set out in notes 2, 18 and 34.

All amounts overdue have been individually considered for any indications of impairment and specific provision for impairment made where considered appropriate. All of the trade receivables specifically considered to be impaired were greater than 90 days overdue.

An additional expected loss allowance provision has then been applied to the residual trade receivables as detailed in note 34.

The concentration of counterparty risk within the £4,139,000 (2018: £4,854,000) 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.

	2019 £'000	2018 £'000
Largest exposure	759	637
Second largest exposure	304	332
Third largest exposure	203	286

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



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At 30 September 2019 the largest exposure to a single financial institution represented 73% of the Group's cash and cash equivalents held by Shankland Cox Limited with Emirates NBD Bank PJSC, a Dubai government-owned bank (2018: 50% held with Coutts & Co.).

### 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 32.

### 30 Interest rate risk

<b>Group</b>	2019 £'000	2018 £'000
Rent deposit	278	-
Secured bank loans	(325)	(553)
Secured bank overdrafts	-	-
Interest bearing financial instruments	(47)	(553)

  

<b>Company</b>	2019 £'000	2018 £'000
Secured bank loans	(325)	(553)
Interest bearing financial instruments	(325)	(553)

The property rent deposit earns variable rates of interest based on short-term interbank lending rates.

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

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

A 1% 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.

	2019 £'000	2018 £'000
Group	-	(6)
Company	(3)	(6)

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## 31 Liquidity risk

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

At 30 September 2019 the Group had £850,000 (2018: £850,000) of gross borrowing facility and £500,000 net borrowing facility (2018: £500,000) under its United Kingdom bank overdraft facility. In December 2019 Coutts & Co renewed the overdraft facility, maintaining it at £500,000, which is now next due for review in November 2020, with an interim review in May 2020.

The maturity analysis of financial liabilities, including expected future charges through the Income Statement is as shown below.

<b>Group</b>	As restated Borrowings	Other financial liabilities	As restated Total
	£'000	£'000	£'000
<b>Timing of cashflows</b>			
Within one year	353	3,861	4,214
Between one and two years	344	-	344
Between two and five years	273	-	273
	970	3,861	4,831
Expected future charges through the income statement	(65)	-	(65)
Financial liabilities at 30 September 2018	905	3,861	4,766

<b>Timing of cashflows</b>			
Within one year	362	3,955	4,317
Between one and two years	160	-	160
Between two and five years	141	-	141
	663	3,955	4,618
Expected future charges through the income statement	(34)	-	(34)
Financial liabilities at 30 September 2019	629	3,955	4,584

<b>Company</b>	Borrowings	Other financial liabilities	Total
	£'000	£'000	£'000
<b>Timing of cashflows</b>			
Within one year	265	2,256	2,521
Between one and two years	256	-	256
Between two and five years	62	-	62
	583	2,256	2,839
Expected future charges through the income statement	(30)	-	(30)
Financial liabilities at 30 September 2018	553	2,256	2,809

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	Borrowings	Other financial liabilities	Total
<b>Timing of cashflows</b>	£'000	£'000	£'000
Within one year	268	2,692	2,960
Between one and two years	66	-	66
Between two and five years	-	-	-
	334	2,692	3,026
Expected future charges through the income statement	(9)	-	(9)
Financial liabilities at 30 September 2019	325	2,692	3,017

### 32 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 20. At 30 September 2019 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £75,000 (2018: £nil).

The Company and certain of its United Kingdom subsidiaries are members of a group for Value Added Tax (VAT) purposes. At 30 September 2019 the net VAT payable balance of those subsidiaries was £251,000 (2018: £243,000).

At the year end, one of the Group's Middle East subsidiaries had outstanding letters of guarantee totalling £95,000 (2018: £108,000). These guarantees are secured by matching cash on deposit, which is included within trade and other receivables.

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.

	2019 £'000	2018 £'000
Not later than one year	110	131
Later than one year and not later than five years	1,863	1,406
Later than five years	1,664	2,129
Total	3,637	3,666

The Group's most significant lease relates to its London studio premises which comprises £3,522,000 (2018: £3,522,000) of the amounts shown in the table above. The lease of its Bonhill Street studio includes an upward rent review after 5 years, does not contain any break clauses and expires in May 2028. The lease of its York Way studio was concluded during the prior year.

The Group has contractual commitments totalling £40,000 (2018: £150,000) per annum in respect of software maintenance plans, expiring in December 2019. The total future commitments arising under these contracts as at the balance sheet date amount to £40,000 (2018: £190,000).

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The Group has contractual commitments totalling £3,000 (2018: £nil) per annum in respect of an IT hardware plan, expiring in December 2021. The total future commitments arising under this contract as at the balance sheet date amount to £7,000 (2018: £nil).

The Group acts as a lessor through the sub-let of part of the third floor at its Bonhill Street studio. The following is the aggregate minimum future receivables under these operating leases.

	2019 £'000	2018 £'000
Not later than one year	68	149
Later than one year and not later than five years	-	68
Later than five years	-	-
Total	68	217

### 33 Related party transactions

#### Key management personnel compensation

The key management personnel of the Group comprises the Directors of the Company together with the managing and financial directors of the United Kingdom and international operations.

Group	2019 £'000	2018 £'000
Short term employee benefits	1,349	1,513
Post employment benefits	120	104
Total	1,469	1,617

The key management personnel of the Company comprises its Directors.

Company	2019 £'000	2018 £'000
Short term employee benefits	589	690
Post employment benefits	58	60
Total	647	750

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

The Group makes management charges to Aukett + Heese Frankfurt GmbH. The amount charged during the year in respect of these services amounted to £48,000 (2018: £48,000). Aukett + Heese Frankfurt GmbH charged the Group £nil (2018: £4,000) for architectural services. Dividends of £86,000 (2018: £66,000) were received from Aukett + Heese Frankfurt GmbH during the year. The amount owed to the Group by Aukett + Heese Frankfurt GmbH at the balance sheet date was £nil (2018: £nil).

The Group makes management charges to Aukett + Heese GmbH. The amount charged by the Group during the year in respect of these services amounted to £64,000 (2018: £64,000). Dividends of £100,000 (2018: £33,000) were received from Aukett + Heese GmbH during the year. The amount owed to the Group by Aukett + Heese GmbH at 30 September 2019 was £nil (2018: £nil).

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.

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The Group charges name licence fees and management fees to Aukett sro, a joint venture in which the Group has a 50% interest. During the year, charges of £5,000 (2018: £3,000) were made to Aukett sro in respect of these services. The Group was also charged £2,000 (2018: £32,000) for architectural services provided by Aukett sro during the year, of which £nil (2018: £14,000) was owed by the Group at the balance sheet date. Separately, Aukett sro owed the Group and the Company £37,000 as at 30 September 2019 (2018: £27,000) 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 £1,164,000 (2018: £1,315,000) and paid charges to its subsidiaries for office accommodation and other related services of £90,000 (2018: £90,000).

At 30 September 2019 the Company was owed £2,045,000 (2018: £1,421,000) by its subsidiaries and owed £2,389,000 (2018: £1,910,000) to its subsidiaries. These balances arose through various past transactions including working capital advances, treasury management and management charges. The amounts owed at the year-end are non interest bearing and repayable on demand.

Under IFRS9, the Company has recorded no allowance for expected credit losses, as all subsidiaries owing funds to the Company are in a position to repay the amounts owed in line with the payment terms stipulated by the Company.

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.

## 34 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 October 2018, where they are different to those applied in prior periods.

### Impact on the financial Statements

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

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	30 Sep 2018 as originally presented £'000	IFRS 15 £'000	1 October 2018 as restated (before IFRS 9) £'000	IFRS 9 £'000	1 October 2018 as restated £'000
Current assets					
Trade (and other) receivables	5,995	(1,261)	4,734	(180)	4,554
Contract assets	-	1,261	1,261	(41)	1,220
<b>Total current assets</b>	<b>6,705</b>	<b>-</b>	<b>6,705</b>	<b>(221)</b>	<b>6,484</b>
<b>Total assets *</b>	<b>11,491</b>	<b>-</b>	<b>11,491</b>	<b>(221)</b>	<b>11,270</b>
Current liabilities					
Trade and other payables	(5,278)	886	(4,392)	-	(4,392)
Contract liabilities	-	(886)	(886)	-	(886)
<b>Net assets</b>	<b>4,357</b>	<b>-</b>	<b>4,357</b>	<b>(221)</b>	<b>4,136</b>
Foreign currency translation reserve	(17)	-	(17)	(7)	(24)
Retained Earnings	(95)	-	(95)	(214)	(309)
Total equity attributable to equity holders of the Company	4,210	-	4,210	(221)	3,989
<b>Total equity</b>	<b>4,357</b>	<b>-</b>	<b>4,357</b>	<b>(221)</b>	<b>4,136</b>

\* After restatement of the prior year figures for the adjustments made in note 35.

## IFRS 9 *Financial Instruments* – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in below. In accordance with the transitional provisions in IFRS 9 7.2.15) and (7.2.26), comparative figures have not been restated.

	£'000
Closing retained earnings 30 September 2018 – IAS 39/IAS 18	(95)
<b>Increase in provision for trade receivables and contract assets</b>	<b>(214)</b>
Adjustment to retained earnings from adoption of IFRS 9 on 1 October 2018	(214)
<b>Opening retained earnings 1 October 2018 – IFRS 9</b>	<b>(309)</b>

## Impairment of financial assets

The Group has identified the following types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables;
- Contract assets relating to unbilled work in progress and project retentions; and
- Other financial assets at amortised cost.

### *Trade receivables and contract assets*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and project retentions, and have substantially the

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same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group engages with clients who are creditworthy, liquid developers. Management identified that the loss allowances should be calculated and applied separately based on geographic segments of the Group, and more specifically to each country in which the Group has operations. Whilst the specific terms each contract the Group engages in may be different, certain common characteristics can be applied.

Provisions on bad and doubtful debts in the UK, Turkey and Russia have been immaterial in the historical period reviewed in order to establish the expected loss rate at 1 October 2018. In the UK and Russia the Group generally builds up advances for contract work recognised as a credit to the balance sheet which reduces the impact of potential bad debts. Amounts due for contract work not yet billed are generally not material. No material expected loss provision has been recognised for trade receivables and contracts assets owed to Group entities operating in these countries.

Amounts due for contract work in the Middle East segment are material, with contracts in the Middle East often billed in arrears. Sizeable write offs in prior years have informed the overall rate calculated for the provisioning matrix.

The loss allowance for the Middle East operating segment as at 1 October 2018 was determined as follows for both trade receivables and contract assets:

<b>1 October 2018</b>	<b>Current</b>	<b>1-30 days past due</b>	<b>More than 30 days past due</b>	<b>More than 60 days past due</b>	<b>More than 90 days past due</b>	<b>Total</b>
Expected loss rate (%)	4%	5%	8%	13%	17%	
Gross carrying amount (£'000)	1,590	463	115	180	566	2,914
Loss allowance (£'000) through CSOFP	71	24	9	23	94	221
Loss allowance (£'000) through retained earnings	69	23	9	22	91	214

The loss allowance was initially calculated in United Arab Emirate Dirhams (AED) being the functional currency of the Group entities in the Middle East operating segment. On conversion to GBP in the Group consolidation a foreign exchange difference of £7k arises which is taken through the foreign currency translation reserve.

The loss allowances for trade receivables and contract assets as at 30 September 2018 reconcile to the opening loss allowances on 1 October 2018 as follows:

	<b>Contract assets £'000</b>	<b>Trade receivables £'000</b>
At 30 September 2018 – calculated under IAS 39	-	915
Amounts restated through opening retained earnings	40	174
Amounts restated through opening foreign currency translation reserve	1	6
<b>Opening total loss allowance as at 1 October 2018 - calculated under IFRS 9</b>	<b>41</b>	<b>1,095</b>

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A further allowance for impairment of trade receivables and contract assets is established on a case by case basis when there are indicators suggesting that the specific debtor balance in question has experienced a significant deterioration in credit worthiness. 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 or contract asset 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.

### *Other financial assets at amortised cost*

Other financial assets at amortised cost include rent deposits, letters of guarantee secured by matching cash on deposit and other receivables. No material expected credit loss provision has been applied to these balances as the Group has concluded that this risk is not material.

### **IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

IFRS 15 is the new revenue standard which replaces existing standards and guidance including IAS 18 Revenue and IAS 11 Construction Contracts. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

A full description of the 5 step approach to adoption of IFRS 15 has been given on pages 47 to 48.

The Group has applied the new standard using the modified retrospective method, with the cumulative effect of applying the standard recorded as an adjustment to retained earnings on the date of initial application, being the 1 October 2018. Our decision to adopt this method rather than retrospectively restate prior periods depends on a number of factors including time, cost and available resources compared to the benefits to the users of the financial statements.

Management has performed a review of the impact of adopting IFRS 15 to the Group's financial statements. The review demonstrated that the measurement of revenues for contracts still follows an "over time" pattern as previously recognised under IAS 18, for the reasons given under step 5 of the accounting policy given on pages 47 to 48

However management believes that the financial impact of adjustments to revenue recognition following the adoption of IFRS 15 cumulatively as at 30 September 2018 are immaterial, and has therefore not made an adjustment to the opening reserves for the period commencing 1 October 2018.

### *Presentation of contract assets and contract liabilities*

Aukett Swanke Group Plc has voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

Contract assets recognised in relation to amounts due on contract work and project retentions were previously presented as part of trade and other receivables.

Contract liabilities in relation to advances from contract work were previously included in trade and other payables.



# Aukett Swanke Group Plc

## 35 Prior year restatement

In preparing this year's financial statements, Management identified 3 finance leases which had been taken out to fund the purchase of fit out costs on the new lease at the office in London, in June 2018. These leases were taken out by Aukett Swank Limited, the Group's wholly owned subsidiary.

The net cost of discharging these finance leases was previously accounted for as an expense to the consolidated statement of comprehensive income, the impact of which was not material to these financial statements.

However, Management have noted that the omitted tangible fixed assets (note 14) and the omitted finance lease liabilities (note 20) are material to the financial prior period financial statements and have posted a prior year adjustment to reflect this.

### *Consolidated income statement*

No net impact has been recorded on the statement of profit and loss and other comprehensive income since this is immaterial, however reclassification of costs within the statement of profit and loss and other comprehensive income have been made as follows:

	2018 As originally stated £'000	Restatement for finance leases £'000	2018 As restated £'000
Other operating expenses	(2,066)	4	(2,062)
Interest payable	(36)	(4)	(40)

### *Consolidated statement of financial position*

	2018 As originally stated £'000	Restatement for finance leases £'000	2018 As restated £'000
Property, plant and equipment	114	320	434
Borrowings (current)	(246)	(62)	(308)
Borrowings (non-current)	(307)	(252)	(559)
Other payables	(304)	(6)	(310)

Based on the above, there is not considered to be any impact on the consolidated statement of changes in equity.

There is also no material change to the consolidated statement of cash flows since the finance lease and asset purchase transactions are non-cash.

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

# 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 and The Financial Times 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 6DA - 0371 384 2030 (lines are open 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales). Callers from outside the UK should dial +44 (0)121 415 7047. The website is [www.equiniti.com](http://www.equiniti.com).

Equiniti also provides 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, 67/68 Jermyn Street, London, SW1Y 6NY - 020 7930 3737 - [www.sharegift.org](http://www.sharegift.org).

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