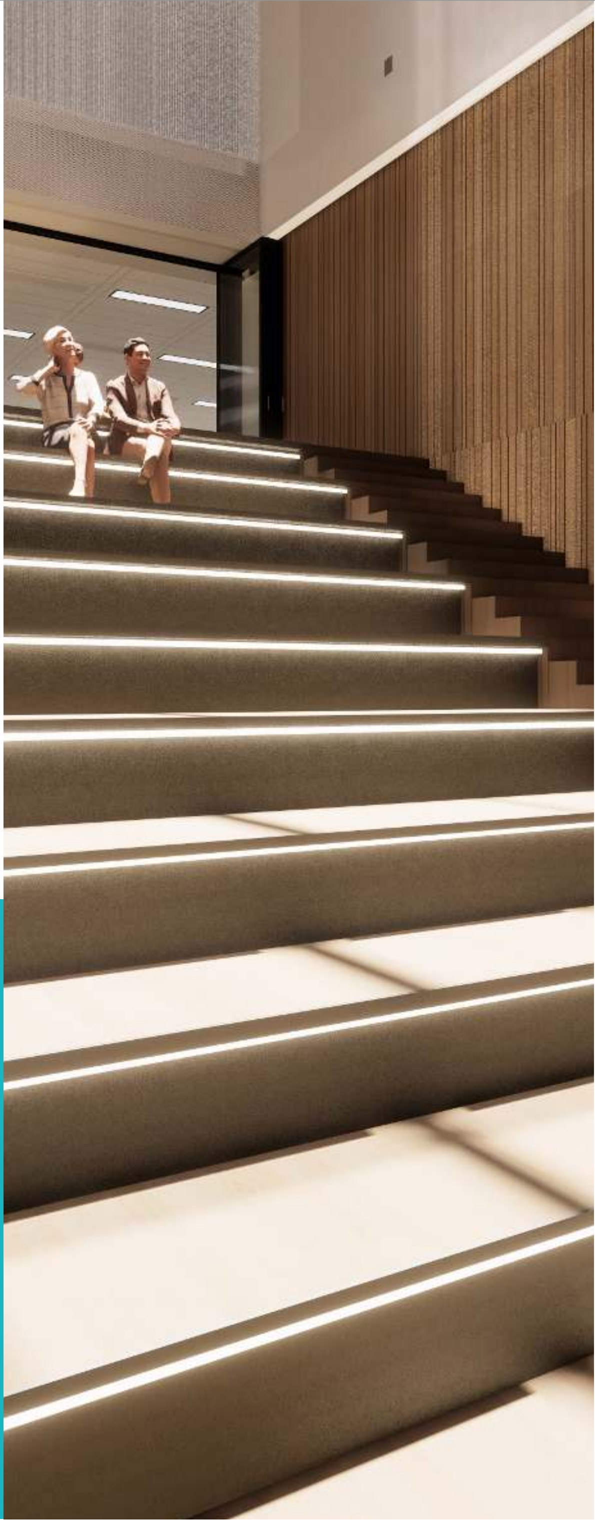
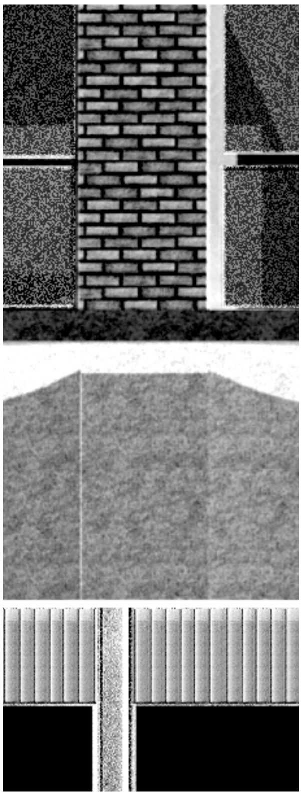
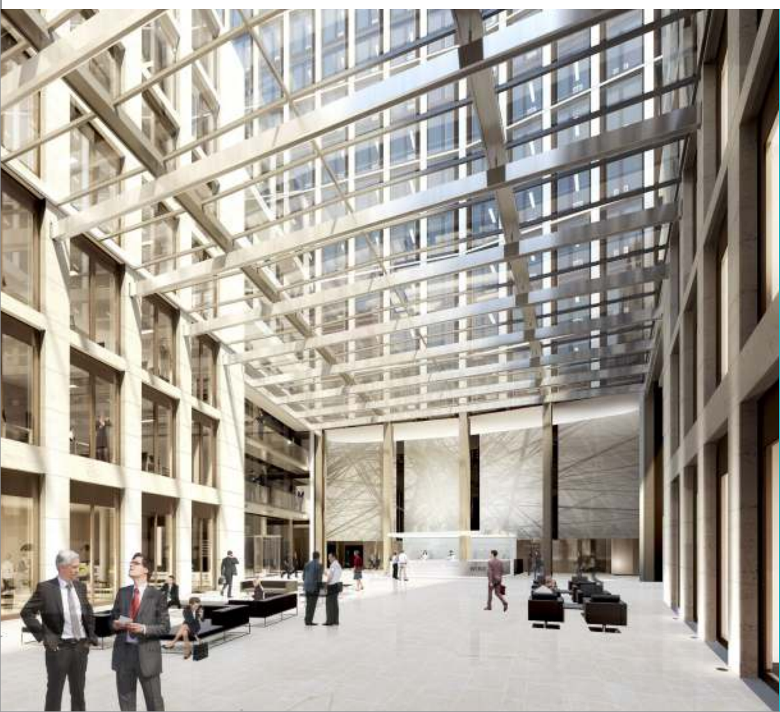




AUKETT SWANKE GROUP PLC

interim report 2020

FOR THE SIX MONTHS ENDED
31 MARCH 2020



aukett
swanke

Aukett Swanke is an award-winning architecture, interior design and engineering practice, designing and delivering commercial projects throughout the United Kingdom, Continental Europe and the Middle East

HIGHLIGHTS

- The management's restructuring and reorganisation produced further substantial progress in the first half

- Group profit before tax was £136k reversing a loss of £371k in the same period in 2019

- All operations showed improved profit performance before central costs

- In the final month of the period a series of actions were rapidly taken to mitigate Covid-19 impact:
  - Salaries and other costs reduced or deferred
  - Rapid and effective instigation of remote working across the Group
  - Work on existing projects was soon back in progress after initial disruption

Commenting on the interim results, CEO Nicholas Thompson said:

"It is pleasing to see the investment made over the past few years, to improve the business model, resulting in a return to operational profitability.

The early action taken to mitigate the impact of the Covid-19 virus has helped protect the business.

While the immediate future is less than certain, the level of new business enquiries in the circumstances remains encouraging."

INTERIM STATEMENT

OVERVIEW

The results for the six months to 31 March 2020 show a progressive return to underlying profitability. Whilst revenue rose by a modest £74k to £7.37m (2019: £7.30m) our focus on efficient working resulted in a pre-tax profit of £136k, reversing the loss in 2019 of £371k by £507k - a significant turnaround.

All geographies were in profit before recharged central costs and all reported an improvement over the prior period result.

COVID-19

The Covid-19 pandemic had little impact on our results in the period under review.

Over a 10 working day period in late March we moved to remote working without any significant disruption. Much of this was down to the various IT teams around the Group supporting the transition and all staff committing to this new way of working in a positive and comprehensive way.

Whilst we initially experienced some delays in collecting cash due, resulting in period end cash falling to £183k at 31 March (£1.1m 30 September 2019) with a small net debt position of £11k (2019: net cash £820K); the position has since reversed with cash and net debt at the end of May 2020 standing at £692k and £498k, respectively.

In the UK and UAE we have reduced salaries and other costs. In particular, the Plc Directors have taken a 20% pay reduction. All operations, including the Group, were successful in deferring some operational cash flows into the next financial year to provide short term support to our working capital and therefore avoid any new external borrowings and limited use of existing facilities.

As the longer term nature of Covid-19 remains uncertain, our planning is based on each operation trading on earnings from near term secure income and contract extensions. This ensures that we sustain a cost base at the minimum level, which we can supplement with temporary or returning staff as project conversions are achieved. We have taken a number of steps to achieve this including: furloughing permanent staff; releasing temporary or freelance staff; encouraging unpaid leave and part time working; and pay cuts of varying percentages and durations - all of which provides management with a range of tools that can be implemented at short notice and with immediate effect. We have also sought to remove non-essential or deferrable expenditure.

Orchard Wharf, London E14

EQ, Bristol

Nova East, London SW1

Regent House, London W2

UNITED KINGDOM

The UK operation improved its half year revenues by £362k to £4.09m (2019: £3.73m) and its profit by £56k to £311k (2019: £255k) based on a number of continuing projects plus a growing number of new instructions. At the half way stage and, as the coronavirus took hold the UK had 18 projects on site, all of which suffered some form of temporary closure immediately after the half year end; but this was all short-lived as sites are now operating at between 30% to 50% capacity.

The UK won its largest project for some time being a 290,000sqft speculative new build office in South London for an existing client. In addition our work in the hybrid market continued to expand with a commission to planning comprising 90,000sqft of wharf and residential use in a protected area at Orchard Wharf for Regal London and, three further hybrid commissions for Segro were won; a significant interior design project for a major banking dynasty and; the EQ building in Bristol for CEG continued apace.

Veretec, our executive architecture company, continued with instructions on a range of projects including Nova East (Lynch Architects), a 260,000sqft new build office for Land Securities in London's West End; the 112,500sqft Featherstone Building (Morris & Co) for Skanska and long standing client Derwent; a 32,000sqft entertainment centre for Labtech at Hawley Wharf; the final stage of Regent House, a mixed-use residential and office development for Osborne, designed by Stiff & Trevillion/MSMR and; increased instructions on Labtech Holborn new commercial offices – a project designed by DSDHA.

The impact of Covid-19 on the UK had little impact in H1 as much of the current work was in the pre-construction phases. As we progress through H2, sites remain open and we have adjusted our role accordingly with limited or no physical presence, the use of video cameras for inspections, and concentrating on those activities that can be done remotely. The transition to remote working (which was already being trialled) was achieved in less than one week and to date there seems to have been no real loss in overall efficiency in this new mode. However, new instructions with new clients will be sparse for a while and it is that factor that will influence our H2 result. We have tempered our outlook as Q3 reflects the full impact of the lockdown and is prior to any form of return to normal working practices which we do not anticipate before Q4.

We have taken temporary cost reductions into our business model and have reduced salaries across the board in order to limit the forward position as much as possible.

MIDDLE EAST

Our United Arab Emirates operations were around six months behind the UK in their recovery plans. As such the impact of Covid-19 has had a more significant impact particularly in cash recoveries at the period end.

For the first half revenues were down by £201k at £3.14m (2019: £3.34m) but, prior period losses of £151k had been reversed and a profit of £103k achieved. Much of this improvement was based on a range of smaller projects in the site works stage and continuation of the reduction in expenditure.

The Lesso Mall (Samanea Market) reached tender stage shortly before the lockdown and The Grove project was about to be launched. As such these two larger projects are on hold. Elsewhere we are supporting the US and Australia Pavilions and completing the Expo Media Centre.

More regular income came from completion of the Atlantis The Palm refurbishment of 1,539 suites; completion of the Mercure hotel refurbishment; continuing work at two cultural projects in Al Ain: the Al Ain Museum and Sheikh Khalifa House; The Viva City, Sports Society Mall in Dubai continued on site; newer instructions came from Etisalat for new store openings, the Du Al Qudra broadcasting station, and a number of post contract commissions.

For Miral the exciting zip wire rides and Ferrari World roof walkway neared completion and the refurbishment of the corporate offices for the F1 Marina reached tender stage, both on Yas Island, Abu Dhabi.

Whilst we can see the site works continuing (and there is daily personnel testing in place) there is a dearth of new and larger instructions. Given the steep fall in the oil price, little or no tourism and a potential exodus of labour once travel restrictions are lifted, we see this geography taking some time to recover and as such we have re-structured our three operations to assume a much lower level of income in the aftermath of Covid-19.

It is too early to predict how the year will end for our Middle East operations.

CONTINENTAL EUROPE

With only one wholly owned subsidiary remaining following the disposal of our Moscow operation last year, revenues fell to £147k (2019: £234k). However, profit before central costs increased to £247k (2019: £135k) – with all joint ventures and associates producing positive results.

Wholly owned operation

The Turkish operation has continued to build upon the success of the previous year having completed several interior fit-out projects for significant corporate clients, including LC Waikiki, Google, 3M and Credit Suisse. New projects include a series of architectural Villa designs for a new town masterplan site in Erbil, a fit-out in Ankara for the Turkish Trade Council TUSIAD, a private villa in Istanbul and a new two floor extension to the VM Ware HQ in Sofia completed last year.

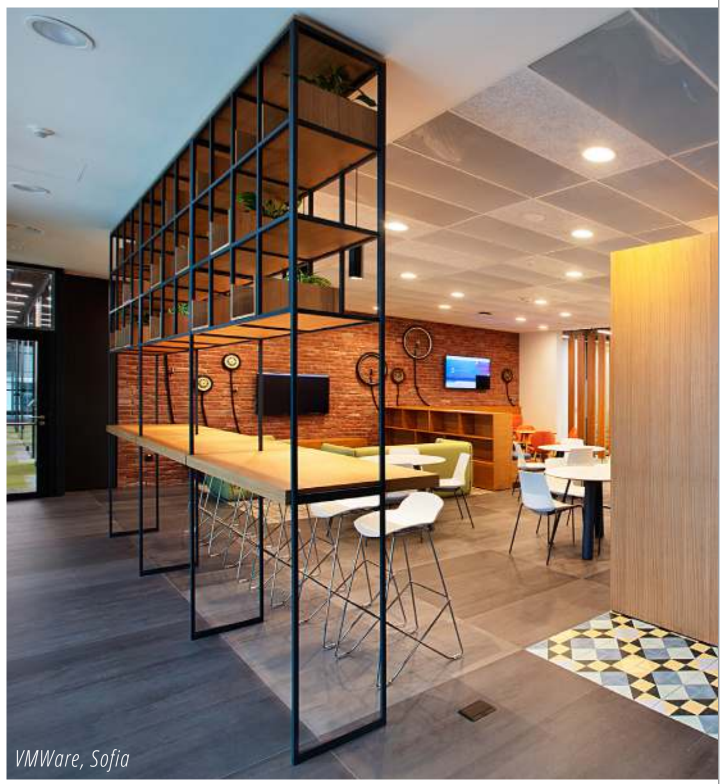
Joint venture and associate operations

The operations in Berlin and Frankfurt have enjoyed buoyant market conditions.

Project completions for the Berlin office include the "Winx" tower in Frankfurt and the first phase of the KaDeWe-Department Store refurbishment in Berlin.

Zip Wire Ride under construction, Yas Island, Abu Dhabi

Sports Society Mall, Dubai



VMWare, Sofia

OC Repy Shopping Centre, Prague

EDGE Tower, Berlin
(image ©EDGE)

Newly won projects commencing shortly include the preliminary infrastructure measures for a 15,000sqm, 100 apartment, new-build housing development for local authority approval, the conversion of a heritage listed cinema to co-working offices and a concept study for a heritage listed-building refurbishment and new-build extension in central Hamburg totalling 12,000sqm. The construction of the 140m high EDGE tower has commenced with Amazon as the main tenant.

The Frankfurt office continues to complete ongoing phases of refurbishment of the iconic MesseTurm building including also fit-outs for incoming tenants such as GAC, Regus and Tata. Nearing completion is the Sparda Bank facade refurbishment and new commissions include the fit-out designs for an American bank in two locations in Germany.

The Prague office has recovered strongly after two challenging years and has completed the technical document stages of the OC Repy Shopping Centre refurbishment and has begun design work on the 16,000sqm fit-out of the 1934 modern movement office building at Bubenska for WPP and the 14,000sqm fit-out of Exxon Mobil's HQ. Technical due diligence is under way on the Chrpa Shopping Centre and Archa Plaza projects in Prague. Works on site include the DB Schenker logistics building and extension works successfully negotiated with the authorities.

Licensee operation

The licensee operation of Aukett Swanke Moscow in the Russian Federation completed a concept masterplan for a 730,000sqm science and technology complex on an 80 hectare site in Surgut, Siberia and feasibility study for an 18,000sqm mixed use development in Tyumen.

GROUP COSTS

We have continued to lower the organisation's central costs with direct costs reduced by £32k in the half year; the gain on disposal of the Moscow business (£53k) accounting for the balance of the reduction in Group costs.

We have adopted IFRS 16 within these results. This made a significant impact on the consolidated statement of financial position, in particular grossing up non current assets and non current liabilities, however has immaterial impact on the result for the 6 months to 31 March 2020

PROSPECTS

At this stage it is impractical to predict with any certainty how the year will end.

We nevertheless remain confident that we have the right business model and that we have taken pro-active steps to protect the business from the obvious uncertainties in our markets.

Nicholas Thompson
Chief Executive Officer

23 June 2020

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 March 2020

	Note	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Revenue	3	7,375	7,301	15,492
Sub consultant costs		(515)	(725)	(1,781)
Revenue less sub consultant costs		6,860	6,576	13,711
Personnel related costs		(5,430)	(5,644)	(11,294)
Property related costs		(650)	(812)	(1,542)
Other operating expenses		(867)	(725)	(1,294)
Other operating income	4	142	154	371
Operating profit / (loss)		55	(451)	(48)
Finance costs		(78)	(14)	(42)
Loss after finance costs		(23)	(465)	(90)
Gain on disposal of subsidiary		53	-	-
Share of results of associate and joint ventures		106	94	382
Profit / (loss) before tax	3	136	(371)	292
Tax (charge) / credit		(34)	17	40
Profit / (loss) for the period		102	(354)	332
Profit / (loss) attributable to:				
Owners of Aukett Swanke Group Plc		96	(315)	346
Non-controlling interests		6	(39)	(14)
Profit / (loss) for the period		102	(354)	332
Basic and diluted earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:				
From continuing operations		0.06p	(0.19)p	0.21p
Total profit / (loss) per share	5	0.06p	(0.19)p	0.21p

Statesman House, Maidenhead

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2020

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Profit / (loss) for the period	102	(354)	332
Other comprehensive income:			
Currency translation differences	4	(16)	46
Other comprehensive income for the period	4	(16)	46
Total comprehensive profit / (loss) for the period	106	(370)	378
Total comprehensive profit / (loss) is attributable to:			
Owners of Aukett Swanke Group Plc	100	(343)	392
Non-controlling interests	6	(27)	(14)
Total comprehensive profit / (loss) for the period	106	(370)	378

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	Unaudited at 31 March 2020 £'000	Unaudited at 31 March 2019 £'000	Audited at 30 September 2019 £'000
Non current assets				
Goodwill		2,403	2,374	2,412
Other intangible assets		714	773	762
Property, plant and equipment		314	91	590
Right-of-use assets	8	2,882	-	-
Investment in associate and joint ventures		1,009	793	988
Deferred tax		155	391	193
Total non current assets		7,477	4,422	4,945
Current assets				
Trade and other receivables		5,157	4,049	4,904
Contract assets		716	980	663
Cash at bank and in hand	7	315	705	1,145
Total current assets		6,188	5,734	6,712
Total assets		13,665	10,156	11,657
Current liabilities				
Trade and other payables		(3,194)	(4,209)	(4,528)
Contract liabilities		(1,012)	(748)	(836)
Current tax		-	-	-
Borrowings	7	(326)	(322)	(331)
Lease liabilities	8	(537)	-	-
Total current liabilities		(5,069)	(5,279)	(5,695)
Non current liabilities				
Borrowings	7	-	(184)	(272)
Lease liabilities	8	(3,099)	-	-
Deferred tax		(48)	(56)	(53)
Provisions		(865)	(871)	(1,123)
Total non current liabilities		(4,012)	(1,111)	(1,448)
Total liabilities		(9,081)	(6,390)	(7,143)
Net assets		4,584	3,766	4,514
Capital and reserves				
Share capital		1,652	1,652	1,652
Merger reserve		1,176	1,176	1,176
Foreign currency translation reserve		26	(52)	22
Retained earnings		97	(624)	37
Other distributable reserve		1,494	1,494	1,494
Total equity attributable to equity holders of the Company		4,445	3,646	4,381
Non-controlling interests		139	120	133
Total equity		4,584	3,766	4,514

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2020

	Note	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Cash flows from operating activities				
Cash (expended by) / generated from operations	6	(836)	(4)	647
Interest paid		(15)	(14)	(42)
Income taxes credits received / (paid)		218	(1)	(1)
Net cash (outflow) / inflow from operating activities		(633)	(19)	604
Cash flows from investing activities				
Purchase of property, plant and equipment		(214)	(5)	(90)
Sale of property, plant and equipment		-	-	2
Dividends received		86	66	186
Net cash (paid) / received in investing activities		(128)	61	98
Net cash (outflow) / inflow before financing activities		(761)	42	702
Cash flows from financing activities				
Payments of lease liabilities		(34)	-	(36)
Repayment of bank loans		(123)	(123)	(250)
Net cash outflow from financing activities		(157)	(123)	(286)
Net change in cash and cash equivalents		(918)	(81)	416
Cash and cash equivalents at start of period		1,145	710	710
Currency translation differences		(44)	(1)	19
Cash and cash equivalents at end of period	7	183	628	1,145

Cash and cash equivalents are comprised of:

Cash at bank and in hand	315	705	1,145
Secured bank overdrafts	(132)	(77)	-
Cash and cash equivalents at end of year	183	628	1,145

Science and Technology Complex, Surgut, Russia

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 March 2020

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non controlling interests £'000	Total equity £'000
Balance at 30 September 2019 as originally presented	1,652	22	37	1,494	1,176	4,381	133	4,514
Effect of adoption of IFRS16 (note 8)	-	-	(36)	-	-	(36)	-	(36)
Restated total equity at 1 October 2019	1,652	22	1	1,494	1,176	4,345	133	4,478
Profit for the period	-	-	96	-	-	96	6	102
Other comprehensive income	-	4	-	-	-	4	-	4
Total comprehensive profit	-	4	96	-	-	100	6	106
At 31 March 2020	1,652	26	97	1,494	1,176	4,445	139	4,584

For the six months ended 31 March 2019

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non controlling interests £'000	Total equity £'000
At 1 October 2018	1,652	(24)	(309)	1,494	1,176	3,989	147	4,136
Loss for the period	-	-	(315)	-	-	(315)	(39)	(354)
Other comprehensive income	-	(28)	-	-	-	(28)	12	(16)
Total comprehensive loss	-	(28)	(315)	-	-	(343)	(27)	(370)
At 31 March 2019	1,652	(52)	(624)	1,494	1,176	3,646	120	3,766

For the year ended 30 September 2019

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non controlling interests £'000	Total equity £'000
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

NOTES TO THE INTERIM REPORT

1 BASIS OF PREPARATION

The financial information presented in this Interim Report has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ('IFRS') as adopted by the EU that are expected to be applicable to the financial statements for the year ending 30 September 2020 and on the basis of the accounting policies expected to be used in those financial statements.

2 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED

A number of new or amended standards and interpretations to existing standards became applicable for the current reporting period and the Group had to change its accounting policies to correctly reflect the requirements of the following standards:

- IFRS 16 *Leases,* and
- IFRIC 23 *Uncertainty over income tax treatments*

The impact of the adoption of these standards and the new accounting policies are disclosed in note 8 below.

3 OPERATING SEGMENTS

The Group comprises a single business segment and three separately reportable geographical segments (together with a Group costs segment). Geographical segments are based on the location of the operation undertaking each project. Turkey (and Russia in the comparative periods) are included within Continental Europe together with Germany and the Czech Republic.

Segment revenue	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
United Kingdom	4,093	3,731	7,454
Middle East	3,135	3,336	7,522
Continental Europe	147	234	516
Total	7,375	7,301	15,492

Segment result before tax	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
United Kingdom	41	(15)	(89)
Middle East	(165)	(438)	(69)
Continental Europe	179	64	351
Group costs	81	18	99
Total profit/(loss)	136	(371)	292

Segment result before tax (before reallocation of group management charges)	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
United Kingdom	311	255	451
Middle East	103	(151)	525
Continental Europe	247	135	495
Group costs	(525)	(610)	(1,179)
Total profit /(loss)	136	(371)	292

4 OTHER OPERATING INCOME

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Property rental income	78	86	170
Management charges to associate and joint ventures	54	55	114
Licence fee income	1	2	-
Other sundry income	9	11	33
Fair value gain on the reduction of deferred consideration	-	-	54
Total other operating income	142	154	371

5 EARNINGS PER SHARE

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

Earnings	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Profit / (loss) for the period	96	(315)	346

Number of shares	Unaudited six months to 31 March 2020 '000	Unaudited six months to 31 March 2019 '000	Audited year to 30 September 2019 '000
Weighted average number of shares	165,214	165,214	165,214
Effect of dilutive options	-	-	-
Diluted weighted average number of shares	165,214	165,214	165,214

6 RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FROM OPERATIONS

	Unaudited six months to 31 March 2020 £'000	Unaudited six months to 31 March 2019 £'000	Audited year to 30 September 2019 £'000
Profit / (loss) before tax – continuing operations	136	(371)	292
Finance costs	78	14	42
Share of results of associate and joint ventures	(106)	(94)	(382)
Intangible amortisation	40	40	81
Depreciation	159	30	150
Profit on disposal of property, plant and equipment	(2)	(1)	(3)
(Increase) / decrease in trade and other receivables	(500)	711	425
(Decrease) / increase in trade and other payables	(605)	(282)	86
Change in provisions	(38)	(58)	(68)
Unrealised foreign exchange differences	2	7	24
Net cash (expended by) / generated from operations	(836)	(4)	647

7 ANALYSIS OF NET FUNDS

	Unaudited at 31 March 2020 £'000	Unaudited at 31 March 2019 £'000	Audited at 30 September 2019 £'000
Cash at bank and in hand	315	705	1,145
Secured bank overdrafts	(132)	(77)	-
Cash and cash equivalents	183	628	1,145
Secured bank loan	(194)	(429)	(325)
Net funds/(debt)	(11)	199	820

EQ, Bristol

8 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 October 2019, where they are different to those applied in prior periods.

The Group has adopted IFRS 16 retrospectively from 1 October 2019, but has not restated comparatives for the 2018-19 reporting period, as permitted under the modified retrospective cumulative catch-up transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019.

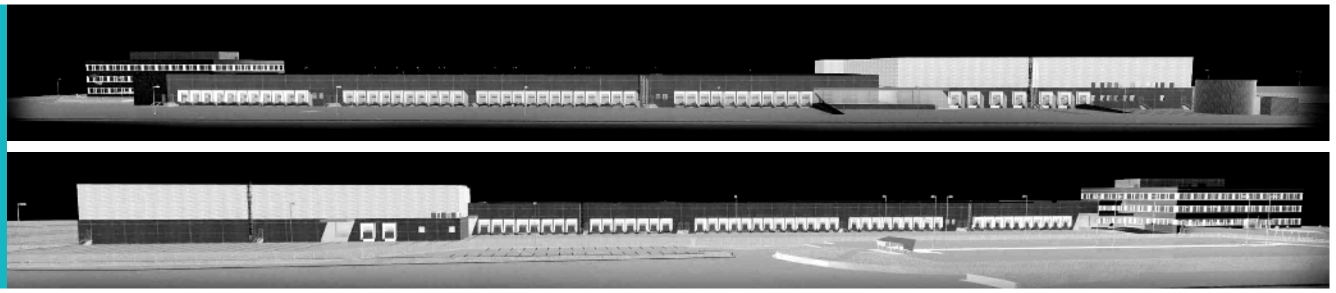
8(a) Adjustments recognised on adoption of IFRS 16

	£'000
Operating lease commitments disclosed as at 30 September 2019	3,637
Adjustment for conditional rent free periods	193
(Less): short-term leases recognised on a straight-line basis as expense	(103)
(Less): low-value leases recognised on a straight-line basis as expense	(12)
	3,715
Discounted using the lessee's incremental borrowing rate of at the date of initial application	3,120
Add: finance lease liabilities recognised as at 30 September 2019	488
Lease liability recognised as at 1 October 2019	3,608
Of which are:	
Current lease liabilities	303
Non-current lease liabilities	3,305
	3,608

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 March 2020 £'000	1 October 2019 £'000
Properties (operating lease type assets)	2,404	2,551
Leasehold improvements (finance lease type assets)	478	466
Total right-of-use assets	2,882	3,017



DB Schenker Logistics Building, Prague

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.

	30 Sep 2019 as originally presented £'000	Finance lease type assets IFRS 16 £'000	Restoration costs IFRS 16 £'000	Operating lease type assets IFRS 16 £'000	1 Oct 2019 as restated £'000
Property, plant & equipment	590	(278)	(188)	-	124
Right-of-use assets	-	278	188	2,551	3,017
Total non current assets	4,945	-	-	2,551	7,496
Total assets	11,657	-	-	2,551	14,208
Current liabilities					
Trade and other payables	(4,528)	-	-	533	(3,995)
Borrowings	(331)	71	-	-	(260)
Lease liabilities	-	(71)	-	(232)	(303)
Total current liabilities	(5,695)	-	-	301	(5,394)
Non current liabilities					
Borrowings	(272)	207	-	-	(65)
Lease liabilities	-	(207)	(210)	(2,888)	(3,305)
Provisions	(1,123)	-	210	-	(913)
Total non current liabilities	(1,448)	-	-	(2,888)	(4,336)
Total liabilities	(7,143)	-	-	(2,587)	(9,730)
Net assets	4,514	-	-	(36)	4,478
Retained Earnings	37	-	-	(36)	1
Total equity attributable to equity holders of the Company	4,381	-	-	(36)	4,345
Total equity	4,514	-	-	(36)	4,478

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease.*

As the Group has applied the modified retrospective transition approach, for leases previously classified as finance leases the lease liability on transition is unchanged, being the carrying amount of the lease liability immediately before the date of initial application.

8(b) The group's leasing activities and how these are accounted for

The group leases various offices, leasehold improvements relating to office fit-out costs, and IT equipment. Rental contracts are typically made for fixed periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the financial year ended 30 September 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment with a value when new of £4,000 or less.

9 STATUS OF INTERIM REPORT

The Interim Report covers the six months ended 31 March 2020 and was approved by the Board of Directors on 23 June 2020. The Interim Report is unaudited.

The interim condensed set of consolidated financial statements in the Interim Report are not statutory accounts as defined by Section 434 of the Companies Act 2006.

Comparative figures for the year ended 30 September 2019 have been extracted from the statutory accounts of the Group for that period.

The statutory accounts for the year ended 30 September 2019 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report thereon was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain a statement under Section 498 of the Companies Act 2006.

Where comparative figures have subsequently been restated following the adoption of new accounting policies as explained in notes 2 and 8, adjustments have not been audited by the Group's auditors.

STEAMhouse, Birmingham

10 FURTHER INFORMATION

An electronic version of the Interim Report will be available on the Group's website (www.aukettswanke.com).

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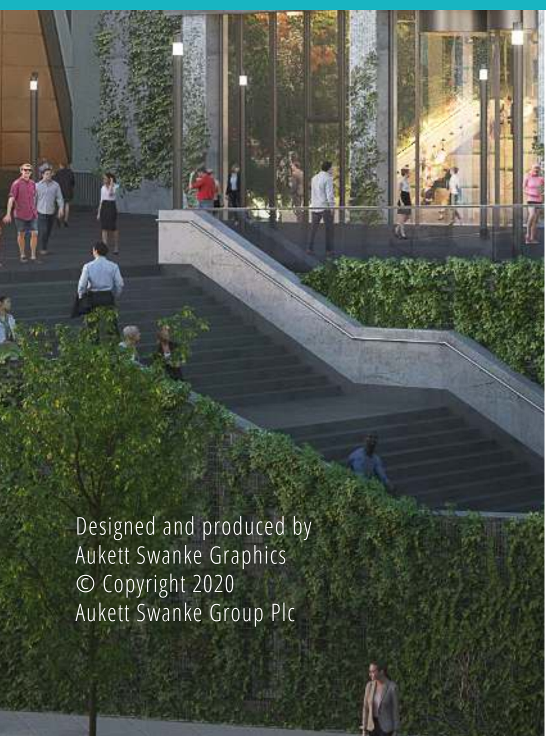
interim report 2020



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