





Aukett Fitzroy Robinson is an international practice of architects and interior design specialists who design and deliver commercial projects throughout Europe, the Middle East and Russia.

# london + moscow + abu dhabi berlin + bratislava + frankfurt + prague

bogota + são paulo + southamptor

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# our clients include ...

Adnams 
ALDAR Allcon Amanda Levete AMP Asset Management Anglian Water Aqua Bank Argent Argyll Property Asset Management = Arup = ASDA = Avaya Communications = AXA Sun Life = BAA Lynton = BAM 
Bank of Moscow Barclays Group Property Services BBC Benchmark BNY Mellon Bovis Lendlease ■ Bowmer & Kirkland ■ British Energy ■ British Land ■ Brunswick ■ BSkyB ■ BT ■ Bundesdruckerei ■ Capital Shopping Centres • Carillion • Carlton Club • Carlyle Group • CBRE • Centros • Chelmsford Cathedral • CIN LaSalle • CIS • Cisco • City & Guilds • Commercial Estates • Corinthia Group • Corporation of London • Costain ■ Countryside Properties ■ Credit Suisse ■ Crest Nicholson ■ Crosby Homes ■ Crossrail ■ Crowne Plaza Hotels Daimler Chrysler Deeley Freed Development Securities DGV Consulting Diageo Dresdner Bank DTC de Beers • DTZ Debenham Tie Leung • Dublin Docklands Development Authority • Dunhill • DVLA • Ede & Ravenscroft = Electricity Supply Nominees = Eli Lilly = Endsleigh Insurance = English Partnerships = Ernst & Young • Eurofinance Bank • Exxon Mobil • Fenlay • Fenwick • Firoka • First Bank • Flemings Bank • Foreign & Commonwealth Office • Fujitsu • GE Capital • Gertler GmbH • GlaxoSmithKline • Goldman Sachs • Goodman ■ Google ■ Government of Singapore ■ Great Portland Estates ■ Grosvenor ■ Hazlewood Foods ■ Helical Bar ■ Heron Property ■ Hexal Pharmaceuticals ■ Hilton International ■ Hochtief ■ Holy Trinity Brompton ■ Home Office IND • Honeywell GmbH • Howard de Walden Estates • HSBC • Hurlingham Club • Infosys • Imperial College ING Real Estate Institute of Physics Interros Interserve IPPC Irausa UK Irish Rail ISG I Jarrold & Son • Jody Scheckter • Johnson Controls • Jones Lang LaSalle • JP Morgan • KFW Bank • Kier Build • Korine Property Partners • KPMG • Land Securities • LaSalle Investment Management • Le Meridien • Lee Valley Authority • Legion Developments • Linden Homes • Local Government Association • London and Regional • London Electricity ■ London Underground ■ Long Term Credit Bank of Japan ■ Maharishi Foundation ■ Macquarie Bank • Marchday • Marks & Spencer • Mellon Financial Corporation • Mercers' Company • Merkur Development ■ Microsoft ■ MoD ■ Mouchel ■ NAPP Pharmaceuticals ■ National Grid ■ Nations Bank ■ NATS ■ Network Rail ■ Nicholson Estates ■ Northern Rock ■ Norwich Union ■ ODPM ■ Opin Group ■ Orbis Investment Advisory Orchard Street Investments Orco Palestra Peresvet Region Pfizer Pillar Property Investments Plysu Polkomtel Portman Building Society Prologis Providence Row PRUPIM Quinlan Golub Rabobank Radisson Edwardian 
Radisson Blu Railtrack Railway Pension Nominees Ralph Trustees Ramboll Reading FC = Redevco = Renfrewshire Enterprise = RenovaStrojGroup = Reuters = Robin Oil = Rocco Forte = Royal Bank of Scotland 
RSPB Rubylovo-Archangelskoe Saatchi & Saatchi / Bates SAB Miller Savills SC Johnson Scala 
Scottish Development Agency 
Scottish Widows 
Segro 
Siemens 
Simons Developments 
Sir Robert McAlpine • Sistema Hals • Skanska • Spillers • Southampton Solent University • Standard Life Investments • St Alphage Church • St Andrew's URC, Canterbury • St Martin's Property • Sun Microsystems • Suse Linux GmbH • Syngenta International "Taylor Wimpey "Tenkhoff Properties "Terrace Hill "Tesco "The Royal College of Surgeons of England Tischman Speyer Tonstate Total Gas & Power Transport for London Trinity Hall Tube Lines University of Cambridge 
Usadba Center 
Vestas 
VMWare 
Voreda 
Wates 
Welbeck Land 
Wellcome Trust ■ Welsh Assembly ■ Westpac ■ Worshipful Company of Cordwainers ■ Worshipful Company of Grocers ■ Zeneca



Veretec is an executive architecture service which principally provides post-planning design delivery and audit services to contractors, clients and other professionals in the construction industry.

# 9 years and 120 projects

We are delighted with the track record Veretec has developed as proven delivery architects of new build, refurbishment and fitout projects, and for extensive tender and due diligence audit work.

These unique services are provided by Veretec's dedicated core team, with clear focus on delivering quality in Design & Build projects that has generated repeat clients.

This ability to deliver across all sectors is important to us, whether offices, residential, retail, leisure or education, and irrespective of complexity.



Despite the recession, Veretec has consolidated its reputation for quality delivery





- Merger of Aukett and Fitzroy Robinson
- Bruce and Keith join forces

A very professional and positive approach. An important and valued part of the team ■ Derwent



Veretec is founded

design architects we have worked with



Working to challenging deadlines does not diminish our downtime enjoyment and team building activities which include annual charity fundraising events

Allford Hall Monaghan Morris Fielden Clegg Bradley Hawkins Brown **Hopkins** McKenzie Wheeler Niall McLaughlin

O'Donnell + Tuomey Architects

Paul Davis + Partners



Veretec always came across as open and honest, and clear on the issues being addressed within the project - PDCM

Overall very positive contribution to the project. Nice people with the right approach and attitude

■ Buro Four

## our clients include..

Argent Centros Delancey Derwent GE Sellar

Centros' arc Shopping Centre, Bury St Edmunds wins the British Council for Shopping Centres' Gold Award





Needless to say it was great working work you and your team put into the job. It has resulted in a very successful scheme - Sellar



Derwent's Angel Building awards include:

- BCO National and Regional Awards 2011 (Refurbished and Recycled Workspace)
- RIBA Award (London Region)
- New London Architecture Workplace Award 2011

Angel Building, London NI

Shortlisted for the Stirling Prize



New instructions include:

- London School of Economics, WC2
- Grosvenor Square, W1
- Offices, SW1





contractors we have worked with include...

BAM

Blenheim House

ISG

Mace

Osborne

Sir Robert McAlpine

Walter Lilly

Wates



An excellent overall service which has exceeded expectations. Knowledgeable and good-humored team have turned a difficult process into a fruitful collaboration - AHMM



# Awards and Relationships

Veretec's focus and ethos to deliver robust and quality projects has contributed to both arc Shopping Centre, Bury St Edmunds and the Angel Building winning prestigious industry awards.

The testimonials shown here demonstrate the long-term relationships the team has developed with their clients.

# our current portfolio







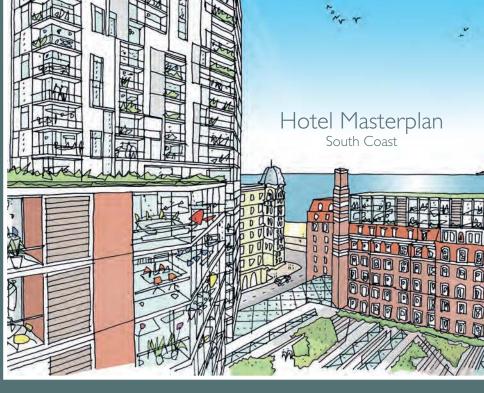


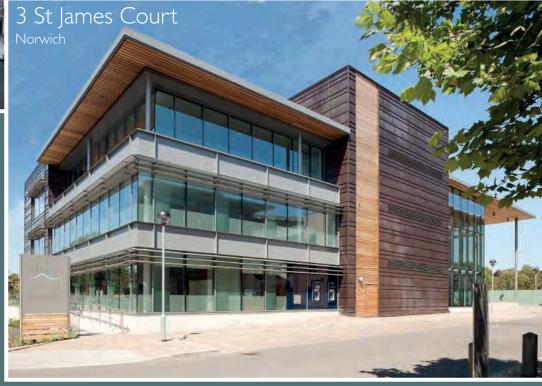










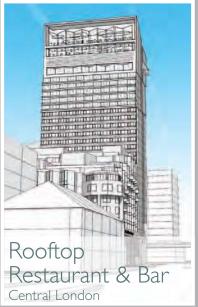






# our current portfolio



















# Progress on site at M&S flagship store Cheshire Oaks









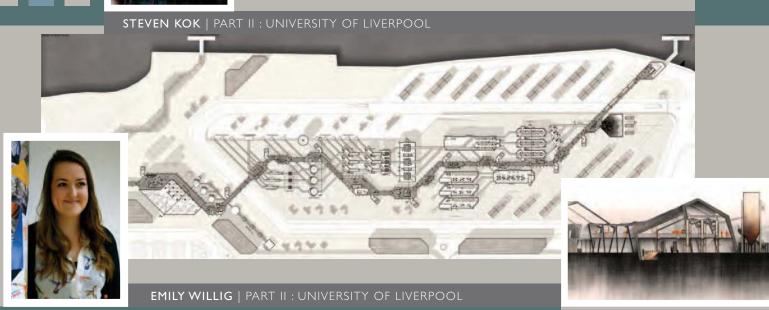


Our new sustainable flagship store for M&S at Cheshire Oaks started on site in Autumn 2010 and is due for completion in Summer 2012 Recruitment of talented university graduates has brought vibrancy, creativity and a range of new presentation skills into the studios, and they are a key part of our long term growth strategy.

# new inspirations...



**Zeitgest Archive, Berlin:** a project mapping the alteration of semantic values instilled within objects by their proprietors and their subsequent morphology over time. This project was winner of the recent RIBA SOM Travelling Fellowship Award 2011.





Exquisite Corpse: Emma's proposal for a new surrealist hotel in Weymouth where the decaying beauty characteristic of the English seaside is revitalised into a hallucinogenic landscape of ferris wheels, beach huts and Versailles-inspired grandeur:



Emily's thesis Rare Earth Recycling - Industry and Experience
tackles the growing problem of
electronic waste disposal and the
imminent shortage of rare earth
metals crucial to current and
future microtechnologies. Her
project raises awareness through
experience and imagines using
scientific research into how the
world's first Rare Earth Refinery
could look and function. It was
awarded the David Inman Award
for Research into Environmental
Technologies at Masters or
Doctorate Level and the Sheppard
Robson Award for Sustainability.

EMMA BROWN | PART II : UNIVERSITY OF WESTMINSTER



# The graduates studied at Leicester, Liverpool, Westminster and Glasgow and have a number of awards between them.

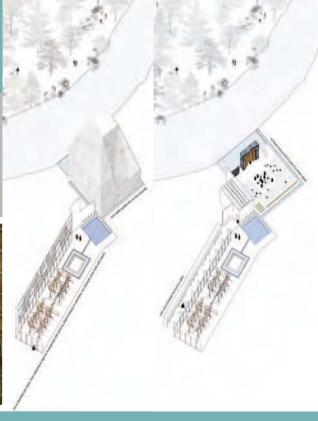
Mena has won several national and international design competitions and has been widely published, including a feature in Building Design and the London Architecture Biennale.

Her master's thesis, *The Madrasa-fi-Glasgow*, set out to create a building bound by the laws of the Islamic religion, which can not be broken. Placed in an established urban setting, the religious institution held the prospect of realising architecture within a city of an increasing multi-cultural, multi-ethnic community with diverse religions.



MENA KUBBA-FARRAR | PART II : GLASGOW SCHOOL OF ART



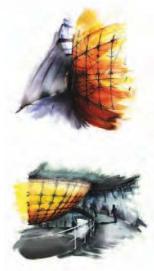


Being challenged by new recruits helps us continue to progress the quality of our design, as do those champagne moments when a pure new idea flows from a creative uncluttered mind.

## SIMON DAVIES | PART II : LEICESTER SCHOOL OF ARCHITECTURI

The Indisolvable Chapel (Edinburgh): situated at the top of an existing 18th century building, the project was inspired from research into the events of the reformation and explores the topics of freedom and identity. It has been widely published in both English and European architectural journals, was winner of the Malcolm Davis Award for Work of Outstanding Architectural Merit and appeared in a series of major architectural exhibitions.



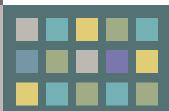




ROB SYMONDS | PART II : LEICESTER SCHOOL OF ARCHITECTURE

This project, A *Public Observatory and Space Research Centre* in Florence, was inspired by the form of a planispheric astrolabe. Rob's work has won the international *TECU Architecture Award* from KME, which is awarded tri-annually for outstanding built and conceptual projects using TECU copper products. A jury of international architects selected the project from 162 entries from 17 countries. His work has also been published in Architects' Journal and Building Design.







Tim Hodgson

FRICS Aged 62

Tim joined Aukett Fitzroy Robinson in 2008 as Chairman. Prior to his retirement in 2007 he was Group Chief Operating Officer and a director of DTZ Holdings plc, a major global property adviser. He is a Fellow of the Royal Institution of Chartered Surveyors and during his 30 year career at DTZ held a number of senior UK and group management positions, having previously spent 10 years working in the public sector.



Nicholas Thompson

BSc(Hons) MBA ACMA Aged 57

Nicholas has been the Aukett Fitzroy Robinson's CEO since 2005. He holds a Masters Degree in Business Administration from City University and currently sits on the Cass MBA Advisory Board. He is also a qualified accountant and has a degree from Bath University. During his career Nicholas led the finance team of Bernard Thorpe, a major UK surveying practice, to create what later became DTZ; and, followed this by leading the merger negotiations as Managing Director of Fitzroy Robinson to create Aukett Fitzroy Robinson.



Duncan Harper Group Finance Director & Company Secretary

BA(Hons) ACA Aged 39

Duncan joined Aukett Fitzroy Robinson in 2007. He qualified as a chartered accountant with PricewaterhouseCoopers in 1996 leaving in 2000 to join Avesco. He initially joined Avesco as their Group Financial Controller and was subsequently promoted and transferred to North America as the Chief Operating and Financial Officer of their largest division. He returned from North America in 2005 and then joined venture capital backed Connect Mortgages as their Finance Director. He has an economics degree from the University of Nottingham.



Anthony Simmonds

BA(Hons) FCA FCCA Aged 67

Anthony joined Aukett Fitzroy Robinson as a Non-Executive Director in 2009. He is a qualified chartered accountant and former senior partner of a top 50 accountancy practice. He has had many years' experience in dealing with quoted public companies on a professional basis including advising on initial introductions to the market. He has held a number of executive and non-executive positions.



John Vincent

DipArch RIBA Aged 65

John is a qualified architect who joined Fitzroy Robinson in 1980. He has been Managing Director of the group's UK operations since 2005 and was appointed to the board in November 2010. Within his many years of architectural experience, John has designed and delivered buildings in the City and West End of London and in Germany, Hungary, the Middle East and nationally in the UK. His most recent building won the 2010 British Council of Offices Regional Award for Best Refurbished Workspace in London and the South East and gained an environmental BREEAM excellent rating. John's first BREEAM excellent rating was secured in 1996 for the headquarters of Barclaycard.

Board committees

- \* Members of the audit committee chaired by Anthony Simmonds + Members of the remuneration committee chaired by Tim Hodgson
- # Members of the nomination committee chaired by Tim Hodgson

n my last report I stated that in times of uncertainty there is a flight to quality. In many respects our experience and performance this year reflects that sentiment. Our order book across the group is populated by clients and their projects covering the upper echelons of the commercial development and investment market place, and is testament to the inherent value of our people and the service that is provided.

Our drive to maintain our quality of service, in the limited market place in which we now find ourselves, is reflected in our results - which are very much a tale of two halves.

As we have previously explained, we felt it important to maintain the levels of core competencies and capacity, insofar as we were able, in order to win projects from the limited number of available opportunities in various property markets. The resultant mismatch led to a loss before tax from continuing operations in the first half of £761,000 (2010: Loss of £306,000).

However, we were pleased to report a significant strengthening of our order book as we gained market share and, as a result, the second half was characterised by continuing instructions from these project wins and resulted in a turnaround in our fortunes with a pre-tax profit, before exceptional item, from continuing operations of £367,000 (2010: Loss of £481,000).

Our revenue rose from last year's £7,556,000 by 20% to £9,075,000 this year. At the same time our cash inflows improved with year end net funds rising to £318,000 (2010: £139,000) thereby maintaining the sound financial base established last year.

I have referred in previous statements to the importance of four key qualities of Aukett Fitzroy Robinson: a quality brand, a skilled and committed workforce, a sound financial base and a consequent strong order book. Each of these ingredients is firmly in place. Our historic focus on the private development sector has limited our exposure to the downturn in government sponsored projects and although the cost reduction process has been painful we believe the company has a sustainable base from which it can look to expand.

Whilst we do not see any general improvement in the trading environment in our key markets of the United Kingdom, Continental Europe and Russia until at least 2014, some two years later than previously anticipated, we do remain confident in our ability to maintain the level of performance recently achieved.

## Tim Hodgson

Chairman

11 January 2012

## london



Andrew Murdoch

Director



Colin Hobart

Director:
Hotels & Leisure



Peter Eaton

Director



Anne Kuzyk

Director:
Interiors



Keith Morgan

Director:

Veretec



Stephen Atkinson

Director



Bruce Blackhall

Director:

Veretec



Luke Schuberth

London Studio

Director



Suzette Vela
Burkett
London Studio
Director

## moscow



Managing Director: Europe

Mikhail Mandrigin



Max Koutchinski
Director



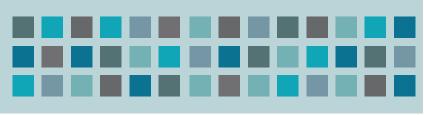
Tom Nugent
Director

## abu dhabi



Managing Director: Middle East

Stephen Embley



The practice has drawn together a remarkable team of directors to lead our teams internationally.

Their considerable experience and enthusiasm over a wide range of projects and with global clients has brought us much success and recognition.





Jana Lehotska
Director



Tomáš Vorel

Director

## berlin



Andrew
Henning Jones
Director



Marcus Dietzsch
Director

## Five year summary

Years ending 30 September Continuing operations	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Revenue	9,075	7,556	14,492	22,101	19,221
(Loss) / profit before tax and exceptional item	(394)	(787)	(1,797)	2,473	2,440
(Loss) / profit after tax and exceptional item	(955)	(577)	(1,338)	1,786	1,641
Basic (losses) / earnings per share (pence)	(0.65)	(0.40)	(0.92)	1.23	1.13
Dividends per share (pence)	-	-	0.11	0.10	0.20
Net assets	2,689	3,804	4,389	5,913	4,241
Net funds / (debt)	318	139	(1,393)	410	1,694

## Corporate information

Company	secretary
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Duncan Harper cosec@aukettfitzroyrobinson.com

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Website

www. aukett fitz royrobins on. com

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Equiniti

www.equiniti.com 0121 415 7047 Nominated adviser and broker

FinnCap

www.finncap.com

## Auditors

BDO LLP

www.bdo.co.uk

## **Bankers**

Coutts & Co

www.coutts.com

## Financial public relations

Hermes Financial Public Relations

www.hermesfinancialpr.co.uk

## Trade public relations

M&N Communications

www.mncommunications.co.uk

## Solicitors

Laytons

www.laytons.com

## Directors' report - Chief Executive Officer's report

#### Overview

Against a background of a continuing decline in construction activity in the markets in which we operate, it is pleasing to be able to report that we have returned to underlying profitability in the second half of the year as anticipated at the interim report stage and in our recent trading update.

We achieved a second half pre-tax profit of £367,000 from continuing operations before the exceptional item (2010: Loss of £481,000) which reduced the year end loss from continuing operations before tax and exceptional item to £394,000 (2010: Loss of £787,000) an improvement of 50% over the prior year result.

This improving performance has been under-pinned by the conversion into planning applications of a number of high profile projects that were won in 2010 and in early 2011, initially by the Russian operation and latterly by the United Kingdom. Conversion of projects from the feasibility stage, where the revenue flow is quite small, to the planning stage is an essential ingredient in our business model as it provides not only for continuity in our current workload but tangentially creates a better and more positive environment for projects on hold to be re-considered as development prospects.

During the period we considerably reduced our exposure to the Middle East to a base cost in part as a result of the Arab Spring but more as a result of the reduction in state funding of projects in the United Arab Emirates.

Our focus in the regional city market of Russia with an emphasis on new hotel development, and on the London commercial refurbishment market in the United Kingdom, has proven to be a beneficial decision as our revenues have risen during the year.

Our order book remains above £82m (2010: £85m) as some schemes are now converting to instructed projects. Of the forty-two schemes identified, fifteen are expected to generate revenue in 2012 and a further seven are at their feasibility stage, providing an element of certainty in our near term revenue visibility. Whilst a large number of projects remain on hold this does provide some robustness to our forward projections.

## Summary of results

Revenues increased to £9,075,000 (2010: £7,556,000) due to a larger proportion of general designer commissions which require us to engage other consultants on the project team and record their fees within revenue. After adjusting for this sub consultant cost, group net revenues were marginally down at £6,307,000 (2010: £6,544,000).

In addition to the pre-tax and pre-exceptional loss of £394,000 our discontinued Polish office lost £215,000 (including closure costs) and we recognised an exceptional item of £835,000 relating to the provision against the probable non-recovery of a debt secured by charges over the properties to which it related as their sale did not realise enough to cover the prior mortgage charge.

In light of this we performed strongly in generating cash from our operations and ended the year with net funds of £318,000 (2010: £139,000) which represents a major turnaround during the second half from the net debt of £409,000 reported at the interim stage. Cash balances around the group at the year end amounted to £912,000 (2010: £946,000).

## Review of operations

Generally the markets in which we operate have all contracted during the current period such that new commissions arise from us increasing our market share rather than from increased market activity. Our stance on previously retaining an excess of core staff skill in both architecture and interior design has been borne out by the level of our order pipeline and conversion of that pipeline into real commissions. A key element in client decision-making when appointing a consultant is that consultant's ability to provide a full service to the project requirements, and in situ staff resources, which are critical to this decision.

United Kingdom revenues declined to £5,027,000 (2010: £5,746,000) as much of the new work came in the second half resulting in a loss of £351,000 (2010: Profit of £695,000). However, the second half returned a profit, before exceptional item, of £216,000 (2010: £78,000) on revenues of £2,686,000 (2010: £2,996,000) highlighting the return to profitability at these lower levels of activity as work loads returns.

In the face of a declining regional commercial property development market in the United Kingdom both offices outside London were closed and the business consolidated into a single studio in London. This has proven to have been a successful strategy as new projects have been commissioned by PruPim, Scottish Widows, Great Portland Estates, Orchard Street Investments, The Mercers' Company and the Grosvenor Estate in the City and West End. We won a limited competition for a new £70m School of Public Health for Imperial College and are working in conjunction with other architects to submit a planning application to Hammersmith and Fulham Council on the Imperial Woodlands campus for a total of I million sq ft of commercial and residential development. Our Interior Design team continued on fit-out projects for GE: on the Ark in Hammersmith and in their Stockholm, Frankfurt and Moscow offices. Our hotel team has a long term commission to refurbish the London Metropole Hilton hotel on the Edgware Road which is one of Europe's largest hotels. More recently we have been commissioned on a new retail department store development of 130,000 sq ft and a hotel-led scheme of almost 1m sq ft – both outside of London.

The Middle East has been separated out from the UK operation (where the London office previously provided design and drawing services). The costs of operation, resulting in the losses generated in prior years, have been reduced to a base running cost of £224,000 in anticipation of a return of pre-recession activity levels last seen in 2008/09.

In Russia we successfully bid on a number of projects in 2010 and progressed with the planning application and building regulation stages in the second quarter of the financial year. This has significantly lifted revenues to £3,582,000 including sub consultant costs (2010: £430,000). Here too the operation was only able to capitalise on this new work as a result of the previous decision to retain our core skills in the office. As a result, a pre-tax profit of £192,000 (2010: Loss of £830,000) was achieved in the year.

The re-emergence of project work in Russia has been in regions of Krasnodar, Kazan and Krasnoyarsk. Our largest scheme is a 3,600 bed development to be operated by Radisson under their Park Inn brand in Sochi for the 2014 Winter Olympics. We have carried out a feasibility study for Gazprom on the Black Sea coast and building regulations work for London & Regional in Kazan, whilst our scheme in Krasnoyarsk has progressed through planning and into working drawings and should be on site in 2012. We see the regional hotel market being strong for the next few years as international branded operators continue to establish themselves in the local markets.

We have previously reported on the difficulties facing our two continental European offices in Prague and Warsaw. A decision was taken to close the Warsaw office following a long period with little project activity and revenues and certainly insufficient to support a team of architects. The £215,000 loss from discontinued operations includes both the losses incurred prior to closure and the closure costs.

The Prague office has been successful in winning new commissions in areas outside of its core sector skills and still has two large commissions in its order pipeline. The fifty percent decline in revenues to  $\pounds 458,000$  (2010:  $\pounds 938,000$ ) confirms the reduced market opportunities and in that respect the containment of the losses to  $\pounds 26,000$  (2010: loss of  $\pounds 3,000$ ) is considered a fair performance. The Prague office has a wide range of international clients including: Google, Exxon Mobil, Schenker, Microsoft, First Data, and RoBiN Oil.

Finally our two part owned operations in Germany have enjoyed a far more buoyant level of market activity than in the rest of Europe, and our share of the post tax results of the Berlin and Frankfurt operations has increased to £112,000 (2010: £94,000).

## People

In order to retain our core skills we have had to ask some of our staff to waive their entitlement to their full remuneration. We have been able to return some of the staff to full remuneration levels during the year but for some, however, this represents a third year of restraint. We extend our considerable thanks to those staff who have endured another year of hardship. We are aware that this stricture is a significant burden on both the individuals and their families, and will endeavour to return to full contractual entitlement as soon as it is possible to do so.

Our non-executive chairman, Tim Hodgson, has indicated his wish to retire from the board at the next annual general meeting in March 2012. Tim joined the board in 2008 and brought with him a wealth of commercial property experience from a major consulting practice. His tenure has presided over a period of unprecedented economic turbulence, and our continued viability and underlying strength has been due, in part, to his ability to provide a sound evaluation of strategic imperatives when it was needed most.

I am also delighted to announce that Anthony Simmonds, who joined the board as a non-executive director in 2009 has agreed to take over the chairmanship at the annual general meeting. His wide strategic outlook, with experience covering a range of business types and services, will greatly enhance our ability to emerge and then grow from our current base.

#### Corporate strategy

We have committed ourselves to the London and Russian markets both of which have yielded a number of new commissions.

We foresee that the London market will fare better than its regional counterparts in the UK over the next few years. There will be pressure on the amount of new space coming onto the market as potential tenants become less visible. This market phenomenon should lead to the refurbishment of more of the existing stock (rather than re-development to entirely new buildings) which is a particular skill set that the London team has.

The Russian market will be impacted by political leadership issues and a drive to improve the regional capitals. This is likely to provide more commissions in the Russian regions and former CIS countries (than Moscow in the short term) which favours a large, locally based practice — we have 35 staff in Moscow. Projects in the capital will re-commence once there is a clear decision on political leadership such that development can resume.

Our commitment to the Middle East has been tempered by the fallout from the Arab Spring, the lack of direct and timely funding for many commercial schemes in the United Arab Emirates and the potential instability that may ensue from any changes to regimes in the region. We shall review our operational viability on a regular basis during which time we are holding our base cost position.

We continue to be open to the possibility of an acquisition of or merger with other practices. However, the lack of market liquidity and service sector debt coupled with the plight of many competitors due to reduced work both in the public and private sectors leads us to retain our status quo position for the time-being. With many firms fragmenting in these difficult times any M&A activity is likely to be opportunity driven.

We are continuing to seek opportunities in new international markets. As part of this ambition we have moved our expansion platform from one of direct or full ownership to one that is more flexible, expansive and capable of early entry without the direct investment that is typical of previous ventures. On this basis we are currently exploring the option of partnering practices in South America through a licensing structure which provides for a low cost entry whilst maximising our brand development.

## Summary

Our recent performance supports the more restricted strategy that we have adopted to accommodate industry contraction. Whilst the management of costs and associated cash flows will continue to be central to our operational procedures, our wider remit will be to re-grow the practice through gains in market share thus building on the profitable recovery seen in our recent performance.

Nicholas Thompson Chief Executive Officer

11 January 2012

## Directors' report - Group Finance Director's report

### Introduction

Property has been one of the sectors most significantly affected by current global economic difficulties over recent years, and the contraction in the private sector commercial property markets throughout the geographic areas in which the group operates has resulted in group revenues falling sharply since the peak achieved by the group in 2008.

However as shown in the table below, the group was able to return to profitability (before exceptional item) in the second half of the year principally as a result of securing new commissions in its key Russian and United Kingdom markets. As the group focuses primarily on private sector commercial projects it has not been directly affected by the impact of the United Kingdom government's Comprehensive Spending Review.

Summary income statement Continuing operations (excluding exceptional item)	First Half £'000	Second Half £'000	Total £'000
Revenue	3,007	6,068	9,075
Sub consultant costs	(295)	(2,473)	(2,768)
Revenue less sub consultant costs	2,712	3,595	6,307
Operating costs	(3,552)	(3,261)	(6,813)
Share of associate & joint venture	79	33	112
Result before tax from continuing operations excluding exceptional item	(761)	367	(394)

In Russia the group secured a number of new commissions, mostly in the regional hotel market, and undertook a significant amount of feasibility, planning and building regulation work.

In the United Kingdom most of the new commissions related to planning permission work on London projects. As well as generating current revenues, planning permission work also increases our pipeline of potential future revenue from the remainder of the project stages.

In September 2011 the group discontinued its Polish operation, and in accordance with International Financial Reporting Standards, the revenue and costs from this operation have been included towards the bottom of the income statement as a net figure, and the group's prior year figures re-presented accordingly.

#### Revenue less sub consultant costs

Key performance indicator	2011	2010	20009
	£'000	£'000	£'000
Revenue less sub consultant costs	6,307	6,544	10,745

Revenue less sub consultant costs from continuing operations as shown in the income statement.

For projects located within the United Kingdom the group usually provides only its core architectural and / or interior design services, whereas for projects located outside the United Kingdom the group usually acts as general designer and utilises sub consultants to provide additional design services such as structural and mechanical engineering.

A key performance indicator used within the group is revenue less sub consultant costs which reflects the revenue generated by our own staff but excludes the revenue attributable to sub consultants.

Whilst the group's overall level of revenue less sub consultant costs fell only 4% from 2010 to 2011, there were substantial variations between the performance of each of the group's segments. These are more fully described in the Chief Executive Officer's report but in summary:

- · Our Russian operation returned to its pre recession activity and staffing levels, with revenues increasing significantly.
- Activity levels in our United Kingdom operation decreased reflecting the local property market, but as described above, increased again towards the end of the year following new commissions.
- We were unable to secure any significant new commissions in the Middle East as developers reacted with caution to political and economic events in the region.

## Operating costs

Key performance indicator	2011	2010	2009
	£'000	£'000	£'000
Operating costs	6,813	7,425	12,633

Operating costs comprise personnel relates costs, office related costs and other operating expenses net of other operating income and net finance income and excluding exception item from continuing operations as shown in the income statement.

The business planning processes regularly undertaken by the group include assessing the level of resources (and hence costs) expected to be necessary to perform the forecast workload, and flexible ways are sought to adjust the cost base of the group accordingly.

However people based professional services businesses inherently have a relatively high level of operational gearing through staffing and property costs, which make it difficult to reduce costs quickly enough to avoid losses when faced with sharp falls in revenue.

The significant reduction in operating costs we have achieved over the past three years has primarily been the result of:

- Reducing the number of temporary staff who were used to cope with the previous high levels of activity prior to the economic recession;
- Some permanent members of staff at all grade levels leaving the business;
- Temporary pay reductions, benefit waivers and reduced working hours agreed by members of staff; and
- Cutting back discretionary spending and support functions.

Further cuts in operating costs will be difficult to achieve without adversely affecting the geographical spread of the business, and its service capability on which the group depends to win new projects.

## Project working capital

Key performance indicators	2011 £'000	2010 £'000	2009 £'000
Net trade receivables	1,849	1,968	7,040
Amounts due from customers for contract work	967	1,043	1,660
Amounts received from customers for contract work	(970)	(383)	(2,465)
Project working capital	1,846	2,628	6,235

Project working capital balances are as shown in notes 19 and 20 to the financial statements.

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

The project payment arrangements under which the group operates vary significantly by geographical location:

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

The group closely monitors levels of trade receivables and work in progress, and as explained in note 2 to the financial statements, has specific policies and procedures in place to seek to minimise the risks of non recovery.

The most significant change during the past year has been the increase in amounts received from customers (where revenue recognised was less than progress billings). This was the result of a high proportion of active United Kingdom projects being in their planning stage.

As disclosed in note 4 to the financial statements, the group has provided against fees owed in relation to the former project at 90-95 / 100 Piccadilly in Central London. The impact of this provision on the overall level of net trade receivables was offset by the impact of growth in the business during the second half of the year.

The ageing of the group's trade receivables, which has improved significantly during the year, is shown in note 32 to the financial statements.

## **Employee costs**

Key performance indicator	2011	2010	2009
	£	£	£
Average cost per employee	35,294	32,781	40,759

Average cost per employee is calculated as the total cost of employment divided by the average number of employees (both as shown in note 8 to the financial statements).

The cost per employee key performance indicator above includes only the payroll costs of employees. The personnel related costs shown on the face of the income statement also includes the cost of temporary agency staff together with other staff related costs such as employee benefits.

The average cost per employee fell sharply by 20% from 2009 to 2010 reflecting the temporary pay reductions, benefit waivers and reduced working hours agreed by staff, lower redundancy costs, and the departure of some senior staff.

The average cost per employee rose from 2010 to 2011 as all staff returned to full working hours and the temporary pay reductions were not as great as during the previous year.

## Capital structure

Key performance indicators	2011 £'000	2010 £'000	2009 £'000
Net funds / (debt)	318	139	(1,393)
Total equity	2,689	3,804	4,389
Net gearing	Nil	Nil	32%

Net funds / (debt) are as shown in note 29 to the financial statements. Total equity is as shown in the statement of financial position. Gearing is calculated as net funds / (debt) divided by total equity.

The group's debt comprises a ten year amortising bank loan, asset finance arrangements and bank overdraft facility.

Capital comprises the equity attributable to equity holders of the company as shown in the statement of financial position.

In keeping the capital structure of the group under review, the directors seek to balance the need to ensure adequate flexibility and liquidity, the finite need for cash reserves, the nature of the business, and its relatively low level of physical assets, meaning the group is not suitable for high levels of gearing.

The company has suspended payment of dividends to conserve cash during the current difficult economic circumstances. The last dividend payment was in March 2009 which was a final dividend for the year ended 30 September 2008.

The intention of the directors is to return to pursuing a policy of regular progressive dividend distributions, taking into account the profits of the group and the capital structure policy outlined above, once economic circumstances allow.

There were no changes in the objectives, policies or processes for managing capital during the year.

## **Taxation**

The group's effective rate of tax was 22% (2010: 27%). The effective tax rate has been adversely affected by the reduction in the corporation tax rates in the United Kingdom, which has reduced the value of the group's carried forward tax losses.

The group expects to continue to pay taxes in Russia in the forthcoming year, but as shown in note 24 to the financial statements, the group has significant carried forward tax losses to offset against future United Kingdom profits.

The group has a policy of remitting overseas earnings, in excess of the working capital needs of its overseas operations, to the United Kingdom, and provides for withholding tax which will be suffered when these earnings are remitted.

The Middle East business operates as a branch of a United Kingdom legal entity and as such is fully subject to United Kingdom taxation even though the Emirate of Abu Dhabi, where the branch is based, does not levy taxes on corporate profits.

## Cash flows

The group's consolidated statement of cash flows is shown on page 35.

At £912,000 the group's year end cash position was similar to the £946,000 position at the start of year.

The pre-exceptional losses incurred during the year were funded through improvements in the group's working capital position as explained above. As a provision against the expected non recovery of receivables, the exceptional item was a non cash cost.

The group continued to make its scheduled bank loan and asset finance repayments which led to a cash outflow from financing activities of £213,000. The asset finance will be fully repaid by March 2012 and the bank loan repayments are £150,000 per year until the loan is fully repaid in 2015.

The group incurred £51,000 of capital expenditure during the year, principally on computer hardware and software.

## Foreign currencies

The group's operations generally contract with clients in the functional currency of the operation, reducing foreign currency exposure.

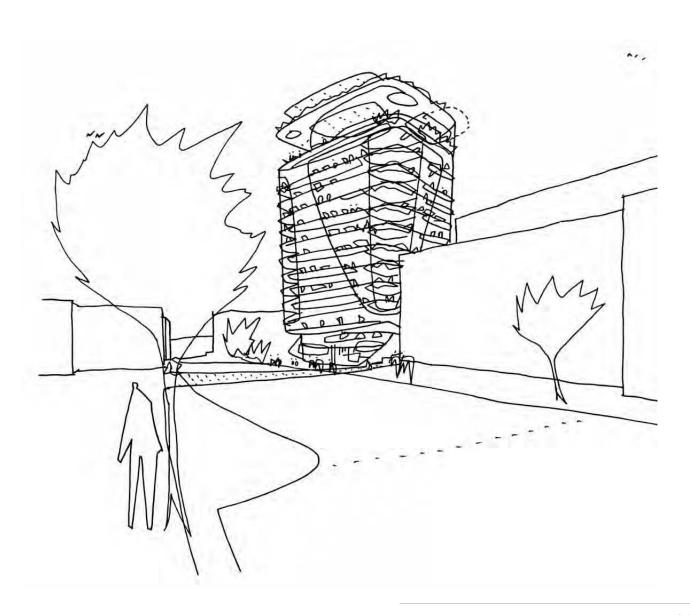
Where contracts are denominated in other currencies the group usually seeks to minimise net foreign currency exposure from recognised project related assets and liabilities by using foreign currency denominated overdrafts.

The group does not hedge forward revenues from contracts denominated in other currencies due to the rights of clients to suspend or cancel projects.

## Duncan Harper

Group Finance Director

II January 2012



## Directors' report - other information

### Principal activities

The group provides integrated professional design services specialising in architecture, masterplanning, landscape and urban design, space planning and interior design.

#### Results and dividends

The results of the group for the year are set out in the consolidated income statement on page 31.A review of the group's business activities during the year and the expected future developments are contained within the Chief Executive Officer's report and the Group Finance Director's report sections of the directors' report.

The directors are not proposing the payment of any dividends in respect of the year ended 30 September 2011.

#### **Business review**

The business review comprises:

- The review of the group's operations contained within the Chief Executive Officer's report and the Group Finance Director's report sections of the directors' report;
- The analysis using key financial performance indicators contained within the Group Finance Director's report section of the directors' report; and
- The description of the principal risks and uncertainties facing the group shown below.

Additional information concerning the risks relating to financial instruments is given in notes 30 to 34 to the financial statements.

## Principal risks and uncertainties

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

#### Levels of property development activity

The deterioration in the global economic environment is having a significant impact on the level of property development activity in the United Kingdom from where the group has historically derived the majority of its revenues.

Due to difficulties in obtaining debt funding and concerns about future demand for property, both property developers and owner occupiers are exercising caution in proceeding with developments. This is resulting in delays to existing projects and deferral of new projects.

A reduction in property development activities poses a risk to both the group's revenue and its profits, since like any people based business it has costs which are fixed in the short and / or medium term.

The group's strategy to address these risks is to:

- Continue to focus on those developments being planned and undertaken by larger and more established developers and owner
  occupiers who have the financial strength through equity funding to complete the projects; and
- Continue to focus on matching staff resources to fee paying projects and varying headcount and other costs where necessary.

In addressing the current downturn in activity levels the directors seek to balance the need to maximise financial stability whilst ensuring the group is positioned to benefit from any future upturn and return to growth in the United Kingdom property market.

The economic environment also affects the risks related to recovery of trade receivables, the carrying value of goodwill balances and the recovery of deferred tax assets as explained in note 2 to the financial statements.

## Contract pricing

As well as the impact on the levels of property development, the current economic environment also generates pricing pressure through increased competition for projects between architectural practices. The economic situation of clients also creates pressure for the provision of non-fee paying work in the early stages of the project life cycle.

All fee proposals to clients are prepared by the 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 United Kingdom 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.

## Overseas diversification

The group continues to derive a proportion of its revenues from projects located outside the United Kingdom, which in turn exposes the group to the economic environments of those locations.

Building regulations, working practices and contractual arrangements often differ in these overseas locations when compared to the United Kingdom which may significantly increase the risks to the group. To mitigate these risks:

- The group's Continental Europe and Russian operations are managed and staffed locally by nationals of the relevant countries with oversight from group management;
- The group seeks to work for the larger and more established domestic property developers who themselves often have significant international experience;
- When acting as general designer for projects located outside the United Kingdom the group always seeks to appoint sub consultants with an established and successful track record on similar projects; and
- Within the boundaries imposed by local laws and commercial constraints, the group seeks to structure contractual arrangements with clients and sub consultants to minimise the significant contractual risks which can arise.

#### Funding

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

The directors seek to ensure that the group retains appropriate headroom within its funding arrangements and regularly monitors expected future headroom through the group's annual budgeting and quarterly forecasting processes.

The group's principal bankers have been supportive during the economic downturn and again in December 2011 renewed its facilities for a further year. Further details of the group's liquidity are given in note 34 to the financial statements.

#### Quality of technical delivery

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

The group seeks to minimise these risks by operating our quality assurance systems which have many facets. These systems include identified individuals whose roles include focusing on maintaining quality assurance standards and spreading best practice.

The group's principal operations are 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 United Kingdom and 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.

### 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. We believe that design and construction should promote sustainable development (ie development which meets the needs of the present without compromising the ability of future generations to meet their own needs).

We believe ourselves to be at the forefront of sustainability amongst our peers which is demonstrated by our track record in achieving 41 'Excellent' or 'Very Good' BREEAM (Building Research Establishment Environmental Assessment Method) ratings awarded to buildings designed by the group. We have also achieved a Ska 'Silver' environmental assessment rating for a recent office fit-out and have LEED (Leadership in Energy and Environmental Design) capabilities and expertise.

## Payment of suppliers

The group does not follow any specified code or standard on payment practice. However, it does endeavour to ensure that all payments are made within mutually agreed credit terms. In cases where disputes arise, efforts are made to resolve these promptly and amicably to minimise delays in payment.

At 30 September 2011 the company had no trade payables. The company's outstanding trade payables at 30 September 2010 represented 6 days purchases.

## **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 structured management meetings, staff presentations and an intranet site.

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

It is the policy of the group to encourage and facilitate the continuing professional development of our employees to ensure that they are equipped to undertake the tasks for which they are employed, and to provide the opportunity for career development equally and

without discrimination. Training and development is provided and is available to all levels and categories of staff.

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

#### Health and safety

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

The group has established a health and safety steering committee chaired by one of the directors to guide the group's health and safety policies and activities. Health and safety is included on the agenda of each board meeting.

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

#### Directors and their interests

Biographical details of the current directors are set out on page 14.

Raul Curiel and Lutz Heese retired on 15 November 2010. John Vincent was appointed on 15 November 2010.

A resolution to re-elect Nicholas Thompson as a director of the company will be proposed at the annual general meeting.

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

Number of ordinary shares	30 September 2011	l October 2010
Tim Hodgson	-	-
Nicholas Thompson	16,102,411	16,102,411
Duncan Harper	181,818	181,818
Anthony Simmonds	-	-
John Vincent	5,791,394	5,791,394

Anthony Simmonds became the beneficial owner of 300,000 ordinary shares on 17 October 2011.

Duncan Harper was granted the following options in respect of ordinary shares on 11 April 2011:

Exercisable between	Exercise Price	At I October 2010	Granted	Exercised	At 30 September 2011
12/04/2013 – 11/04/2017	5.00p	-	500,000	-	500,000

The company maintains directors and officers liability insurance for the benefit of the directors.

#### Executive directors

The company's policy is to offer service agreements to executive directors with notice periods of not more than twelve months. All executive directors have rolling service contracts with the company which are subject to twelve months notice of termination by either party.

The remuneration packages of executive directors comprises basic salary, car allowance, contributions to defined contribution pension arrangements, annual bonus and benefits in kind such as medical expenses insurance.

## Non-executive directors

The non-executive directors do not have service contracts with the company, but the appointment of each is recorded in writing. Their remuneration is determined by the board. Non-executive directors do not receive any benefits in kind and are not eligible for bonuses or participation in either the share option schemes or pension arrangements. The only exception to this was Raul Curiel who retained his medical expenses insurance from his time as an executive director.

## Remuneration waivers

Reflecting the difficult economic circumstances faced by the business the directors have voluntarily waived remuneration as set out in note 10 to the financial statements.

## Share price

The mid market closing price of the shares of the company at 30 September 2011 was 2.70 pence and the range of mid market closing prices of the shares during the year was between 1.50 pence and 3.75 pence.

### Share capital

There have been no movements in the share capital of the company during the year.

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 £728,093 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  $\pounds$ 145,619 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 next annual general meeting of the company when it is intended that the directors will again seek their renewal.

#### Substantial shareholdings

At 11 January 2012 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	16,102,411	11.1%
Andrew Murdoch	Employee of the group	13,478,486	9.3%
Jeremy Blake	Former employee of the group	13,030,638	8.9%
Stephen Atkinson	Employee of the group	11,477,712	7.9%
lmagina Management SL	Controlled by a former director of the company	9,515,192	6.5%
Raul Curiel	Former director of the company	9,240,018	6.3%
River & Mercantile Long Term Recovery Fund		7.900.000	5.4%
John Vincent	Director of the company	5,791,394	4.0%

## 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.

## Corporate governance

The board is accountable to the shareholders for good corporate governance of the group. The principles of corporate governance and a code of best practice are set out in the United Kingdom Corporate Governance Code issued in June 2010 by the Financial Reporting Council. Although under the rules of the Alternative Investment Market, the company is not required to comply in full with the code nor state any areas in which it does not comply, the board has taken steps to comply with the requirements of the code in so far as is reasonably practicable for a company of this size. In doing this the board has considered the Corporate Governance Guidelines for Smaller Quoted Companies published in September 2010 by the Quoted Companies Alliance.

### Board of directors

The company is headed by a board of directors which leads and controls the group. The board currently comprises three executive directors and two non-executive directors who bring a wide range of experience and skills to the company. As chairman, Tim Hodgson is the senior non-executive director:

The board considers both Tim Hodgson and Anthony Simmonds 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 audit committee comprises the two non-executive directors and is chaired by Anthony Simmonds. It meets at least twice a year with the external auditor, with the Group Finance Director and the Chief Executive Officer attending by invitation. If appropriate, the external auditor attends part of each committee meeting without the presence of the Group Finance Director or the Chief Executive Officer:

The chairman of the audit committee reports to the board on matters discussed at the committee meetings. A formal statement of independence is received from the external auditor each year.

#### Remuneration committee

The remuneration committee comprises the two non-executive directors and is chaired by Tim Hodgson. No director plays a part in any discussion about their own remuneration.

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

## Nomination committee

The nomination committee comprises the two non-executive directors and the Chief Executive Officer. It is chaired by Tim Hodgson and is responsible for nominating new candidates for the Board. Formal selection criteria are agreed in advance of any new appointment.

#### Internal controls

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

By order of the board

## Duncan Harper

Company Secretary Aukett Fitzroy Robinson Group Plc Registered number 2155571

11 January 2012

## Statement of directors' responsibilities

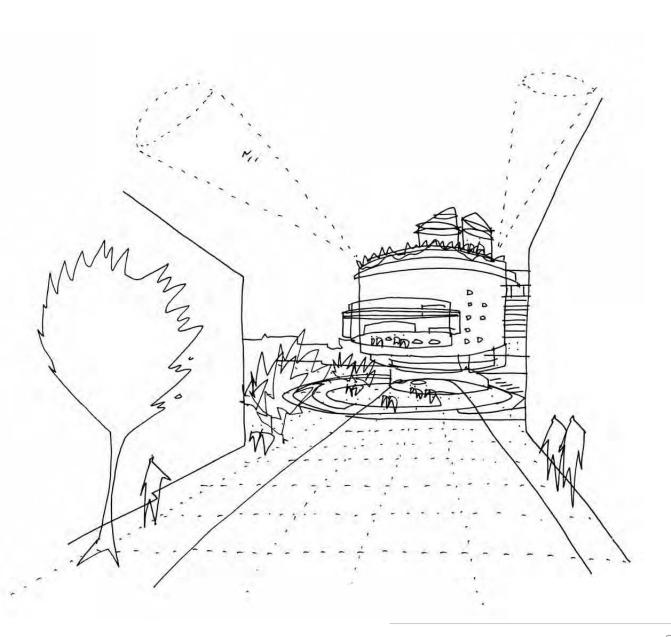
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, 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.



## Independent auditor's report to the members of Aukett Fitzroy Robinson Group Plc

We have audited the financial statements of Aukett Fitzroy Robinson Group Plc for the year ended 30 September 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of directors and auditors

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

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.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

#### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

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

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

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

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

## Nicholas Carter-Pegg (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor London United Kingdom

11 January 2012

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

The maintenance and integrity of the Aukett Fitzroy Robinson Group Plc website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially signed in hard copy.

## Consolidated income statement

For the year ended 30 September 2011

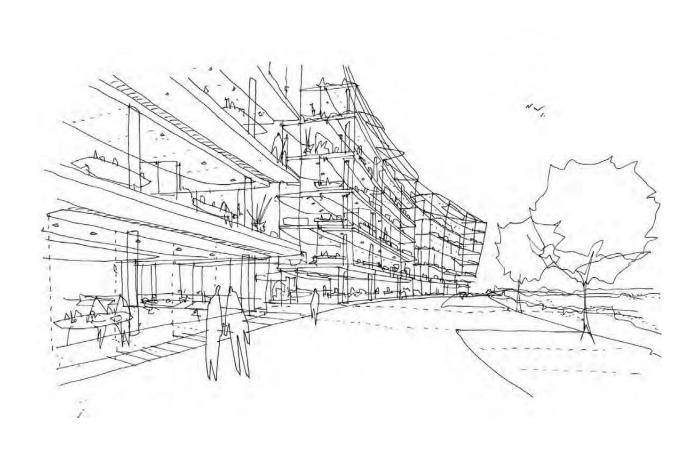
	Note	Excluding exceptional item £'000	Exceptional item (note 4) £'000	2011 £'000	2010 (as restated) £'000
Revenue	3	9,075	-	9,075	7,556
Sub consultant costs		(2,768)	-	(2,768)	(1,012)
Revenue less sub consultant costs		6,307	-	6,307	6,544
Personnel related costs		(4,711)	-	(4,711)	(5,211)
Office related costs		(1,204)	-	(1,204)	(1,091)
Other operating expenses		(934)	(835)	(1,769)	(1,256)
Other operating income		60	-	60	78
Operating loss		(482)	(835)	(1,317)	(936)
Finance income	5	6	-	6	106
Finance costs	6	(30)	-	(30)	(51)
Loss after finance costs		(506)	(835)	(1,341)	(881)
Share of results of associate and joint venture		112	-	112	94
Loss before tax		(394)	(835)	(1,229)	(787)
Tax credit	11			274	210
Result from continuing operations				(955)	(577)
Result from discontinued operation	12			(215)	(2)
Loss for the year attributable to equity holders of the company				(1,170)	(579)
Basic and diluted losses per share					
From continuing operations				(0.65)p	(0.40)p
From discontinued operation				(0.15)p	(0.0)p
Total losses per share	13			(0.80)p	(0.40)p

The prior year comparatives have been restated to reflect the discontinuance of the Polish operation as explained in note 12.

## Consolidated statement of comprehensive income

For the year ended 30 September 2011

	2011 £'000	2010 £'000
Loss for the year	(1,170)	(579)
Other comprehensive income:		
Currency translation differences	(2)	(6)
Currency translation differences recycled on discontinued operation	54	-
Other comprehensive income for the year	52	(6)
Total comprehensive income for the year		
attributable to equity holders of the company	(1,118)	(585)



## Consolidated statement of financial position

At 30 September 2011

	Note	2011 £'000	2010 £'000
Non current assets			
Goodwill	14	1,596	1,596
Property, plant and equipment	15	311	375
Investment in associate	17	118	152
Investment in joint venture	18	20	=
Deferred tax	24	711	329
Total non current assets		2,756	2,452
Current assets			
Trade and other receivables	19	3,271	3,955
Current tax		26	109
Cash and cash equivalents		912	946
Total current assets		4,209	5,010
Total assets		6,965	7,462
Current liabilities			
Trade and other payables	20	(3,485)	(2,561)
Short term borrowings	21	(181)	(213)
Provisions	25	(165)	(220)
Total current liabilities		(3,831)	(2,994)
Non current liabilities			
Investment in joint venture	18	-	(19)
Long term borrowings	21	(413)	(594)
Deferred tax	24	(32)	(51)
Total non current liabilities		(445)	(664)
Total liabilities		(4,276)	(3,658)
Net assets		2,689	3,804
Capital and reserves			
Share capital	26	1,456	1,456
Foreign currency translation reserve		229	177
Retained earnings		(1,438)	(271)
Other distributable reserve		2,442	2,442
Total equity attributable to equity holders of the company		2,689	3,804

The financial statements on pages 31 to 63 were approved and authorised for issue by the board of directors on 11 January 2012 and were signed on its behalf by:

Nicholas Thompson Director **Duncan Harper** Director

## Company statement of financial position

At 30 September 2011

	Note	2011 £'000	2010 £'000
Non current assets			
Investments	16	2,528	3,125
Trade and other receivables	19	835	1,076
Total non current assets		3,363	4,201
Current assets			
Trade and other receivables	19	I	2
Cash and cash equivalents		5	-
Total current assets		6	2
Total assets		3,369	4,203
Current liabilities			
Trade and other payables	20	(755)	(1,083)
Total current liabilities		(755)	(1,083)
Total liabilities		(755)	(1,083)
Net assets		2,614	3,120
Capital and reserves			
Share capital	26	1,456	1,456
Retained earnings		(1,284)	(778)
Other distributable reserve		2,442	2,442
Total equity attributable to equity holders of the company		2,614	3,120

The financial statements on pages 31 to 63 were approved and authorised for issue by the board of directors on 11 January 2012 and were signed on its behalf by:

Nicholas Thompson Director **Duncan Harper**Director

# Consolidated statement of cash flows

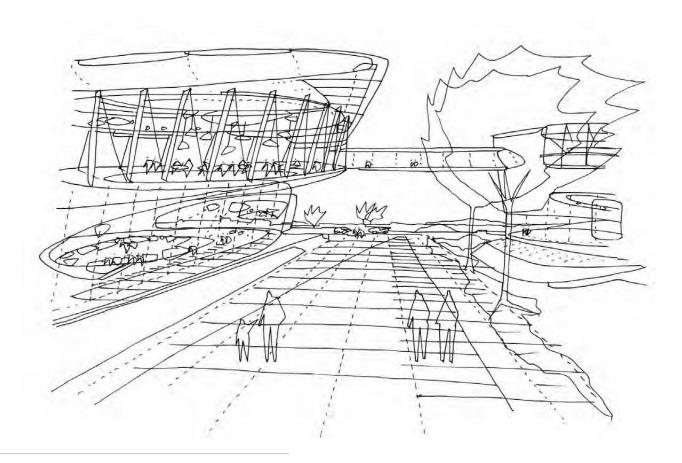
For the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated from operations	28	215	977
Interest paid		(30)	(51)
Income taxes (paid) / received		(45)	410
Net cash inflow from operating activities		140	1,336
Cash flows from investing activities			
Purchase of property, plant and equipment		(51)	(20)
Sale of property, plant and equipment		3	5
Interest received		6	104
Dividends received		109	119
Net cash generated from investing activities		67	208
Net cash flow before financing activities		207	1,544
Cash flows from financing activities			
Repayment of bank loans		(150)	(150)
Payment of asset finance liabilities		(63)	(63)
Dividends paid		-	-
Net cash used in financing activities		(213)	(213)
Net change in cash, cash equivalents and bank overdraft		(6)	1,331
Cash and cash equivalents and bank overdraft at start of year		946	(373)
Currency translation differences		(28)	(12)
Cash, cash equivalents and bank overdraft at end of year	29	912	946

# Company statement of cash flows

For the year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash used by operations	28	(169)	(1,524)
Income taxes paid		-	(3)
Net cash outflow from operating activities		(169)	(1,527)
Cash flows from investing activities			
Dividends received		174	1,525
Net cash generated from investing activities		174	1,525
Net cash flow before financing activities		5	(2)
Cash flows from financing activities			
Dividends paid		-	-
Net cash used in financing activities		-	-
Net change in cash, cash equivalents and bank overdraft		5	(2)
Cash, cash equivalents and bank overdraft at start of year		-	2
Cash, cash equivalents and bank overdraft at end of year		5	-



# Consolidated statement of changes in equity

For the year ended 30 September 2011

		Foreign currency translation	Retained	Other distributable	
	Share capital £'000	reserve £'000	earnings £'000	reserve £'000	Total £'000
At 30 September 2009	1,456	183	308	2,442	4,389
Loss for the year	-	-	(579)	-	(579)
Other comprehensive income	-	(6)	-	-	(6)
At 30 September 2010	1,456	177	(271)	2,442	3,804
Loss for the year	-	-	(1,170)	-	(1,170)
Other comprehensive income	-	52	-	-	52
Share based payment value of employee services	-	-	3	-	3
At 30 September 2011	1,456	229	(1,438)	2,442	2,689

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

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

# Company statement of changes in equity

For the year ended 30 September 2011

	Share capital £'000	Retained earnings £'000	Other distributable reserve £'000	Total £'000
At 30 September 2009	1,456	(903)	2,442	2,995
Profit for the year	-	125	-	125
At 30 September 2010	1,456	(778)	2,442	3,120
Loss for the year	-	(509)	-	(509)
Share based payment value of employee services	-	3	-	3
At 30 September 2011	1,456	(1,284)	2,442	2,614

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

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

# Notes to the financial statements

#### I Summary of significant accounting policies

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

#### Basis of preparation

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

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

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

No new accounting standards, amendments or interpretations have required any amendments to this year's financial statements.

### New accounting standards, amendments and interpretations not 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. None of these are expected to have a material impact on the financial statements.

#### Going concern

The group's business activities, together with the factors likely to affect its future development are set out in the directors' report. The principal risks and uncertainties facing the business are explained in the directors' report on pages 24 to 25. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Group Finance Director's section of the directors' report and in note 34.

As explained in the Group Finance Director's report section of the directors' report on capital structure on page 22 the group currently meets its day to day working capital requirements through its cash balances and overdraft facility. This overdraft facility was renewed in December 2011.

The processes the directors have undertaken, and the reasons for the conclusions they have reached, regarding the applicability of a going concern basis are explained below. In undertaking their assessment the directors have followed the guidance issued in 2009 by the Financial Reporting Council entitled Going Concern and Liquidity Risk.

As explained in Group Finance Director's report section of the directors' report, the group returned to profitability in the second half of the financial year (excluding exceptional item) and closed its loss making Polish operation.

Forecasts and projections for the group have been prepared on a monthly basis up to 30 September 2013 which comprise detailed income statements, statements of financial position and cash flow statements for each of the group's operations.

The current economic conditions create some uncertainty regarding the level of demand for the group's services. The group has appropriate procedures in place to record the future pipeline of secure and potential work, allowing the directors to monitor on a continual basis likely forward demand for the group's services.

Sensitivity analysis has been undertaken of the most important assumptions within the forecasts and projections. The base forecasts and projections, and sensitivity analysis, 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 though previous business cycles. Coutts & Co have proved supportive of the group in these difficult economic times, evidenced by their recent facility renewal described in note 34. The group also has a relationship with HSBC Bank from whom the asset financing secured during the year ended 30 September 2009 was obtained.

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

The board, after making the enquiries described above, have 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

The consolidated financial statements incorporate those of the company and its subsidiaries. Subsidiaries are all entities over which the group has the power to govern the financial and operating policies. Intra-group transactions, balances and any unrealised gains and losses on transactions between group companies are eliminated on consolidation.

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 minority 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 joint ventures and associates. Where the group exercises control over the investment jointly with another party it is classified as a joint venture. Other investments where the group exercises significant influence are classified as associates. Both associates and joint ventures are accounting for using the equity method.

#### **Borrowings**

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

#### Cash and cash equivalents

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

#### Company income statement

The company has taken advantage of the exemption provided by section 408 of the Companies Act 2006 not to present its income statement for the year. The loss of the company for the year was £509,000 (2010: Profit of £125,000).

### Deferred taxation

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

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

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

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

#### Dividends

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

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

#### Equity instruments

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

#### Financial instruments

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

#### Foreign currency

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

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

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

#### Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

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

# Impairment

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

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.

### Investments

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

#### Leases and asset finance arrangements

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

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

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

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

#### Operating segments

The group's reportable operating segments are based on the geographical areas in which its studios are located. These are primarily identified by the different economic characteristics of these locations. Internally the group prepares discrete financial information for each of its geographical segments.

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

#### Other operating expenses

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

#### Property, plant & equipment

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

Leasehold improvements - Unexpired term of lease

Office furniture – 4 years
Office equipment – 4 years
Computer equipment – 2 years

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

### Provisions

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

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

## Post retirement benefits

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

#### Revenue recognition

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

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

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

#### Share-based payments

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

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

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

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

#### Trade receivables

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

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

#### 2 Accounting estimates and judgements

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

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

#### Recognition of contractual revenue

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

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

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

#### Impairment of trade receivables

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

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

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

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

Further quantitative information concerning trade receivables is shown in note 32.

#### Impairment of goodwill

Details of the impairment reviews undertaken in respect of the carrying value of goodwill are given in note 14.

#### Recoverability of deferred tax assets

As shown in note 24, the group has recognised deferred tax assets as recoverable, principally in the United Kingdom relating to recent trading losses. These trading losses arose during the past three years as a result of the impact of the difficult economic environment on the business and the exceptional item explained in note 4.

Both businesses which merged in 2005 to form the current United Kingdom operation have successfully traded through several previous property business cycles and the trading losses recognised as deferred tax assets are less than the sum of the taxable profits made by the United Kingdom operation in the years ended 30 September 2007 and 2008.

As described in note 14, forecast projections have been prepared for the United Kingdom operation and these show that the operation is expected to generate sufficient taxable profits to fully utilise these trading losses. As described in the Group Finance Director's section of the directors' report, the business returned to profitability in the second half of the financial year. Accordingly the directors believe that it is probable that these deferred tax assets will be recoverable.

The length of time taken to generate sufficient taxable profits to fully utilise these trading losses is primarily dependent on the profile of the recovery of the property development market. Historically the property development market has both declined more swiftly and recovered more sharply than the economy as a whole, however for the purposes of these ten year forecasts the directors have prudently assumed a slower, steadier recovery.

Potential deferred tax assets in jurisdictions where the directors believe that it is not probable that they will be recoverable through future taxable profits have not been recognised.

#### Measurement of provisions

Details of the accounting estimates and judgments regarding restructuring provisions are given in note 25.

#### Recognition of fee claim revenue

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

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

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

## 3 Operating segments

On I October 2010 changes were made to the presentation of segmental financial information which group management uses to make decisions about operating matters, and therefore in accordance with IFRS 8 "Operating segments" these changes have been reflected in the information presented below (and prior period comparatives appropriately restated). The principal changes made were:

- To separate the group's Middle East operation from the United Kingdom operation reflecting the implementation of separate management and reporting structures;
- To separate group costs relating to the AIM listing such as nominated advisor and non executive director costs, from the United Kingdom operation; and
- To attribute revenues and costs between segments in line with the group's management structure.

The group now comprises a single business segment and four separately reportable geographical segments (together with a group costs segment).

The group's associate and joint venture are both based in Continental Europe.

#### Income statement segment information

2011 Segment revenue	Continuing operations £'000	Discontinued operation £'000	Total £'000
United Kingdom	5,027	-	5,027
Russia and Former CIS	3,582	-	3,582
Continental Europe	458	170	628
Middle East	8	-	8
Revenue	9,075	170	9,245

2010 Segment revenue (as restated)	Continuing operations £'000	Discontinued operation £'000	Total £'000
United Kingdom	5,746	-	5,746
Russia and Former CIS	430	-	430
Continental Europe	938	364	1,302
Middle East	442	-	442
Revenue	7,556	364	7,920

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

Segment net finance (expense) / income	2011 £'000	2010 £'000
United Kingdom	(28)	59
Russia and Former CIS	-	(3)
Continental Europe	4	(1)
Net finance (expense) / income	(24)	55

Segment depreciation	2011 £'000	2010 £'000
United Kingdom	109	106
Russia and Former CIS	1	1
Continental Europe	4	11
Depreciation	114	118

The share of results of associate and joint venture relate entirely to the Continental Europe segment.

2011 Segment result	Continuing operations excluding exceptional item	Continuing operations exceptional item (note 4)	Continuing operations £'000	Discontinued operation £'000	Total £'000
United Kingdom	(351)	(835)	(1,186)	-	(1,186)
Russia & Former CIS	192	-	192	-	192
Continental Europe	86	-	86	(215)	(129)
Middle East	(216)	-	(216)	-	(216)
Group costs	(105)	-	(105)	-	(105)
Loss before tax	(394)	(835)	(1,229)	(215)	(1,444)

2010 Segment result (as restated)	Continuing operations £'000	Discontinued operation £'000	Total £'000
United Kingdom	695	-	695
Russia & Former CIS	(830)	-	(830)
Continental Europe	91	(2)	89
Middle East	(618)	-	(618)
Group costs	(125)	-	(125)
Loss before tax	(787)	(2)	(789)

# Statement of financial position segment information

Segment assets	2011 £'000	2010 £'000
United Kingdom	1,614	1,887
Russia and Former CIS	1,099	882
Continental Europe	103	242
Trade receivables & amounts due from customers for contract work	2,816	3,011
Other current assets	1,393	1,999
Non current assets	2,756	2,452
Total assets	6,965	7,462

# Geographical areas

Revenue	2011 £'000	2010 £'000
United Kingdom	5,027	5,746
Country of domicile	5,027	5,746
Russia	3,582	430
Czech Republic	436	775
Poland (discontinued operation)	170	364
United Arab Emirates	8	442
Other countries	22	163
Foreign countries	4,218	2,174
Revenue (including discontinued operation)	9,245	7,920
Non current assets	2011 £'000	2010 £'000
United Kingdom	1,551	1,611
Country of domicile	1,551	1,611
Russia	252	251
Czech Republic	104	107
Poland	-	2
Germany	138	152
United Arab Emirates	-	-
Other countries	-	-
Foreign countries	494	512
Non current assets excluding deferred tax	2,045	2,123
Deferred tax	711	329
Non current assets	2,756	2,452

#### Major clients

During the year ended 30 September 2011 the group derived 10% or more of its revenues from 2 (2010: 1) single external client(s).

	2011 £'000	2010 £'000
Largest client revenues	3,539	792
Second largest client revenues	1,025	< 10%

The largest client revenues for 2011 related to the Russia & Former CIS operating segment whilst the largest client revenues for 2010 and the second largest client revenues for 2011 related to the United Kingdom segment.

#### Revenue by project site

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

	2011 £'000	2010 (as restated) £'000
United Kingdom	4,748	5,675
Russia and Former CIS	3,627	416
Continental Europe	859	1,365
Middle East	6	442
Rest of the World	5	22
Revenue (including discontinued operation)	9,245	7,920

## 4 Exceptional item

The group has been pursuing a significant claim for unpaid fees in connection with a former project at 90-95 / 100 Piccadilly in Central London.

In December 2009 the group obtained a favourable judgment awarding the company fees for work performed together with interest, and in January 2010 the group obtained a further favourable judgment regarding the costs of the litigation.

The group had a security charge over the properties ranking below the mortgage charge holder which was one of the UK's biggest banks. The mortgage charge holder appointed one of the UK's leading property consultancies as receiver to sell the properties.

The receiver has now sold the properties and the group has been informed by the receivers and the mortgage charge holder that the sale price was less than the amount which the bank as first charge holder claims they are owed. In these circumstances the directors believe that the group is unlikely to recover the amount it is owed, but are continuing to consider the remaining options for pursing recovery.

Accordingly the £389,000 (net of VAT) of fees and the £446,000 of costs and interest owed to the group have been fully provided against.

#### 5 Finance income

	2011 £'000	2010 £'000
Receivable on bank deposits	-	I
Other finance income	6	105
Total finance income	6	106

### 6 Finance costs

	2011 £'000	2010 £'000
Payable on bank loans and overdrafts	25	40
Payable on asset finance arrangements	2	4
Other finance costs	3	7
Total finance costs	30	51

#### 7 Auditor remuneration

During the year the group incurred the following costs in relation to the company's auditor and its associates:

	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	24	24
Fees payable to the company's auditor and its associates for other services		
Audit of the company's subsidiaries pursuant to legislation	54	51
Other services relating to taxation	3	3

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

### 8 Employee information

The average number of persons employed by the group during the year, including the discontinued operation, was as follows:

	2011 Number	2010 Number
Architectural and design	99	111
Administrative	27	35
Total	126	146

In addition to the number of staff disclosed above, the group's German associate and joint venture employed an average of 37 persons (2010: 41 persons).

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

	£'000	2010 £'000
Wages and salaries	3,939	4,218
Social security costs	469	492
Contributions to defined contribution pension arrangements	39	76
Total	4,447	4,786

The wages and salaries costs above include £114,000 of restructuring costs (2010: £39,000).

The group contributes to defined contribution pension arrangements for its employees both in the UK and overseas. The assets of these arrangements are held by financial institutions entirely separately from those of the group. The group provides no other post retirement benefits.

### 9 Operating leases

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

	2011 £'000	2010 (as restated) £'000
Property	693	663
Plant & equipment	17	14
Total	710	677

The property operating lease payments shown above included £38,000 (2010: £42,000) related to the discontinued operation.

### 10 Directors' emoluments

Reflecting the difficult economic circumstances faced by the business, the directors have waived part of their remuneration. The saving to the company from these waivers during the year ended 30 September 2011 was £129,000 (2010: £101,000).

2011	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	20	-	20	5	25
Duncan Harper	62	13	75	34	109
John Vincent	62	-	62	29	91
Lutz Heese	2	-	2	-	2
Raul Curiel	2	-	2	-	2
Nicholas Thompson	120	-	120	55	175
Tim Hodgson	24	-	24	6	30
Total	292	13	305	129	434

Lutz Heese and Raul Curiel retired on 15 November 2010. John Vincent was appointed on 15 November 2010.

During the year Duncan Harper was granted share options as detailed on page 26 of the directors' report.

2010	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	25	-	25	-	25
Duncan Harper	71	-	71	38	109
Lutz Heese	13	-	13	2	15
Raul Curiel	25	-	25	2	27
Nicholas Thompson	117	-	117	59	176
Tim Hodgson	30	-	30	-	30
Total	281	-	281	101	382

Benefits were accruing to one director (2010: no directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid director were £120,000 (2010: £117,000).

## II Tax credit

	2011 £'000	2010 £'000
Current tax	128	20
Adjustment in respect of previous years	-	(55)
Total current tax	128	(35)
Origination and reversal of temporary differences	(456)	(185)
Changes in tax rates	54	10
Total deferred tax (note 24)	(402)	(175)
Total tax credit	(274)	(210)

The standard rate of corporation tax in the United Kingdom reduced from 28% to 26% in April 2011 and will reduce further to 25% in April 2012.

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

	2011 £'000	2010 (as restated) £'000
Loss before tax	(1,229)	(787)
Loss before tax multiplied by the standard rate of corporation tax in the United Kingdom of 27% (2010: 28%)	(332)	(220)
Effects of:		
Non tax deductible expenses	36	26
Differences in overseas tax rates	3	19
Associate & joint ventures reported net of tax	(30)	(27)
Impact on deferred tax of change in UK tax rate	54	10
Current tax adjustment in respect of previous years	-	(55)
Deferred tax adjustment in respect of previous years	(5)	37
Total tax credit	(274)	(210)

# 12 Discontinued operation

In September 2011 the group discontinued its Polish operation. Analysis of the result of the discontinued operation is:

	2011 £'000	2010 £'000
Revenue	170	364
Expenses	(331)	(366)
Loss before tax of discontinued operation	(161)	(2)
Tax	-	-
Loss after tax of discontinued operation	(161)	(2)
Currency translation differences recycled on discontinued operation	(54)	-
Result from discontinued operation	(215)	(2)

	2011 £'000	2010 £'000
Net cash flow from operating activities	(13)	(74)
Net cash flow from investing activities	-	-
Net cash flow from financing activities	-	-

#### 13 Losses per share

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

Losses	2011 £'000	2010 £'000
Loss for the year	(1,170)	(579)

Number of shares	2011 Number	2010 Number
Weighted average of ordinary shares in issue	145,618,693	145,618,693
Effect of dilutive options	-	-
Diluted weighted average of ordinary shares in issue	145,618,693	145,618,693

#### 14 Goodwill

Group	£'000
Cost	
At I October 2009	1,596
No movements	-
At 30 September 2010	1,596
No movements	-
At 30 September 2011	1,596

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

	2011 £'000	2010 £'000
United Kingdom operation	1,244	1,244
Russian operation	250	250
Czech Republic operation	102	102
Total goodwill	1,596	1,596

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 operation is significant in comparison with the total carrying value of goodwill but the carrying value of goodwill allocated to the other cash generating units is not.

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

- The future level of revenue which is based on knowledge of past property development cycles and external forecasts such as the construction forecasts published by Experian. Historically the property development market has both declined more swiftly and recovered more sharply than the economy as a whole. However for the purposes of the five year cash flow projections the directors have prudently assumed a slower, steadier recovery;
- The future level of costs which are based on the expected variability with revenue of the various types of expenditure incurred, and in particularly the average revenue earning capacity of members of staff. These assumptions are based on historical experience and an assessment of the current cost base;
- Long-term growth rate which has been assumed to be 2.1% per annum based on the average historical growth in construction output in the United Kingdom over the past thirty years; and
- The discount rate which is the group's pre tax weighted average cost of capital and has been calculated at approximately 16% (2010: approximately 16%). This is considered appropriate as the United Kingdom operation produces the majority of the group's revenue less sub consultant costs.

# 15 Property, plant and equipment

Group	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
Cost	2 000	2 000	2 000
At 30 September 2009	742	973	1,715
Additions	7 12	20	20
Disposals	-	(12)	(12)
Exchange differences	-	(2)	
At 30 September 2010	742	979	1,721
Additions	-	51	51
Disposals	-	(35)	(35)
Exchange differences	-	(11)	(11)
At 30 September 2011	742	984	1,726
Depreciation			
At 30 September 2009	458	784	1,242
Charge for the year	32	86	118
Disposals	-	(12)	(12)
Exchange differences	-	(2)	(2)
At 30 September 2010	490	856	1,346
Charge for the year	32	82	114
Disposals	-	(34)	(34)
Exchange differences	-	(11)	(11)
At 30 September 2011	522	893	1,415
Net book value			
At 30 September 2011	220	91	311
At 30 September 2010	252	123	375
At 30 September 2009	284	189	473

The depreciation charge is split between continuing and discontinued operations as follows:

	2011 £'000	2010 £'000
Continuing operations	113	113
Discontinued operation	I	5
Depreciation charge for the year	114	118

The depreciation charge for continuing operations is included in the income statement within office related costs.

Furniture & equipment includes the following amounts where the group is a lessee under asset finance arrangements:

	2011 £'000	2010 £'000
Cost – capitalised asset finance arrangements	187	187
Accumulated depreciation	(140)	(94)
Total	47	93

# 16 Investments

	Group undertakings	Joint venture	Associate	Total
Company	£'000	£'000	£'000	£'000
Cost				
At 30 September 2009	4,899	20	12	4,931
Additions	-	-	-	-
At 30 September 2010	4,899	20	12	4,931
Additions	3	-	-	3
At 30 September 2011	4,902	20	12	4,934
Provisions				
At 30 September 2009	406	-	-	406
Charge	1,400	-	-	1,400
At 30 September 2010	1,806	-	-	1,806
Charge	600	-	-	600
At 30 September 2011	2,406	-	-	2,406
Net book value				
At 30 September 2011	2,496	20	12	2,528
At 30 September 2010	3,093	20	12	3,125
At 30 September 2009	4,493	20	12	4,525

The impairment charge of £600,000 recognised during the year relates to the company's investment in one of its subsidiaries where, as a result of the exceptional item explained in note 4, the value of that subsidiary is considered to have suffered a permanent diminution.

#### Principal operations

The principal operations at 30 September 2011 were as follows:

Name	Country of incorporation	Class and proportion of shares held
Group undertakings		
Aukett Fitzroy Robinson Limited	England & Wales	Ordinary 100% *
Fitzroy Robinson Limited	England & Wales	Ordinary 100% *
Aukett Fitzroy Robinson International Limited	England & Wales	Ordinary 100%
Veretec Limited	England & Wales	Ordinary 100%
Aukett sro	Czech Republic	Ordinary 100% *
ZAO Aukett Fitzroy Vostok	Russia	Ordinary 100%
Joint venture		
Aukett + Heese Frankfurt GmbH	Germany	Ordinary 50% *
Associate		
Aukett + Heese GmbH	Germany	Ordinary 25% *

<sup>\*</sup> Held directly by the company

The principal operations all provide architectural and design services.

# 17 Investment in associate

As disclosed in note 16, the group owns 25% of Aukett + Heese GmbH which is based in Berlin.

Group	£'000
At I October 2009	175
Share of profits	106
Dividends paid	(119)
Exchange differences	(10)
At 30 September 2010	152
Share of profits	73
Dividends paid	(109)
Exchange differences	2
At 30 September 2011	118

The following amounts represent the group's 25% share of the assets and liabilities, and revenue and profits of Aukett + Heese GmbH.

	2011 £'000	2010 £'000
Assets	298	390
Liabilities	(180)	(238)
Net assets	118	152
Revenue	794	1,032
Costs	(721)	(926)
Profit after income tax	73	106

# 18 Investment in joint venture

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

Group	£'000
At I October 2009	(7)
Share of losses	(12)
Exchange differences	-
At 30 September 2010	(19)
Share of profits	39
Exchange differences	-
At 30 September 2011	20

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

	2011 £'000	2010 £'000
Assets		
Non current assets	7	9
Current assets	186	173
Total assets	193	182
Liabilities		
Current liabilities	(173)	(201)
Non current liabilities	-	-
Total liabilities	(173)	(201)
Net assets / (liabilities)	20	(19)
Revenue	281	314
Costs	(242)	(326)
Loss after income tax	39	(12)

# 19 Trade and other receivables

Group	2011 £'000	2010 £'000
Gross trade receivables	2,564	2,505
Impairment allowances	(715)	(537)
Net trade receivables	1,849	1,968
Amounts due from customers for contract work	967	1,043
Amounts owed by joint venture and associate	56	76
Other receivables	178	694
Prepayments	221	174
Total	3,271	3,955

Company	2011 £'000	2010 £'000
Amounts due after more than one year		
Amounts owed by group undertakings	835	1,076
Total amounts due after more than one year	835	1,076
Amounts due within one year		
Other receivables		1
Prepayments	-	1
Total amounts due within one year	I	2
Total	836	1,078

# 20 Trade and other payables

Group	2011 £'000	2010 £'000
Trade payables	678	387
Advances received from customers for contract work	970	383
Other taxation and social security	492	321
Other payables	26	55
Accruals	1,319	1,346
Deferred income	-	69
Total	3,485	2,561
Company	2011 £'000	2010 £'000
Trade payables	-	I
Amounts owed to group undertakings	752	1,077
Other taxation and social security	-	2
Other payables	2	2
Accruals	1	I

# 21 Borrowings

# Group

Short term borrowings	2011 £'000	2010 £'000
Secured bank overdraft	-	-
Secured bank loan (note 22)	150	150
Asset finance liabilities (note 23)	31	63
Total	181	213

The secured bank overdraft is repayable on demand.

Long term borrowings	2011 £'000	2010 £'000
Secured bank loan (note 22)	413	563
Asset finance liabilities (note 23)	-	31
Total	413	594

# 22 Secured bank loan

Group	2011 £'000	2010 £'000
Instalments repayable within one year	150	150
Current liability	150	150
Instalments repayable between one and two years	150	150
Instalments repayable between two and five years	263	413
Non current liability	413	563
Total	563	713

The bank loan and overdraft are secured by a debenture over all the present and future assets of the company and certain of its United Kingdom subsidiaries. The bank loan and overdraft carry interest at 2.5% (2010: 2.0%) above the United Kingdom bank base rate.

### 23 Asset finance liabilities

#### Group

Net asset finance liabilities	2011 £'000	2010 £'000
Instalments repayable within one year	31	63
Current liability	31	63
Instalments repayable between one and two years	-	31
Non current liability	-	31
Total net liabilities	31	94

Gross asset finance liabilities	2011 £'000	2010 £'000
Instalments repayable within one year	31	64
Instalments repayable between one and two years	-	33
Total gross liabilities	31	97
Future finance charges	-	(3)
Total net liabilities	31	94

The asset finance liabilities carry interest at 2.4% above the United Kingdom bank base rate.

# 24 Deferred tax

Group	Tax depreciation on plant & equipment £'000	Trading losses £'000	Unremitted overseas earnings £'000	Other temporary differences £'000	Total £'000
At 30 September 2009	109	252	(78)	(176)	107
Income statement	(47)	38	66	118	175
Exchange differences	-	-	(1)	(3)	(4)
At 30 September 2010	62	290	(13)	(61)	278
Income statement	(15)	344	(20)	93	402
Exchange differences	-	I	I	(3)	(1)
At 30 September 2011	47	635	(32)	29	679

Group	2011 £'000	2010 £'000
Deferred tax assets	711	329
Deferred tax liabilities	(32)	(51)
Net deferred tax balance	679	278

Potential deferred tax assets of £53,000 (2010: £10,000) relating to trading losses in certain tax jurisdictions have not been recognised where future taxable profits are not considered probable.

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

The company has no deferred tax assets or liabilities.

#### 25 Provisions

	Restructuring
Group	provision £'000
At I October 2009	435
Provided	70
Utilised	(200)
Released	(85)
Exchange differences	-
At 30 September 2010	220
Provided	15
Utilised	(70)
Released	-
Exchange differences	-
At 30 September 2011	165

The restructuring provision relates to costs associated with reducing staff numbers in the United Kingdom and Russia, and in relocating the London based staff to a single studio location following the expiry of previous property leases. The restructuring provision arises from obligations contained in employment contracts and property lease contracts.

It is anticipated that the provision at 30 September 2011 will be utilised in full during the year ending 30 September 2012. The amount provided in respect of the property lease contracts represents the directors' best estimate based on professional advice but is subject to uncertainty as to amount and timing since agreement has not yet been reached with the lessors.

## 26 Share capital

Group and Company	2011 £'000	2010 £'000
Allocated, called up and fully paid		
145,618,693 (2010: 145,618,693) ordinary shares of 1p each	1,456	1,456

	Number
At I October 2009	145,618,693
No changes	-
At 30 September 2010	145,618,693
No changes	-
At 30 September 2011	145,618,693

The objectives, policies and processes for managing capital are outlined on with the capital structure section of the Group Finance Director's report on page 22.

#### 27 Share options

The company has granted options over its ordinary shares to group employees as follows:

Granted	At I Oct 2010 Number	Granted Number	At 30 Sep 2011 Number	Exercise price Pence	Earliest exercisable date	Latest exercisable date
II Apr 2011	-	1,500,000	1,500,000	5.00	12 Apr 2013	11 Apr 2017
Total	-	1,500,000	1,500,000			

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

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

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

The expected volatility was estimated based on the historical volatility over the past three years.

# 28 Cash generated from operations

Group	2011 £'000	2010 £'000
Loss before income tax – continuing operations	(1,229)	(787)
Loss before income tax – discontinued operation	(215)	(2)
Currency translation differences recycled on discontinued operation	54	-
Share based payment value of employee services	3	-
Finance income	(6)	(106)
Finance costs	30	51
Share of results of associate and joint ventures	(112)	(94)
Depreciation	114	118
Profit on disposal of property, plant and equipment	(2)	(5)
Change in trade and other receivables	639	5,661
Change in trade and other payables	994	(3,644)
Change in provisions	(55)	(215)
Net cash generated from operations	215	977

Company	2011 £'000	2010 £'000
(Loss) / Profit before income tax	(509)	128
Dividends received	(174)	(1,525)
Provision against investment in subsidiary	600	1,400
Change in trade and other receivables	242	3,297
Change in trade and other payables	(328)	(4,824)
Net cash used by operations	(169)	(1,524)

# 29 Analysis of net funds

Group	2011 £'000	2010 £'000
Cash and cash equivalents	912	946
Secured bank overdraft	-	-
Cash, cash equivalents and bank overdraft	912	946
Secured bank loan (note 22)	(563)	(713)
Asset finance liabilities (note 23)	(31)	(94)
Net funds	318	139

# 30 Financial instruments

# Categories of financial assets and liabilities

Group	2011 £'000	2010 £'000
Trade receivables	1,849	1,968
Amounts due from customers for contract work	967	1,043
Amounts owed by joint venture and associate	56	76
Other receivables	178	694
Cash and cash equivalents	912	946
Loans and receivables	3,962	4,727
Trade payables	(678)	(387)
Other payables	(26)	(55)
Accruals	(1,319)	(1,346)
Secured bank loan	(563)	(713)
Asset finance liabilities	(31)	(94)
Provisions	(165)	(220)
Financial liabilities measured at amortised cost	(2,782)	(2,815)
Net financial instruments	1,180	1,912

Company	2011 £'000	2010 £'000
Amounts owed by group undertakings	835	1,076
Other receivables	1	I
Cash and cash equivalents	5	-
Loans and receivables	841	1,077
Trade payables	-	(1)
Amounts owed to group undertakings	(752)	(1,077)
Other payables	(2)	(2)
Accruals	(1)	(1)
Financial liabilities measured at amortised cost	(755)	(1,081)
Net financial instruments	86	(4)

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 22 the bank loan and overdraft are secured by a debenture over all the present and future assets of the company and certain of its United Kingdom subsidiaries. The carrying amount of the financial assets covered by this debenture were:

	2011 £'000	2010 £'000
Group	7,394	9,790
Company	3,371	4,203

Other receivables in the consolidated statement of financial position include a £148,000 rent security deposit (2010: £148,000) in respect of the group's London studio premises.

#### Risk management

**UK Sterling** 

Net financial instruments

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.

# 31 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 forward revenues from contacts denominated other currencies due to the rights of clients to suspend or cancel projects. The board has taken a decision not to hedge the net assets of the group's overseas operations.

The denomination of financial instruments by currency at 30 September was:

Group	2011 £'000	2010 £'000
Czech Crown	128	227
EU Euro	48	(44)
Polish Zloty	(101)	29
Russian Rouble	554	436
UAE Dirham	(18)	(97)
UK Sterling	561	1,355
US Dollar	4	(2)
Other	4	8
Net financial instruments	1,180	1,912
Company	2011 £'000	2010 £'000
EU Euro	-	(1)
Polish Zloty	-	58

A 10% percent weakening of UK sterling against all currencies at 30 September would have increased / (decreased) equity and profit by the amounts shown below. This analysis is applied currency by currency in isolation (ie 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.

	2011			2010	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000	
Group	6	67	(9)	103	
Company	-	-	6	-	

(61)

(4)

86

86

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

	2011 £'000	2010 £'000
Group	(65)	(20)
Company	(11)	-

The group's exchange loss of £65,000 includes the cumulative exchange reserve losses of £54,000 recycled through the income statement on the discontinuance of the Polish operation.

#### 32 Counterparty risk

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 30.

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

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

Group	2011 £'000	2010 £'000
Not overdue	1,316	774
Between 0 and 30 days overdue	355	497
Between 30 and 60 days overdue	93	47
Greater than 60 days overdue	85	650
Total	1,849	1,968

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

Group	£'000
At I October 2009	515
Charge to the income statement	58
Allowance utilised	(33)
Exchange differences	(3)
At 30 September 2010	537
Charge to the income statement	468
Allowance utilised	(289)
Exchange differences	(1)
At 30 September 2011	715

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

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

The concentration of counterparty risk in respect of trade receivables, amounts due from customers for contract work and other receivables is illustrated in the table below showing the three largest exposures to individual clients at 30 September.

Group	2011 £'000	2010 £'000
Largest exposure	873	867
Second largest exposure	461	828
Third largest exposure	161	271

The company does not have any trade receivables or amounts due from customers for contract work. As disclosed in note 36 none of the amounts owed to the company by group undertakings are secured.

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

At 30 September 2011 the largest exposure to a single financial institution represented 63% (2010:55%) of the group's cash and cash equivalents.

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 35.

#### 33 Interest rate risk

Group	2011 £'000	2010 £'000
Trade receivables	-	457
Other receivables – Court cost award	-	242
Other receivables – Property rent deposit	148	148
Cash and cash equivalents	912	946
Secured bank loan	(563)	(713)
Asset finance liabilities	(31)	(94)
Interest bearing financial instruments	466	986

Company	2011 £'000	2010 £'000
Cash and cash equivalents	5	-
Secured bank overdraft	-	-
Interest bearing financial instruments	5	-

The interest bearing trade receivables carried interest at 8.0% above United Kingdom bank base rate whilst the court cost award carried interest at 8.0%.

The property rent deposit and the cash and cash equivalent balances earn variable rates of interest based on short term inter bank lending rates.

The bank loan and overdraft carry interest at 2.5% (2010: 2.0%) above the United Kingdom bank base rate.

The asset finance liabilities carry interest at 2.4% above the United Kingdom bank base rate.

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

	2011 £'000	2010 £'000
Group	5	10
Company	-	-

## 34 Liquidity risk

All of the group's and the company's financial liabilities mature within one year except for the ten year amortising bank loan which is used to provide long-term funding and the asset finance liabilities. The maturity profiles of the bank loan and the asset finance liabilities are shown in notes 22 and 23.

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

At 30 September 2011 the group had £1m (2010: £1m) of undrawn borrowing facility under its £1m (2010: £1m) United Kingdom bank overdraft facility.

In December 2011 Coutts & Co renewed the overdraft facility at £850,000 which is now next due for review in November 2012.

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

Gross borrowings	2011 £'000	2010 £'000
Instalments repayable within one year	183	216
Instalments repayable between one and two years	157	189
Instalments repayable between two and five years	285	451
Total gross borrowings	625	856
Future finance charges	(31)	(49)
Total net borrowings	594	807

#### 35 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 22. At 30 September 2011 the overdrafts of its United Kingdom subsidiaries guaranteed by the company totalled £72,000 (2010: £334,000).

The company and some of its United Kingdom subsidiaries are members of a group for Value Added Tax purposes. At 30 September 2011 the net VAT payable balance of those subsidiaries was £340,000 (2010: £170,000).

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

At 30 September the group had the following aggregate commitments under operating leases.

	2011 £'000	2010 £'000
Not later than one year	602	564
Later than one year and not later than five years	1,891	1,928
Later than five years	839	1,310
Total	3,332	3,802

The group's most significant lease relates to its London studio premises which comprises £3,197,000 (2010: £3,669,000) of the amounts shown in the table above. This lease, which does not contain any break clauses, expires in July 2018 and has an upwards only rent review in July 2013.

The company has no operating lease commitments (2010: £nil).

At both 30 September 2011 and 2010 neither the group nor the company had any capital commitments in respect of property, plant and equipment.

#### 36 Related party transactions

### Key management personnel compensation

The key management personnel of the group comprise the directors of the company together with the managing directors of the United Kingdom and European operations.

£'000	2010 £'000
436	457
13	-
449	457
	436 13

The key management personnel of the company comprise the directors of the company.

Company	2011 £'000	2010 £'000
Short term employee benefits	326	312
Post employment benefits	13	
Total	339	312

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

The amount owed to the group by Aukett + Heese Frankfurt GmbH at the date of the statement of financial position was £56,000 (2010: £66,000) relating to loans previously advanced and management charges formerly made. The movement in the balance during the year relates to payments made to the group by Aukett + Heese Frankfurt GmbH together with interest charged on the loans.

The group makes management charges to Aukett + Heese GmbH. Invoices issued by the group during the year in respect of these services amounted to £42,000 (2010: £42,000). The amount owed to the group by Aukett + Heese GmbH at the date of the statement of financial position in respect of these management charges was £nil (2010: £10,000).

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

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

#### Transactions and balances with subsidiaries

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

The company made management charges to its subsidiaries for management services of £120,000 (2010: £140,000).

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

At 30 September 2011 the company was owed £835,000 (2010:£1,076,000) by its subsidiaries, and owed £752,000 (2010:£1,077,000) to its subsidiaries. These balances arose through various past transactions including treasury management and management charges.

None of the balances with the company's subsidiaries are secured.

#### 37 Corporate information

General corporate information regarding the company is shown on page 17. The addresses of the group's principal operations are shown on page 2. A description of the group's operations and principal activities is given within the directors' report on page 24.

# Notice of meeting

Notice is hereby given that the annual general meeting of the company will be held at 10:30am on Tuesday 27 March 2012 at 36-40 York Way, London, N1 9AB for the following purposes:

### Ordinary business

- I To receive and adopt the annual report for the year ended 30 September 2011.
- 2 To re-elect Nicholas Thompson as a director. Nicholas Thompson retires by rotation.
- 3 To appoint BDO LLP as auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company, at remuneration to be fixed by the directors.

#### Special business

- 4 That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the 'Act') to exercise all powers of the company to allot shares in the company up to an aggregate nominal amount of £728,093 to such persons and upon such conditions as the directors may determine, such authority to expire at the conclusion of the next annual general meeting of the company save that the company may before such expiry make an offer or agreement which would or might require shares in the company to be allotted after such expiry and the directors may allot shares in the company in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- That the directors be and are hereby empowered pursuant to section 570 of the Act to allot shares in the company up to an aggregate nominal amount of £145,619 for cash pursuant to the authority conferred by resolution 4 above as if section 561 of the Act did not apply to such allotment, such authority to expire at the conclusion of the next annual general meeting of the company save that the company may before such expiry make an offer or agreement which would or might require shares in the company to be allotted after such expiry and the directors may allot shares in the company in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the board

# Duncan Harper, Company Secretary

II January 2012

Registered office: 36-40 York Way, London, N I 9AB

# Notes

- I Any member entitled to attend and vote at the meeting may appoint another person, whether a member or not, as their proxy to attend and, on a poll, to vote instead of them. A form of proxy is enclosed for this purpose and to be valid must be lodged with the company's registrars together with any power of attorney or other authority under which it is signed, not less than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting.
- 2 In accordance with regulation 41 of Uncertificated Securities Regulations 2001, the company gives notice that only those shareholders entered on the register of members at 6pm on 23 March 2012 (the 'Specified Time') will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at that meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period then to be so entitled members must be entered on the register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, at the time specified in the notice.

# Shareholder information

#### Listing information

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

Tradable Instrument Display Mnemonic (TIDM formerly EPIC): AUK

Stock Exchange Daily Official List (SEDOL) code: 0061795

International Securities Identification Number (ISIN): GB0000617950

#### Share price

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

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

#### Registrars

Enquiries relating to matters such as loss of a share certificate, dividend payments or notification of a change of address should be directed to Equiniti who are the company's registrars at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DD - 0121 415 7047 - www.equiniti.com.

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

#### Investor relations

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

The company secretary can be contacted by email at cosec@aukettfitzroyrobinson.com.

### Donate your shares

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

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

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

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



