&annual report accounts 2018

AUKETT SWANKE GROUP PLC

aukett swanke

Aukett Swanke provides design services, focusing on architecture, masterplanning and interior design with specialisms in executive architecture and associated engineering services.

The practice designs and delivers commercial projects throughout the United Kingdom, Continental Europe and the Middle East.

Aukett Swanke is an award-winning architecture and interior design practice. Its talented and international teams act as custodians for a sustainable built environment, working on grand heritage projects as well as bold new additions to urban and rural landscapes.

Encompassing over 60 years of professional experience, Aukett Swanke has a network of 330 staff in 13 studios across 6 countries: UK, Germany, Russia, Turkey, the UAE and the Czech Republic.

The studios' expertise includes work in mixed-use, commercial office, hotel, retail, residential, education and healthcare sectors as well as workplace consulting.

Our key international people

GROUP MANAGEMENT


LUKE SCHUBERTH
Managing Director - UK ‡


SUZETTE VELA BURKETT
Managing Director - UK ‡


STEPHEN EMBLEY
Managing Director - Middle East ‡


ROBERT FRY
Managing Director - International ‡

UNITED KINGDOM


GORDON MCQUADE
Director
Veretec

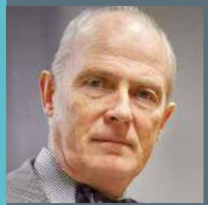

JAMES ATHA
Director
Veretec


KEITH MORGAN
Managing Director
Veretec


NICK PELL
Interior Design Director
International


TOM ALEXANDER
Director
Aukett Swanke

MIDDLE EAST


ANDREW MURDOCH
Chairman
Middle East


OMID ROUHANI
Director
Aukett Swanke
Architectural Design


PAULA MCKEON
Finance Director
Middle East


BOB PUNCHARD
Director
John R Harris & Partners


SUBRAYA KALKURA
Director
John R Harris & Partners


YOUSSEF FAKACH
Director
Shankland Cox

CONTINENTAL EUROPE


LARISA LIGAY
General Director
Moscow


TOM NUGENT
Director
Moscow


BURÇU SENPARLAK
General Manager
Istanbul


ZEYNEP ORBERK
Director
Istanbul

JV PARTNERS


LUTZ HEESE
Managing Director
Aukett + Heese


ANDREW HENNING JONES
Director
Aukett + Heese


MARCUS DIETZSCH
Director
Aukett + Heese Frankfurt


JANA LEHOTSKA
Director
Aukett sro


TOMAS VOREL
Director
Aukett sro

Our studios

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150 00 PRAGUE 5
Czech Republic
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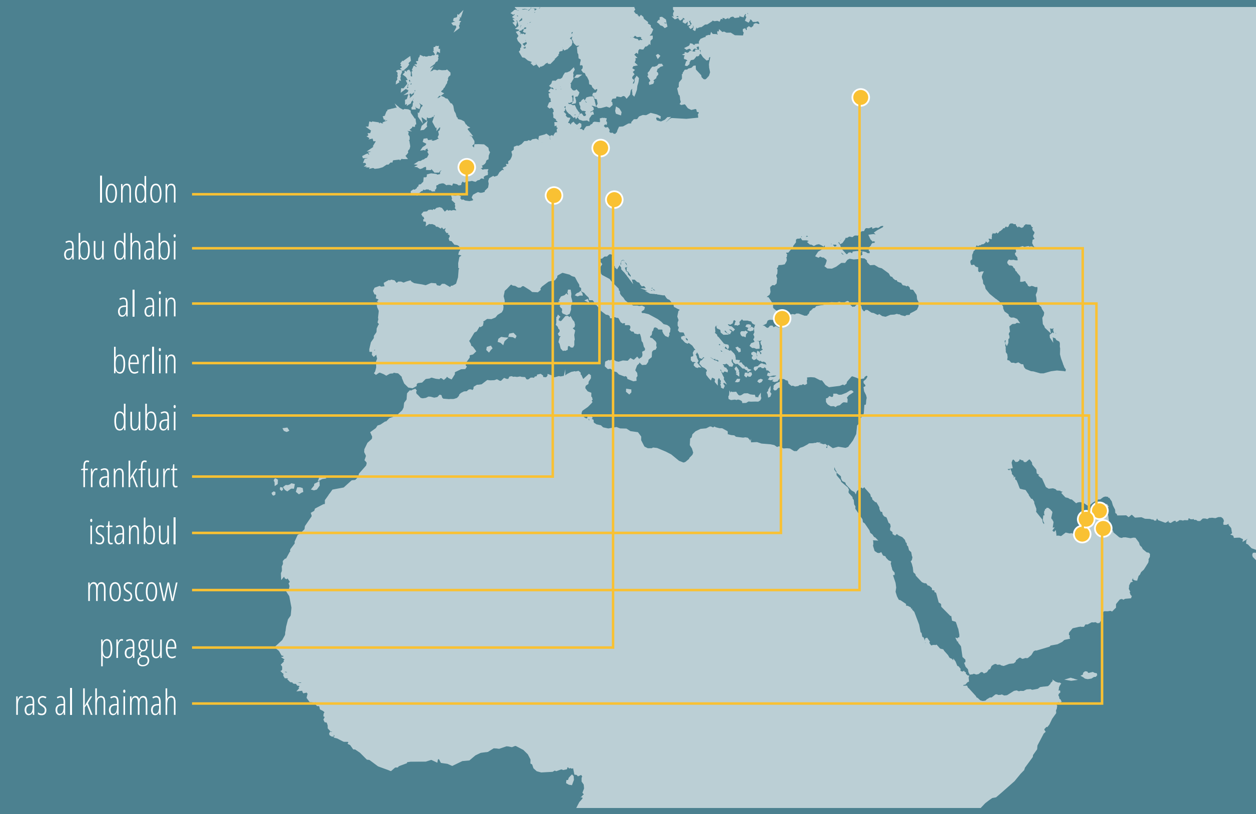


Our clients include . . .

AB Development / Aberdeen Standard / Absolut Development / Abu Dhabi Tourism and Culture Authority / Acred / ADNH (Abu Dhabi National Hotels) / ADNOC (Abu Dhabi National Oil Corporation) / ADWEA / AEG Europe / Ahred Real Estate / Alarko Real Estate / Al Ain Museum / ALDAR / Al-Futtaim Group Real Estate / Al Hamra Real Estate Development / Allen & Overy / Allianz Insurance / Allied World Assurance / Al Qudra Broadcasting / Arup / Ascot Underwriting / Avgur Estate / Aviva / AXA / Azzedine Alaia Baker McKenzie / Bank of America Merrill Lynch / Bank of Moscow / BAT-Russia C+T Group / Batıkent Yapi Sanayi ve Ticaret / Bautek A.S / BCM McAlpine / Bell Hammer / BioIstanbul / BioMed Realty / Birmingham City University / Blackstone Group / Bloomberg / BNP Paribas / BNY Mellon / Bovis Lendlease / Bristows / Bundesdruckerei / Buro Happold / Buwog Cambridge University Hospitals NHS Trust / Canadian Embassy, Moscow / Candy & Candy / CAPCO / CBRE / Cedar Capital / Cengiz Holding / Central Properties / Chrome Hearts / CIN LaSalle / Cisco / City of London Academy / Cofunds / Comstrin / Commercial Estates Group / Commerzbank / Corinthia Hotel Group / Corporation of London / Cornerstone Investment & Real Estate / Costain / Countryside Properties / CPI / CR City / CR Office / Credit Suisse / Crowne Plaza Hotels Dacorum Borough Council / Daimler Chrysler / Damac / Danfoss / DB Schenker / Decathlon / Deloitte / Deutsche Bank / Dimension Data / DGV Consulting / Doğuş GYO / Donstroy / DTC de Beers / du / Dunhill Eastman Group / Ede & Ravenscroft / Emaar Hospitality Group LLC / Emlak Konut / Endurance Estates / EO Engineers Office (Dubai) / Equa Bank / Ernst & Young / Er Yatırım / Ethical Property Company / Etisalat / Eurofinance Bank / Extensa / F&C Reit / Fenwick / Fiba Gayrimenkul / FIM Group / Firoka / First Bank / Freight 1 Gazprom / Gazpromstroyinvest / GD Investments / GE Capital / Generali / Gertler / GLAV UPDK / Glavstroy / Global Stream / GMO Group / Goldman Sachs / Goodman / Google / Great Portland Estates / GroupM / Grosvenor / GSK / GTN Global Properties / Güneri Insaat A.S Halk GYO / Hammer AG / Helical Bar / Henderson Global Investors / Henderson Land / Heptares / Hexal / Hilton International / Hochtief / Homerton University Hospital / Honeywell / HOWOGE / HSBC / Huishan Zhang ICAP / ICKM / ICT Istroconti / IFFCO / IKEA / Imperial College / Ince & Co / Infosys / ING Bank / ING Real Estate / Intellectcom / Intercontinental Hotels Group / Investa / Irausa UK / ISG / IşGYO / Italian Embassy, Czech Republic / ITAR TASS News Agency J&T Global / Jarrold & Son / Jesus College, Cambridge / John Martin Gallery / Johnson Controls / Jones Lang LaSalle / JP Morgan / JTI Russia KaDeWe / Kalinka Realty / KfW Bank / Khansaheb / Kier Build / Kiler Holding / Knight Frank / Knight Harwood / Koray Inşaat / Korine Property Partners / KORTROS / KPMG / KR Properties / KSA / Kuznetsky Most Development Laing O'Rourke Middle East Holdings / Lakhta Centre St.Petersburg / La Meridien / Landsec / LaSalle Investment / Legion Development / Lendlease / Lenovo / Lesso / Lidl / L'Oréal / Loughborough University M&G Investments / Macquarie Bank / MAN Group / Marks & Spencer / Mars, Wrigley, Royal Canin / Marsan AS / Marriott / McLaren / Mercury / Merkur Development / MFI / MICEX / Microsoft / Millhouse Capital / Miral / Mirax Group / Mobile TeleSystems (MTS) / Moody's / Molson Coors / Morgans Hotel Group / Mott Macdonald / Mouchel / MR Group / Multiplex Napp Pharmaceuticals / National Grid / Nations Bank / Native Land / NATS / NDA / Network Rail / Nextra / New York University / Nicholson Estates / NIDA Insaat / Nike / Novartis / Nurol GYO Oceanic Estates / Open University / Opin Group / Optima Corporation / Oracle / Orchard Homes / Orchard Street Investments / Oxford Properties Palestra / Panavto / Park City / Pera Gayrimenkul / Peresvet Region Kuban / Pfizer / Phillips / Phoenix Development / Pilsner Urquel / PIK / PPF Real Estate / Premier Inn / Procter & Gamble / Princeton Holdings / Prologis / Protos / PwC Quantum Homes / Qatar Foundation / Quintain RAK Properties / R&R Industrial SAS / Radisson Edwardian / Radisson Blu / Railway Pension Nominees / Ramboll / Red Engineering / Redevco / Reignwood Investment UK / Renaissance Capital / Renova Stroy Group / Reuters / Rezidor / Richemont / Rio Tinto / Robin Oil / Rocco Forte Hotels / Rodrigo Hidalgo / Rönesans Gayrimenkul Yatırım / Rovner Investment Group / Royal Bank of Scotland / Royal Exchange / Royal London / Rublevo-Arkhangelskoye / Rushydro / RWE npower SAB Miller / Safestore / SAP / Savills / Sberbank / Second Watch Factory Slava / Servotel / Schlumberger / Scottish Development Agency / Scottish Widows / Segro / Sellar Group / Seniats / Shell / Sibneft / Sibneftegaz / Siemens / Sir Robert McAlpine / Sistema Hals / Skanska / Skype / Sotheby's / Southampton Solent University / South Cambridgeshire District Council / Soyak Inşaat / Sparda Bank / Standard Life Investments / St John's College, Cambridge / Staropramen Breweries / Stephenson Harwood / Stolny Grad Development / Stone Brewing / Strelka / Sumitomo Mitsui Banking Corporation (SMBC) / Sun Microsystems / Suse Linux / Swan Operations / Symantec / Syngenta International Tahincioğlu Gayrimenkul / Talan / Takeda / TAT Immobilen / Taylor Wimpey / TDIC / TechInvest / Tekar / Tekfen Emlak / Tenkhoff Properties / The London Clinic / The Mercers' Company / The Royal College of Surgeons of England / The Royal St George's Golf Club / Tiffany s.r.o. / Tishman Speyer / Tonstate / Transport for London / Trinity College, Cambridge / Trinity Hall / Türkiye Finans Katılım Bankasi UGMK Holding / U+I / UK Expo Pavilion 2020 / University of Cambridge / University of Sheffield Vakifbank / Vesper / Vestas / Vinci Construction / VMWare / Vodafone / Voreda / VTB Capital Bank / Vysota Wates / Welbeck Land / Westminster City Council / White & Case / Willis Group / WPP Zamania / Züblin / Zurich Insurance Group

Highlights and awards

Our London studio for Aukett Swanke and Veretec has relocated to the City of London after ten years at Kings Cross. At our new premises we have created a flexible, multifunction space as a social focus for collaboration, debate, and connectivity where we can eat, meet, talk and learn.

We are very pleased that one of our Prague partner's interiors projects was a finalist at the 2018 Grand Prix of the Czech Architects Association Awards, the National Awards for Architecture, which were announced in October at Prague Castle.

The project was the 2400sqm fitout in Prague for the Global Delivery Centre for Dimension Data, a global technology company headquartered in South Africa.

Aukett Swanke has been placed 52nd in the Architect's Journal 2018 AJ100 league table, which is based on UK staffing levels.

< October 2018 saw the grand opening of the Mercedes Platz, the heart of the new quarter around the Mercedes-Benz Arena by the River Spree, Berlin after only two years construction.

Our JV partners AUKETT + HEESE were responsible for the Design and Detailed Building Permit Application and provided for Hochtief the detailed design and complete working drawings for the Mercedes Platz. The client is the Anschutz Entertainment Group.

Photo: Anschutz Entertainment Group Berlin

Two of our recent office projects have been shortlisted in the 2019 British Council for Offices (BCO) Awards in their respective regions: Radio House, Cambridge for Orchard Street Investment Management *(top)*, and No 2 Forbury Place, Reading for M&G/Bell Hammer *(right)*.

In the 2018 BCO Awards our refurbishment of Adelphi, London WC2 was Highly Commended for Best Refurbished / Recycled Building (London and South East).

The 330,000sqft project was carried out for Blackstone.

WA 100 2019

Aukett Swanke have been placed 67th in the Building Design 2019 World Architecture 100 League Table.

This also places us as the ninth largest UK registered practice on the table.

In July 2018, Aukett Swanke were proud to be inaugural sponsors for the Loughborough School of Architecture, Building and Civil Engineering's First Year Prize for model making. Our sponsorship marks the beginning of a new relationship with the school as visiting critics, following our design of the Sir Frank Gibb Building *(above)* which houses the department.

The school has a world class reputation for research and testing of building systems and products, with facilities that are open to the students for study and experimentation.

Tom Alexander, Director in our London Studios, judged the award and was present for the awards ceremony.

Veretec has been appointed as subconsultant to Benedetti Architects working as part of a collaborative team on the refurbishment and expansion of the British Academy of Film and Television Arts Grade II listed headquarters at 195 Piccadilly, London W1.

The extensive refurbishment of the building aims to enhance BAFTA's identity as an international centre of excellence for the motion picture arts, balancing the members' needs with extra revenue generation to ensure long-term financial sustainability for the charity.

The expansion proposals include the reintegration of the large unused historic roof-light spaces from the building's original purpose as the Royal Institute of Painters in Water Colours, and provision of new cinema theatres, banqueting hall, multipurpose event spaces, members' bar, restaurant and club, meeting rooms, staff offices and two terraces overlooking Piccadilly and the Grade I listed St James Church. The project is due commence on site in summer 2019.

Veretec have worked in collaboration with Stiff + Trevillion during the detailed design and construction stages of this new flagship studio and private art complex for Damien Hirst, which is currently on site and nearing completion.

Located in the heart of Soho, the development houses a high quality restaurant at ground and basement, with the remaining four floors and roof terraces occupied by the new art complex.

The entire exterior has been constructed using high quality glazed bricks with over 100 bespoke specials manufactured in Holland used to reference the art-deco style of the surrounding buildings, whilst the full height windows and decorative balustrades have a contrasting powder coated metal finish.

Artist Lee Simmons was commissioned to design the exterior artwork in cast aluminum for the splayed reveals to the corner windows and projecting cornice around the entrance onto Beak Street.

Two major retail openings in London in 2018: a flagship boutique for Azzedine Alaia on Bond Street, London W1 for our client Richemont, and the upgrading of the courtyard at the Royal Exchange in the City of London for our client Oxford Properties. This included the installation of a new F&B outlet for Fortnum & Mason by Universal Design Studio, new floor to the courtyard and redesign of the stairs to the mezzanine level.

Our Berlin studio partners Aukett + Heese, together with BRAUNundBRAUN, were the architects and interior designers for the Fontenay Grand Hotel in Hamburg, which opened in March 2018, supplying detailed design, working drawings, FF&E and tender packages, and interior site supervision. Architectural design by Störmer, Murphy & Partners and interiors concept by Matteo Thun.

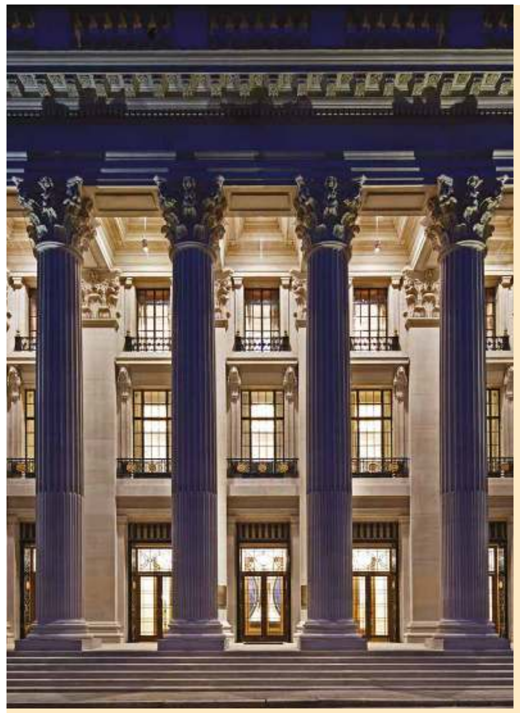
The Bradfield Centre, Cambridge Science Park was announced as joint winner in the Large Building Category at the 2017 Cambridge Forum for the Construction Industry (CFCI) Design and Construction Awards in March 2018.

Two of our longest serving directors have retired from the practice this year.

PETER EATON started his career with Aukett in 1986 and specialised in occupier-led and speculative office developments, designing and delivering many award-winning projects in this sector. Notable projects include South Cambridgeshire District Council HQ, Napp Pharmaceuticals and The Bradfield Centre at Cambridge Science Park, and the Imperial West masterplan, including the Molecular Sciences Research Hub, for Imperial College. He developed considerable experience in planning strategy, master planning, education, regeneration, urban design and landscape projects, and worked on projects in the UK, Europe and the Middle East.

STEPHEN ATKINSON originally joined Fitzroy Robinson, one of the founding practices, in 1980 and initially worked in the London studio, mainly on projects in the City of London. He later set up the Bristol office after two significant project wins and worked closely with clients such as English Partnerships, Railtrack, KPMG and SWEB on feasibility studies for long term projects, national construction programmes, building design and fitout work. He was also instrumental in developing low-energy building design solutions with major environmental consultants in the UK.

We wish them both a long and happy retirement!



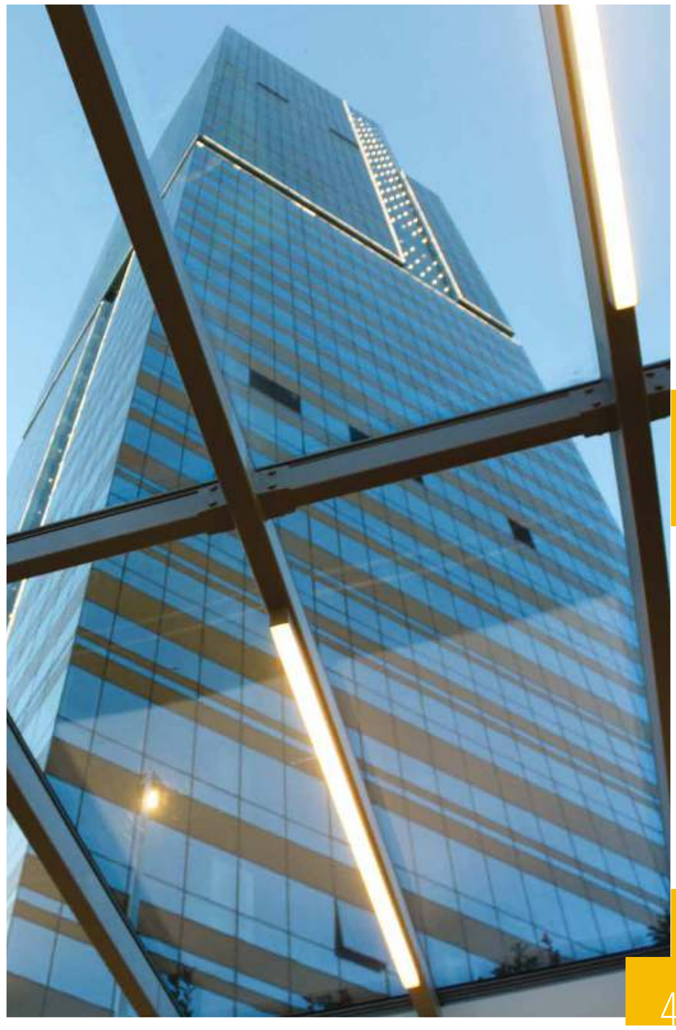
We are delighted that the Four Seasons Hotel London at Ten Trinity Square, our restoration and conversion of the historic Beaux-Arts Grade II* listed former Port of London Authority building in the City of London, was named AA Hotel of the Year London 2018-19 at the annual AA Hospitality Awards in London.

The Mei Ume Restaurant at the Four Seasons Hotel London at Ten Trinity Square was winner of the 2018 Best Overall UK Restaurant at the 2018 Restaurant and Bar Design Awards. It was also shortlisted in two further categories: for Restaurant or Bar in a Heritage Building and Restaurant or Bar in a Hotel.

2013 2018

In December 2013 the merger of two major practices, Aukett Fitzroy Robinson and Swanke Hayden Connell Europe, was announced to form the combined studio Aukett Swanke, with studios in the UK, Continental Europe and the Middle East.

Five years on, we look back at some of the major projects from our portfolio that we have carried out since then . . .



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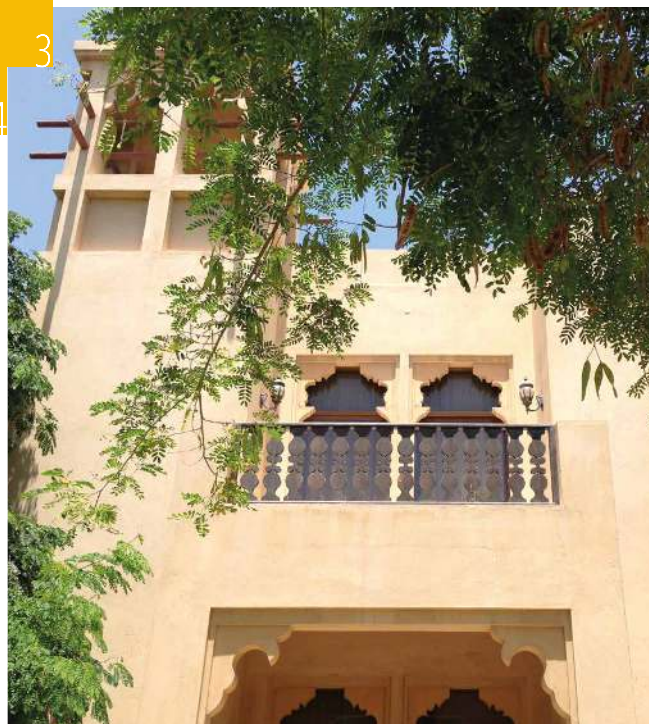

4

1/ Bebel Suite, Hotel de Rome, Berlin
2/ Harwell Innovation Centre, Oxford
3/ Al Hamra Hotel, Ras Al Khaimah
4/ Palladium Tower, Istanbul
5/ Ascot Underwriting, City of London
6/ Sanderson Hotel, London W1
7/ 62 Buckingham Gate, London SW1
8/ Group M, Istanbul
9/ Symantec, Reading
10/ Phillips, 30 Berkeley Square, London W1

5

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7

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2013/14

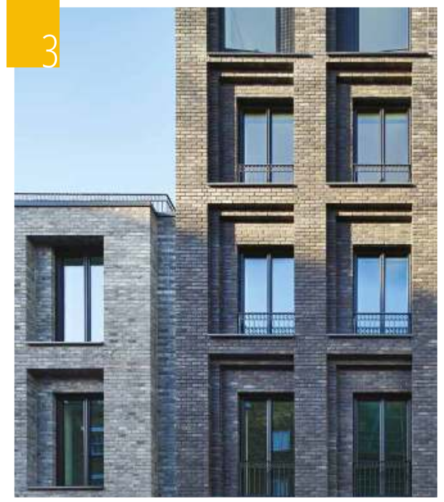
9 10

2

1

1/ Meteor D, Prague
2/ Matrix Tower, Dubai
3/ Corner House, London W1 (Veretec)
4/ Winx Tower, Frankfurt
5/ Zurich Insurance, London EC2
6/ Kempinski Hotel, Dubai
7,8/ Arcus III, Moscow
9/ No 1 Forbury Place, Reading
10/ 125 Wood Street, London EC2
11/ Adelphi, London WC2
12/ Tefken Oz, Istanbul
13/ Turnmill, London EC1 (Veretec)
14/ Allianz, Istanbul

3



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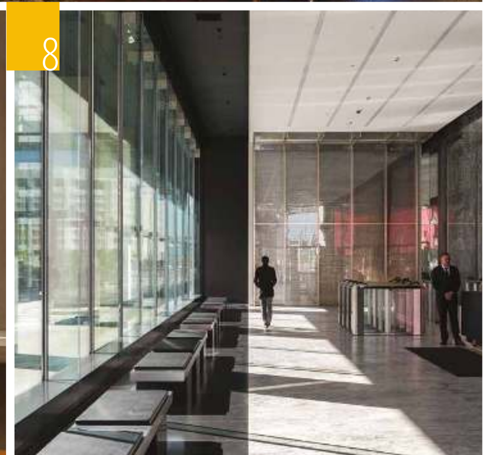

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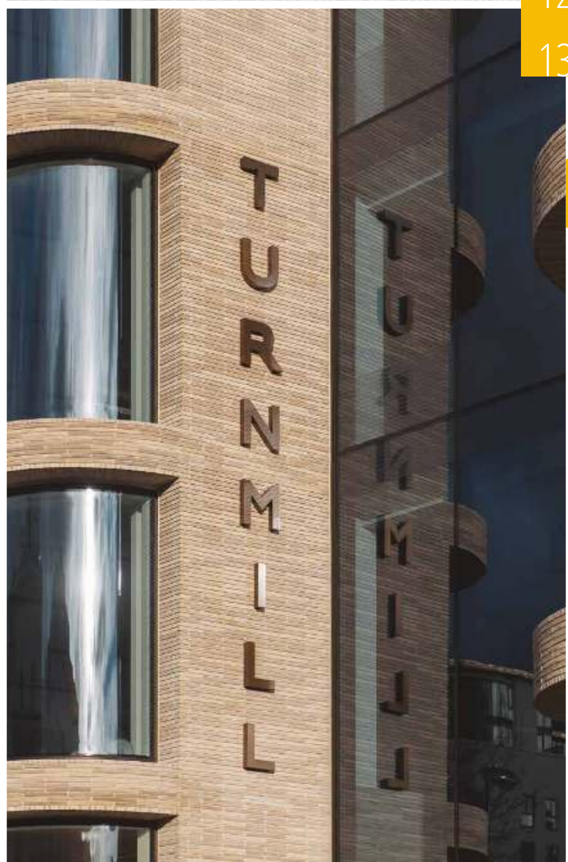
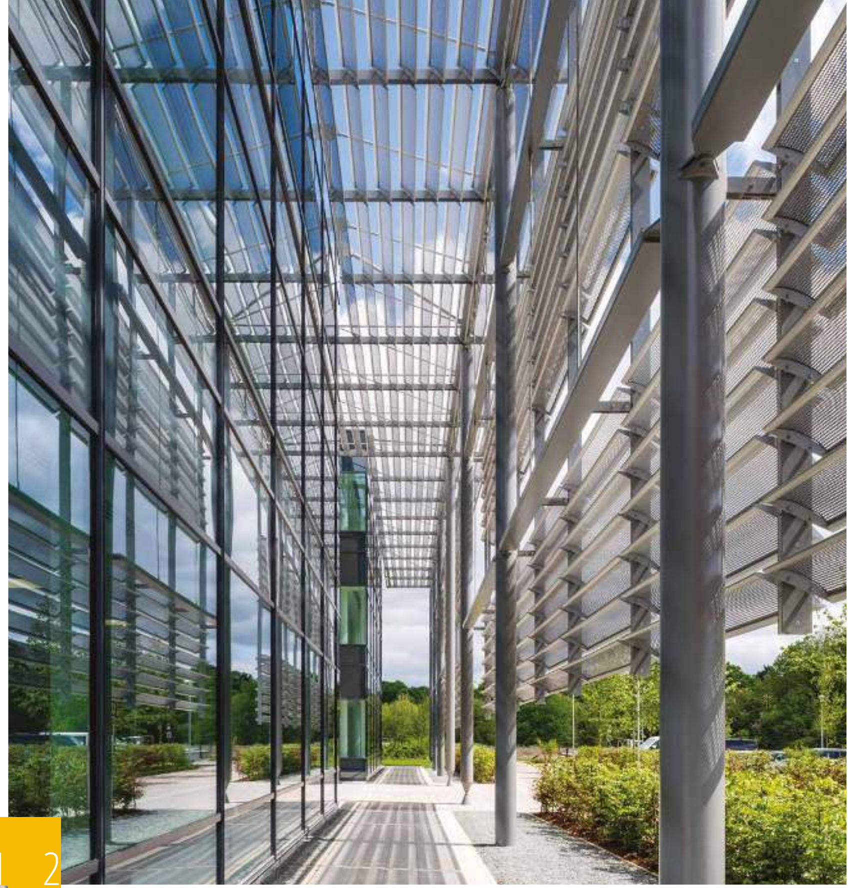


2015

14

1



2

3

1/ Monet Apartments, Moscow
2/ Uxbridge Business Park
3/ Mirdiff Lifestyle Mall, Dubai
4/ Molecular Sciences Research Hub,
Imperial West, London W12
5/ IT Group, Geneva
6/ Sleep Concept, London
7/ 1 Welbeck Street, London W1
8/ Joseph Priestley Building, Eastside Locks
9/ JTI, Moscow
10/ Boutique Hotel, Central London
11/ Ten Trinity Square, London EC3
12/ Nidakule Kusey, Istanbul

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2016

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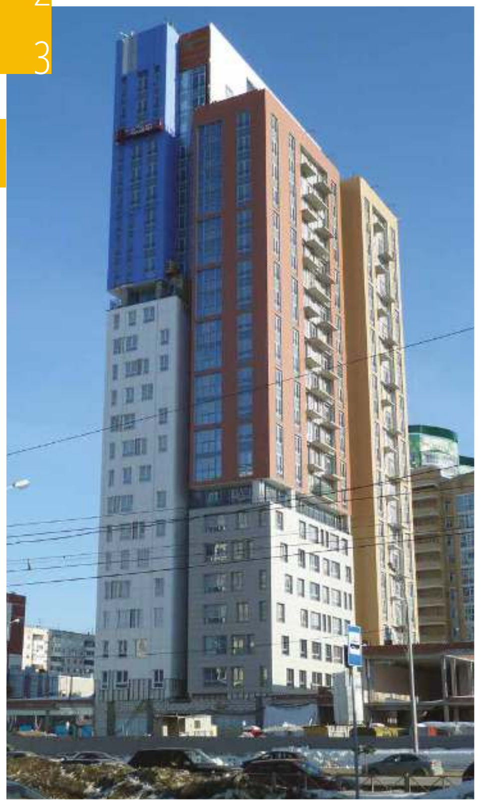

3

1/ Project Sapphire, Granta Park, Cambridge
2/ Kursovoy Apartments, Moscow
3/ Perm Tower, Siberia
4/ No 2 Forbury Place, Reading
5/ Industrial Transformation R+D
6/ Verde, London SW1
7/ 5* Hotel, Abu Dhabi
8/ Schlumberger, London SW1
9/ The Bradfield Centre, Cambridge Science Park

4

5

6

2017

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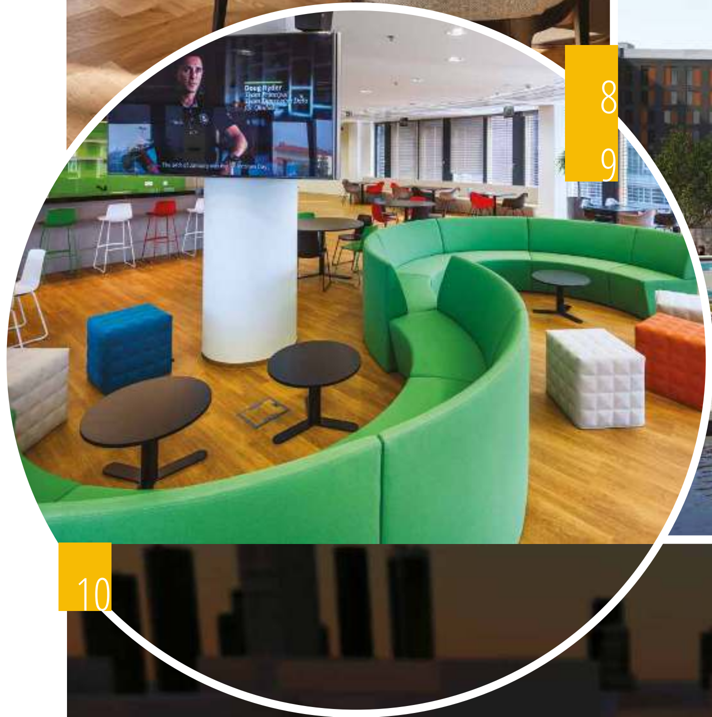
8

9

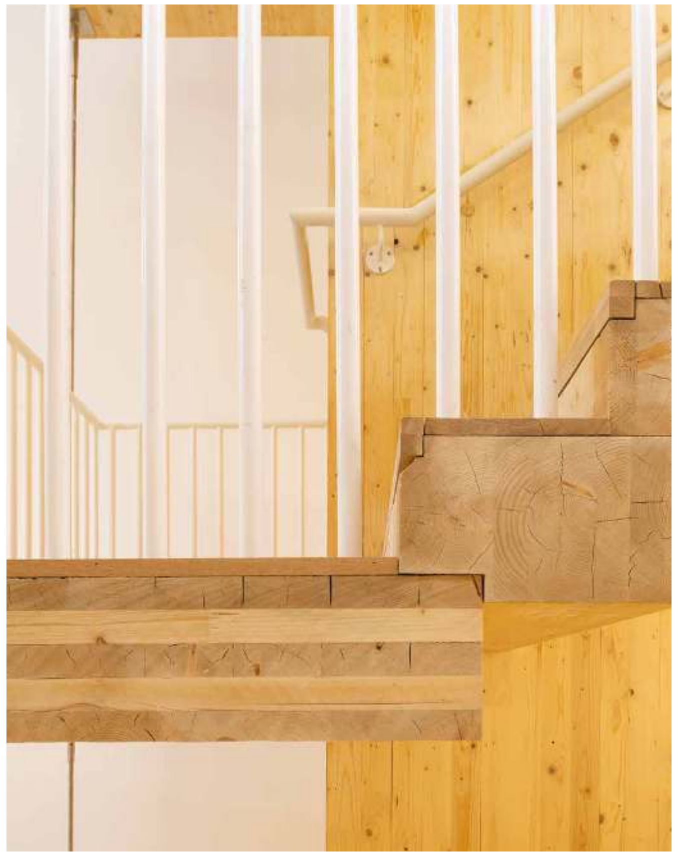
1/ Residential / Industrial R+D
2/ Churchill Residence, Prague
3/ Azzedine Alaia, New Bond Street, London W1
4/ 40 Beak Street, London W1 (Veretec)
5/ Riverscape, 10 Queen Street Place, London EC4
6/ Allianz Operations Centre, Izmir
7/ Mercedes Platz, Berlin
8/ Fontenay Grand Hotel, Hamburg
9/ Dimension Data, Prague
10/ UK Expo Pavilion 2020, Dubai (Veretec)

2018



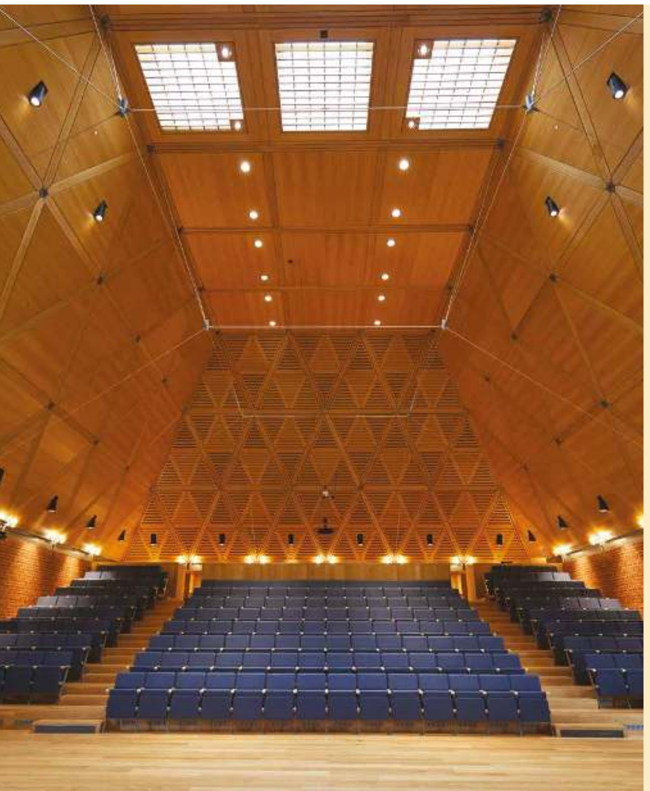

The Steinmetz Building, Granta Park, Cambridge

Current and recent projects - UK


The Green House, London E2 (Veretec)


No 2 Forbury Place, Reading


Residential / Industrial Hybrid




Riverscape, 10 Queen Street Place, London EC4

< Kings College Music School, Wimbledon (Veretec)


The Hub, Cambridge Science Park


STEAMhouse, Eastside Locks, Birmingham


Azzedine Alaia, New Bond Street, London W1

Lincoln Square, London WC2 (Veretec)

Hilton Double Tree Hotel, Moscow

Zurich Insurance, Frankfurt


Allianz Operations Centre, Izmir


215,000sqm retail/residential masterplan, Istanbul


Credit Suisse, Istanbul


Stock Pilsen Brewery, Prague

Fontenay Grand Hotel, Hamburg


Skolkovo Masterplan, Moscow

Current and recent projects - international


Dimension Data, Prague

The Clarion School, Dubai


Founders Memorial, Abu Dhabi


Private Residential, Moscow


80,000sqm residential development, Moscow


The Address Hotel, Dubai


UK Expo Pavilion 2020, Dubai (Veretec)

Board of Directors

Anthony Simmonds

Non Executive Chairman *+ #^
MA FCA FCCA Aged 74

Anthony joined Aukett Swanke as a non-executive director in 2009 and was appointed Non-Executive Chairman in March 2012.

He is a qualified chartered accountant and former senior partner of a top 50 accountancy practice. He has had many years' experience in dealing with quoted public companies on a professional basis including advising on corporate finance, M&A, due diligence, as well as initial introductions to the market.

He has held a number of executive and non-executive positions and is experienced in the strategic development of businesses and the management of financial risk.

Nicholas Thompson

Chief Executive Officer #
BSc(Hons) MBA Aged 64

Nicholas is Aukett Swanke's CEO and has over 34 years of experience in property and consulting Organisations; twenty-four of these with Aukett Swanke. During his career with Aukett Swanke he has held the position of Finance Director moving on to become Managing Director in 2002 and, finally as CEO of the Group from 2005.

He holds a master's degree in Business Administration from City University and currently sits on the Cass MBA Advisory Board. He is also a qualified accountant and has a degree from Bath University.

In 2015 he became a non-executive director of the Wren Insurance Association Limited, a mutual Insurer for architectural practices, which is regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Nicholas is responsible for the Group's strategic direction.

Beverley Wright

Chief Financial Officer &
Company Secretary ^
BA(Hons) FCA Aged 60

Beverley joined Aukett Swanke in September 2014. She is a qualified Chartered Accountant and has more than 25 years of experience with construction and engineering firms including significant experience in senior financial roles for international companies.

She spent 16 years with Mowlem Plc in a variety of roles, then in 2006 she took over as Commercial and Financial Director Europe and Middle East at CH2M, becoming International Commercial Director in 2012. Her roles have covered a very broad spectrum including tax, treasury, corporate finance, M&A and structuring, as well as commercial and financial management, analysis, control and governance.

Since joining Aukett Swanke, in addition to ensuring good day to day financial management, Beverley has worked on both commercial and strategic matters.

Much of her focus has been on the future shape of the Group.

BOARD COMMITTEES

* Member of the Audit Committee chaired by Anthony Simmonds

+ Member of the Remuneration Committee chaired by John Bullough

Member of the Nomination Committee chaired by Anthony Simmonds

^ Member of the Internal Controls and Risk Committee chaired by Anthony Simmonds

John Bullough

Non Executive Director +*#
FRICS Aged 68

John joined Aukett Swanke as a non-executive director in June 2014.

He has over 45 years of international experience in property development and investment. Following 18 years with Grosvenor, John joined ALDAR Properties PJSC in Abu Dhabi and was their Chief Executive until November 2010.

He is a Fellow of the Royal Institution of Chartered Surveyors and is a past president of the British Council of Shopping Centres.

Robert Fry

Executive Director ^
BA(Hons) DipArch MA RIBA Int'l AIA
Aged 62

Robert was appointed to the Aukett Swanke Group Plc Board in March 2018, retaining the role of Managing Director - International held since December 2013, following the merger of Aukett Fitzroy Robinson Limited and Swanke Hayden Connell Europe Limited.

With over 35 years of experience in the property and construction industry as an architect with a Master's Degree from Sheffield University he spent 6 years with Milton Keynes Development Corporation prior to becoming a founding member of Swanke Hayden Connell's London office in 1987, then a Principal in 2000, joining the Board in 2002 and then Managing Director of the UK and Europe group in 2005.

His breadth of experience covers many sectors in the disciplines of master planning, architecture, interior design and workplace consulting.

He currently has a strategic role working closely with the CEO and CFO in the development of the Group's operational strategy.

Chairman's Statement and Corporate Governance

Anthony Simmonds
Chairman
29 January 2019

I am responsible for overseeing the performance of the Board and for the effectiveness of our Corporate Governance.

Financial highlights

Your Company endured a perfect storm during the year ended 30 September 2018. Its architecture design operation in the United Kingdom suffered from a series of delayed projects and significant fee competition as a result of the continuing uncertainty of Brexit, whilst its business in the United Arab Emirates, although it started the year well, ended with a series of intermittent instructions, a reduced order book and debtor provisions taking their toll. Against this, our UK delivery business, Veretec, maintained its market position and is anticipating increased income for next year. Continental Europe also remained a positive contributor, but at the lower end of performance expectations.

Revenue for the year fell by 22% to £14.38m (2017: £18.40m) which was too far and too rapid for us to address by cost reductions so that the year-end loss extended to £2.54m (2017: loss £325k). However, the recent relocation of the UK office to Bonhill Street and property consolidation in the UAE will achieve considerable reductions in excess of £400k per annum in our fixed costs in future periods.

Whilst we now have a significant hill to climb to recover our financial position, a recent increase in enquiries does afford some optimism for the future. In addition, we managed our funds well, ending the year in net funds of £157k (2017: £184k), similar to last year.

In these circumstances a dividend is not being recommended this year.

Corporate Governance

Reports from the Audit, Remuneration, Nomination, and Internal Control and Risk Committees are contained in pages 36 to 37.

The Audit Committee has been particularly active due to the loss incurred, specifically in respect of considering any impairment or, other provisions, necessary. Following the resignation of the Chief Financial Officer ("CFO") in September and my own declared retirement in March 2019, the Nomination Committee has considered how best to respond to these replacements. The Risk Committee has made significant progress with a group-wide Risk Register that is now embedded in the reporting of all our operations. Finally, in compliance with AIM Rule 26 which became effective from 28 September 2018 the QCA Corporate Governance Code (2018) for Small and Mid-Size Quoted Companies published by the Quoted Companies Alliance was adopted. Our website sets out how we have applied these principles: www.aukettswanke.com/investorrelations/otherdocuments

Finally, I would like to thank my colleagues on the Board and all of our staff for their hard work and collective contributions in meeting the challenges of the past year. Whilst the result is not as we had hoped for, I do believe that the dedication of our team will, in time, produce positive results.

(Revenues from the joint ventures and associate are not included in Group revenues).

Five year summary

Years ending 30 September	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Total revenues under management [1]	31,950	34,583	30,379	27,553	25,066
Revenue	14,380	18,395	20,841	18,668	17,326
Revenue less sub consultant costs [1]	13,094	16,070	18,410	16,886	14,732
(Loss) / profit before tax	(2,544)	(325)	927	1,870	1,400
Basic (losses) / earnings per share (p)	(1.42)	(0.20)	0.47	1.00	0.65
Dividends per share (p)	-	-	0.18	0.22	0.18
Net assets	4,357	6,761	7,189	6,251	5,053
Cash and cash equivalents [2]	710	960	1,839	1,873	1,891
Secured bank loans	(553)	(776)	(1,049)	-	(113)
Net funds [3]	157	184	790	1,873	1,778

1 Alternative performance measures, refer to page 33 for definition
2 Cash and cash equivalents includes cash at bank and in hand less bank overdrafts
3 Net funds includes cash at bank and in hand less bank loans and overdrafts (see note 21)

Corporate information

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Bankers
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Strategic report

The Directors present their Strategic Report on the Group for the year ended 30 September 2018.

Strategy

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

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

Over the past four years we have acquired a number of strategically located practices to reinforce our business model which we anticipate will provide a balanced result over time. In the short term and since these acquisitions were completed some of our markets have been the subject of some significant economic or political changes which we had not expected and these have negatively impacted our performance. In particular, the continuing Brexit negotiations; the state of emergency in Turkey and the lower oil price impacting Russia and the Middle East, adversely affected our business in these regions

This was the case in 2017 and has continued into these results for 2018.

In the light of the current results we are not pursuing an acquisition strategy at present and the focus is more on optimising our current platform with consideration being given to the value added by each entity.

Business Model

We operate through a three hub structure covering: The United Kingdom with our office in London; the Middle East with offices in Dubai, Abu Dhabi, Al Ain and Ras Al Khaimah; and Continental Europe with five offices in Berlin, Frankfurt, Istanbul, Moscow and Prague.

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

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

Our Continental European operations are all separately managed by local directors, operating through subsidiary, associated and joint venture structures. The services offered are consistent with the other two hubs. Entities within this hub provide additional drawing services to the larger operations in order to optimise both local and group resources.

Management of the group operations is delegated to members of the Group Management Board ('GMB') which comprises both the Chief Executive Officer ("CEO") and CFO along with the Managing Directors from each of the hubs. The GMB meets on a regular basis to review topics impacting our operations and to discuss future architectural and related strategic issues.

As a Group we now have a total average full time equivalent ("FTE") staff contingent of 330 (2017: 379) throughout our organisation which includes both wholly owned, associate and joint venture operations. We are ranked by professional staff in the World Architecture 100 2019 at number 67 (2018: 43).

Group Activities

Performance in the current year, as previously indicated has declined with revenues falling 22% to £14.38m (2017: £18.40m) and the Group loss widened considerably to £2.54m (2017: loss £325k). This result arises from a number of adverse situations that we articulated in June last year and that have occurred in each of our hubs this year.

Total revenues under management (which includes 100% of our associate and joint ventures' revenue) fell 8% to £31.95m (2017: £34.58m). Of the 330 FTE staff around 126 (2017: 156) FTE staff are employed by our joint ventures and associate and as non-subsidiaries the income attributable to them is not shown in the consolidated revenue lines. More detailed financial information is given on page 32.

One significant area of comfort in relation to the adverse trading performance is our cash management with year-end net funds standing at £157k (2017: £184k) broadly the same as in the prior year but after paying down a further £236k of our long term acquisition loan. The maintenance of net funds at this level owes much to our collection regime and ability to move cash funds around our organisation in order to meet the differing timing requirements of day to day cash calls and thereby minimising any short term bank overdraft or the need to retain funds in any one location. In addition as markets return, through design-led work this aspect of our financial performance trends towards improvement far more quickly than a return to profitability.

United Kingdom

As we stated in last year's report revenues net of sub consultants have continued to fall – this year by a further 25% being a cumulative decline of 45% over the past two years from £12.08m to £6.61m. This rapid fall in revenue over this two-year period could not be fully offset in reduced operating costs as many are fixed or are necessary to retain our service offer.

Some of this adverse performance is due to the continuing Brexit negotiations which have resulted in numerous delays or short term suspensions on contracts, for which we are not paid and cannot otherwise reallocate staff. Elsewhere we have been less successful in converting a number of design-led opportunities as market prices have weakened considerably and often we found design-led projects were awarded to other bidders at up to 50% of our own pricing. As such our bidding costs increased considerably during the year, as explained below.

With the expiry of our ten-year lease in Kings Cross we took the opportunity to move the studio back into the City and achieved a significant cost saving in the process. This strategic move generates a substantial long term reduction in fixed costs and in the immediate future a relaxation of rental payments via a rent free period of two years improves our near term liquidity from May 2019 after taking account of the rent deposit.

Whilst the resulting loss of £1.51m (2017: profit £19k) is large, it includes around £750k (2017: £340k) of bidding costs for work which we were not successful in winning and one off property costs of £370k (including overlap rental costs, moving costs and dilapidation fees uncovered by brought forward provisions), leaving the underlying loss at £385k .

One area of the UK business that has progressed well during the year is Veretec – our executive delivery business. Veretec currently accounts for approximately 50% of UK revenues and has continued to expand over the past few years. It owes this success partly to its position as The Architects' Journal 100 No 1 delivery architect for two successive years (and being nominated for a third) plus its ability to meld with other architectural professionals in maintaining concept and planning design intent but also giving clients and contractors alike pricing and delivery time certainty.

Key design projects undertaken this year are: completion of Ten Trinity Square - a Four Seasons Hotel for Reignwood Group; two office buildings at Granta Park; the Hub at Cambridge Science park; a refurbishment of 10 Queen Street Place; a major fit-out in Reading for an overseas investor managed by Deutsche Bank; a 14,000m2 new build postgraduate complex with office use for Birmingham City University with Goodman; a new store for Alaia in Bond Street; and seven major projects all of which had partial instructions during the year but are currently on hold.

Awards won are AA hotel of the year for Reignwood's Four Seasons Hotel at Ten Trinity Square in the City of London, which also won restaurant of the Year. Verde won the OAS award for best West End refurbishment / regeneration and was shortlisted for NLA and BCO awards. Adelphi was 'Highly Commended' at the BCO London refurbished / recycled awards. Finally, the Bradfield Centre won the 'best new large building' at the Cambridge Design and Construction awards

Veretec is delivering a range of projects from RIBA work stages 4 and 5 including: Damien Hirst's new flagship studio and art complex at 40 Beak Street, in the heart of Soho (Design Architect: Stiff + Trevillion); the redevelopment of a disused Mecca Bingo Hall into a £25m new high quality mixed-use building incorporating apartments and commercial space for LBS Hackney (Design Architect: Hawkins Brown); The Green House in London E2 which is being remodelled and extended to create 76,000 sqft of space for a new client Ethical Property Company (Design Architect: Waugh Thistleton); Dovehouse Street in Kensington & Chelsea, a new state of the art extra care facility consisting of 56 residential apartments for self-contained independent living which includes a range of communal and wellbeing facilities for Multiplex (Concept by PDP Architects); Lincoln's Inn Fields, a 10-storey new build high end residential scheme consisting of 220 apartments for Lodha Developers UK (Architect: PLP, Contractor: Multiplex); a new Music School for Kings College School Wimbledon, comprising three inter-linked blocks (Hopkins Architects & Partners, Interserve Construction); and finally the UK Pavilion, where Veretec has been selected as part of the winning multidisciplinary team alongside celebrated designer Es Devlin to create the UK's showcase pavilion at the next World Expo 2020 in Dubai.

With the process to leave the EU continuing to provide political and market uncertainty we are mindful of making any statement that can be deemed to announce a turning point. That said it appears that there is a definite market shift to investment into property development with a focus on offices, industrial complexes and hotels and a move away from residential – these former three are areas in which we can claim a strong market presence. However, residential remains a key element in most of our major city developments.

We can foresee Veretec continuing to grow.

Our reduced operating costs led by the property saving will provide incremental support to this operation's working capital in the forthcoming period. The lower operating base will enable the UK to achieve a more profitable result, subject to a small increase in revenue.

Middle East

The story in the Middle East is similar to that of the United Kingdom but the reasons are very different.

The real estate market in the UAE slowed in the latter part of 2018 resulting from a decrease in market liquidity. In contrast to the UK requests for new project proposals increased, but the time taken in awarding contracts has also extended, reducing the actual new project win pipeline during the second half of the year. This is evidenced with actual projects that have been won: a 1.26m sqft. retail scheme for a Chinese developer in Dubai; a new hotel development for a repeat client in Abu Dhabi and a major residential scheme for a major Dubai developer under our newly enlarged operation - all three being variously intermittently suspended, going slower than programme or put on permanent hold. Although the cost base of the UAE operation has been reduced during the year the combined impact of uncertain awards and project duration has resulted in the operation being unable to accurately plan resourcing and at times holding staff for too long. The necessary reduction in staff resulted in a greater outflow of cash than would occur under normal trading. It was then unable to recover the full amount of the fees earned against resource input before the year end and was required to make various debtor and work in progress provisions.

The outcome of this is that revenue fell 21% to £6.82m (2017: £8.63m) resulting in a loss of £1.209m (2017 profit: £13k). This result includes some £697k of provisions for write downs in project work in progress

RESIDENTIAL DEVELOPMENT, HACKNEY ROAD, LONDON E1 (VERETEC)

NEW RESIDENTIAL DEVELOPMENT, TYUMEN, RUSSIA

VODAFONE, ISTANBUL

and debtors across all businesses. Late payment is unfortunately a commonplace feature of the commercial world in this region and consequently can lead to invoice disputes and question marks over recoverability. Excluding this the underlying loss was £512k.

The outlook for this hub is dependent on a change in market confidence, a positive outcome to a number of the new project proposals submitted and our major projects continuing on a permanent basis. The Expo 2020 development represents a bubble of building work with much of it comprising small scale pavilions and will only marginally assist in generating additional revenue during the current year.

We are also continuing to review our structure and cost base in the UAE, including combining our three separate operations under a common brand and, subject to local licensing requirements for space allocation, considering co-location of our Dubai businesses. We have completed this process in Abu Dhabi.

We see the outlook as primarily flat and our emphasis is on cost control in order to maximise revenue opportunities. Cash will continue to be contained and operations rationalised until the operation has a more stable economic outlook.

Continental Europe

This operation comprises two joint ventures and an associate plus two wholly-owned subsidiaries. Once again the businesses had very mixed results in 2018. Revenue for the partly-owned entities is not included in revenue in the Consolidated Income Statement; in line with the use of the equity method of accounting only the after tax result is included in the results.

Revenue for the hub, (i.e. the Russian and Turkish wholly-owned subsidiaries only), declined marginally by 3.8% to £817k (2017: £849k), and achieved a small profit of £10k (loss £389k) as the net income after subconsultants rose from £472k to £632k.

Turkey won a significant fit-out contract for VMware in Sofia, Bulgaria along with projects in Istanbul for Allianz, Credit Suisse, Sanofi and Vodafone. Russia managed to keep a stable revenue stream from ongoing residential schemes and private apartments in Moscow alongside a range of smaller residential and commercial projects in regional cities including Perm, Tyumen, Tobolsk and Petropavlovsk-Kamchatsky.

Both of the operations are mainly self-funded with little reliance on the Group.

The joint ventures and associate contributed £121k (2017: £253k) in profit after tax with the decrease due almost entirely to Berlin making a reduced, but still profitable contribution. This was attributable to its three major projects which ended in the second quarter requiring a significant downsizing of staff numbers and also to a project cancellation in the final quarter. Frankfurt had a positive year; the Czech Republic made a small loss.

Project completions this year in Germany included the Mercedes Platz Entertainment District, the Gropius Passagen shopping centre refurbishment, the Regatta residential apartment projects in Berlin and the Fontenay Hotel in Hamburg. Various financial service sector fit-outs were completed for Commerzbank throughout Germany, and for Woori Bank and Zurich Insurance in Frankfurt. The Czech Republic completed the Stock Pilzen Brewery and Dimension Data fit-outs in Prague.

As such, the hub reversed its prior year performance and made a positive contribution to the Group in the year of £131k (2017: loss £136k).

With Berlin returning to an optimal size of around 100 staff and Frankfurt continuing to perform well, we expect this hub to quickly recover to its former financial position and to continue to make a positive contribution to the Group result and generate future cashflow.

Group Expenditure

The Group carefully managed costs, incurring little non-essential expenditure during the current year. This continues to be the case in 2019.

Summary, Group Prospects and Shareholder Value

The results for the year are poor by any standard and somewhat worse than those seen during the financial crisis of a decade ago. We have taken action to reduce costs (mainly staff) but have only been able to rebase our fixed costs in the UK by any significant amount. This will benefit the Group in the longer term.

We expect a better outcome in 2019 than that for 2018 based on our current order book and likely prospect of recovery or, at least, of not having to provide for any further write downs of debtors or work in progress. Whilst we expect 2019 overall to report a positive result, the first half will be very much focused on mitigating any residual effect of the large loss from the prior year and our overall approach to 2019 is one of caution as it remains revenue sensitive at current operating levels.

On behalf of the Board

Nicholas Thompson
Chief Executive Officer

29 January 2019

Financial review

The headline financial results of the Group were:

	2018 £'000	2017 £'000
Total revenues under management [1]	31,950	34,583
Revenue	14,380	18,395
Revenue less sub consultant costs [1]	13,094	16,070
Net operating expenses	(16,010)	(17,703)
Other operating income	287	1,089
Net finance costs	(36)	(34)
Share of results of associate and joint ventures	121	253
Loss before tax	(2,544)	(325)
Tax credit	171	21
Loss for the year	(2,373)	(304)

1 Alternative performance measures, refer to page 33 for definition

Revenues for the year were £14.38m, a decrease of 21.8% on the previous year (2017: £18.40m), as a result of a poor year in both the Group's major hubs, the UK and the Middle East. Similarly revenues less sub consultants also fell to £13.09m (2017: £16.07m), an 18.5% decrease. In the year, subconsultant costs fell from £2.32m last year to £1.29m. Most of the decrease was in the Middle East and reflects the shift to self-delivery from within the Group.

Costs in the year were also reduced by an overall reduction of £1.7m, of which £1.1m related to technical staff. This was split almost equally between the UK and the UAE, and reflects the staff costs reductions inherent in achieving the stated scaling back as set out in the following United Kingdom and Middle East segment notes.

The result before tax was a loss of £2,544k (2017: £325k loss), reflecting the losses in the UK and the Middle East as well as a weaker profit from Berlin.

Taking account of a £171k tax credit, our loss after tax at £2,373k gives an EPS loss of 1.42 pence per share (2017: 0.20 pence per share (loss)).

United Kingdom

	2018 £'000	2017 £'000
Revenue	6,744	8,915
Revenue less sub consultant costs [1]	6,610	8,765
FTE technical staff [1]	72	82
Net revenue per FTE technical staff [1]	91	107
(Loss) / Profit before tax	(1,505)	19

1 Alternative performance measures, refer to page 33 for definition

The UK's second half revenue was an 9.5% improvement on the first half leading to a full year result 24% down on the prior period.

Full year result before tax was a loss of £1,505k, with a second half loss of £626k compared with a loss of £879k in the first half. As explained in the Strategic Report, there were significant one-off property related costs incurred in the second half of £375k without which the loss would have been £251k.

Reflecting the lower workload staff numbers were reduced, however productivity (net revenue per FTE) also fell as a result of bid and competition work.

Middle East

	2018 £'000	2017 £'000
Revenue	6,819	8,631
Revenue less sub consultant costs [1]	5,852	6,833
FTE technical staff [1]	83	95
Net revenue per FTE technical staff [1]	70	72
(Loss) / profit before tax	(1,209)	13

1 Alternative performance measures, refer to page 33 for definition

Revenues decreased 21.0% from £8.63m to £6.82m in the year. The second half was £495k lower than the first half, reflecting the effect of large projects which were put on hold or delayed such that milestone revenues could not be recognised. This in turn also impacted profit before tax and although costs were controlled and cut as much as possible the final result was a loss of £1,209k.

Staff numbers were reduced as much as possible within the constraints of maintaining an operational business and delivering the forecast order book. Productivity at £70k net revenue per FTE technical staff was maintained.

Continental Europe

	2018 £'000	2017 £'000
Revenue	817	849
Revenue less sub consultant costs [1]	632	472
FTE technical staff1	15	17
Net revenue per FTE technical staff [1]	42	27
Profit / (loss) before tax	131	(136)
Including 100% of associate & joint ventures		
Total revenues under management [1]	18,387	17,037
Revenue less sub consultant costs [1]	9,990	10,349
FTE technical staff 1	132	162
Net revenue per FTE technical staff [1]	76	64

1 Alternative performance measures, refer to page 33 for definition

Reported revenues, comprising the two Continental European subsidiaries, Russia and Turkey, were at £817k, 3.8% lower than the prior year (£849k). The result before tax, also including the joint venture and associate in Germany and the joint venture in the Czech Republic, was a profit of £131k (2017: £136k loss).

Continental Europe's result continues to comprise a mix of performances across the businesses. Russia and the Czech Republic both reported negative results, although Russia showed a substantial improvement on prior years. Pleasingly Turkey turned around in the year and reported a comparatively strong profit. The remaining businesses, Berlin and Frankfurt remain strong, and whilst Berlin reduced profitability overall, it returned to profit in the second half.

Earnings per FTE technical staff were slightly higher at £76k (2017: £64k).

Staff numbers reduced to 132 from 162 due to down-sizing in Berlin when its large projects came to an end in the second quarter.

Financing

Taking account of the year's result, total equity is now £4.36m (2017: £6.76m).

Net funds (see note 21) at year end were £157k (2017: £184k), comprising cash of £710k (2017: £1.19m), overdrafts of £nil (2017: £228k) and the loan taken out in respect of the acquisition of Shankland Cox Limited ("SCL"), which now stands at £553k (2017: £776k). Despite the reported loss the Group has maintained a position of positive net funds.

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

As reported last year, the Group's overdraft facility from its bankers Coutts & Co was increased to £500k in October 2017, in order to provide working capital flexibility and to support the UK business. This is renewable annually and currently remains in place until November 2019, with a review in May 2019.

Throughout the year there has been very strong focus on cash management, liquidity forecasts and covenant compliance. Although nothing was drawn at year end, use was made of the overdraft throughout the year. Going forward and from the second half of the 2019 financial year utilisation of the facility is expected to reduce.

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

Future work

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

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

- The UK trades as 2 businesses: Veretec and ASL. Veretec is growing and increasing revenues and commensurately staff numbers. ASL has been shrinking with some redundancies in the year; transfers to Veretec; and by natural attrition.
- The Middle East continues the strategy of Aukett Swanke Architectural Design Limited winning larger, longer-term projects which underpin its workload and in part that of SCL. John R Harris & Partners Limited ("JRHP") and SCL also pursue and win smaller projects which they deliver individually.
- Continental Europe remains mixed across the portfolio. The German businesses are strongest and Berlin has a very strong forward order book signalling a return to its former levels of profitability. Turkey, Russia and the Czech Republic continue to try and build strength, with Turkey and the Czech Republic enhancing their capability to support other businesses in the Group.

Key Performance Indicators ("KPIs")

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

- total revenues under management. This includes 100% of the revenues generated by our joint ventures in Prague and Frankfurt and associate in Berlin. This is used as a measurement of the overall size and reach of the Group and to track performance against the strategic objective of creating a diversified and balanced business across the three regional hubs;
- revenue less sub consultant costs which reflects the revenue generated by our own technical staff but excludes the revenue attributable to sub consultants, which are mainly passed through at cost. This is the key driver of profitability for our business;
- revenue less sub consultant costs being generated per full time equivalent (FTE) technical member of staff. For our larger operations this provides a barometer of near term efficiency and financial health. This figure when compared to the movement in total costs provides an insight into the likely direction of profitability and is a key measure of productivity. This KPI is only analysed on a segmental basis and calculations for each segment can be found on pages 31 to 32;
- result before taxation; and
- cash at bank and in hand and net funds / (debt)

The numbers of full time equivalent technical members of staff differs from the employee numbers disclosed in note 7 as, at times, the Group uses some non-employed workers through agencies and freelance contracts. Staff working on a part time basis, or on long term leave, are also pro-rated in the number of full time equivalent staff number, which differs from the method of calculating the average number of employees for the year under the Companies Act 2006 as disclosed in note 7. Full time equivalent technical members of staff are given for each hub on pages 31 to 32.

Principal Risks and Uncertainties

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

Levels of property development activity

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

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

Geo-political factors

Political events and decisions, or the lack thereof, can seriously affect the markets and economies in which the Group operates, leading to a lack of decisions by government bodies and also by clients. In turn this directly impacts workload and can even delay committed projects. In particular Brexit is a risk for the UK business although it is difficult to quantify its impact.

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

Share price volatility

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

Operational gearing and funding

In common with other professional services' businesses, the Group has a relatively high level of operational gearing, through staffing and property costs, which makes it difficult to reduce costs sufficiently quickly to immediately avoid losses and associated cash outflows when faced with sharp and unpredicted falls in revenue. As reported, action has however been taken in the UK to mitigate property cost and the business there now benefits from a twenty-four month rent free period. Property rationalisation has also been undertaken and is under constant review in the UAE.

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

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

In addition the decrease in the size of the UK business and delayed receipts in the UAE mean that there is less free cash available to remit to the Plc.

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

The Group's principal bankers remain supportive and in December 2018 renewed the Group's overdraft facility until November 2019, at the existing £500k level. In February 2016 a USD 1.6m loan was also offered and drawn down with respect to the acquisition of Shankland Cox Limited, the current value as at 29 January 2019 of which is USD 640k.

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

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

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

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

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

Staff skills and retention

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

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

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

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

Quality of technical delivery

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

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

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

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

Contract pricing

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

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

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

Poor acquisitions

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

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

Overseas diversification

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

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

The Strategic Report was approved by the Board on 29 January 2019 and signed on its behalf by

Beverley Wright
Chief Financial Officer

Directors' report

The Directors present their report for the year ended 30 September 2018.

Corporate governance

Following the introduction of AIM Rule 26 the Company is now required to apply a recognised corporate code by 28 September 2018. The Board has considered this and has resolved to adopt the QCA Corporate Governance Code (2018) published by the Quoted Companies Alliance.

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

Board of Directors

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

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

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

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

Audit Committee

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

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

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

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

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

Remuneration Committee

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

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

Where appropriate the Committee consults the Chief Executive Officer regarding its proposals. No Director plays a part in any discussion regarding his or her own remuneration.

Nomination Committee

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

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

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

During the year the Committee made recommendations with respect to succession and the appointment of an additional non-executive director.

Internal Controls and Risk Committee

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

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

Directors

Anthony Simmonds, John Bullough, Nicholas Thompson and Beverley Wright served as Directors of the Company throughout the year ended 30 September 2018. On 29 March 2018 Andrew Murdoch and Nick Pell resigned, and Robert Fry was appointed as a Director of the Company. On 29 March 2018 it was also announced that Anthony Simmonds will stand down as Chairman at the Company's next AGM in March 2019. On 25 September 2018 it was announced that Beverley Wright has resigned but will remain with the Group for her notice period of 6 months.

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

The Company maintains directors' and officers' liability insurance.

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

	Number of meetings while in office	Number of meetings attended
Executive Directors		
Nicholas Thompson	12	12
Beverley Wright	12	12
Andrew Murdoch	6	6
Nick Pell	6	5
Robert Fry	6	5
Non executive Directors		
Anthony Simmonds	12	10
John Bullough	12	10

Directors' interests

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

Number of ordinary shares	30 September 2018	30 September 2017
Anthony Simmonds	1,000,000	1,000,000
Nicholas Thompson	16,802,411	16,602,411
Beverley Wright	100,000	100,000
John Bullough	500,000	500,000
Andrew Murdoch	12,478,486	12,478,486
Nick Pell	1,826,700	1,826,700
Robert Fry	2,150,000	2,150,000

Directors' service contracts

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

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

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

Substantial shareholdings

At 29 January 2019 the Company had been informed of the following notifiable interests of three per cent or more in its share capital:

Shareholder	Notes	Number of ordinary shares	Percentage of ordinary shares
Nicholas Thompson	Director of the Company	16,802,411	10.17%
Jeremy Blake	Former employee of the Group	13,030,638	7.89%
Andrew Murdoch	Former director of the Company	12,478,486	7.56%
Begonia 365 SL	Controlled by a former director of the Company	9,515,192	5.76%
Raul Curiel	Former director of the Company	9,240,018	5.59%
River & Mercantile Long Term Recovery Fund		7,915,000	4.79%
Stephen Atkinson	Former employee of the Group	7,638,913	4.62%
John Vincent	Former director of the Company	5,791,394	3.51%
Broadwalk Asset Management		5,317,000	3.22%

Share price

The mid-market closing price of the shares of the Company at 30 September 2018 was 2.23 pence and the range of mid-market closing prices of the shares during the year was between 1.375 pence and 2.875 pence.

Share capital

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

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

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

Environmental policy

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

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

We believe ourselves to be at the forefront of sustainability amongst our peers which is demonstrated by our track record in achieving 70 'Excellent' or 'Very Good' BREEAM (Building Research Establishment Environmental Assessment Method) ratings awarded to buildings designed by the Group. We have also achieved 1 Ska 'Gold' and 2 Ska 'Silver' environmental assessment ratings and 6 LEED (Leadership in Energy and Environmental Design) 'Gold' award and 5 'Silver' awards.

Employees

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

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

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

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

Health and safety

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

The Group has a Health and Safety Steering Committee, chaired by Robert Fry, to guide the Group's health and safety policies and activities. Health and safety is included on the agenda of each board meeting. Beverley Wright is also a member of the Committee.

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

Disclosure of information to auditor

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

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

Future developments

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

Financial instruments

Information concerning the use of financial instruments by the Group is given in notes 27 to 31 of the financial statements.

Dividends

Given the uncertainty with respect to near-term trading, the Board will review the position regarding dividend payments in the second half of the 2019 financial year.

Annual General Meeting

The Annual General Meeting will be held on 28 March 2019. Notice of the Annual General Meeting is set out on page 91.

The Directors' report was approved by the Board on 29 January 2019 and signed on its behalf by

Beverley Wright
Company Secretary

Aukett Swanke Group Plc
Registered number 2155571

Statement of directors' responsibilities

Directors' responsibilities

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

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

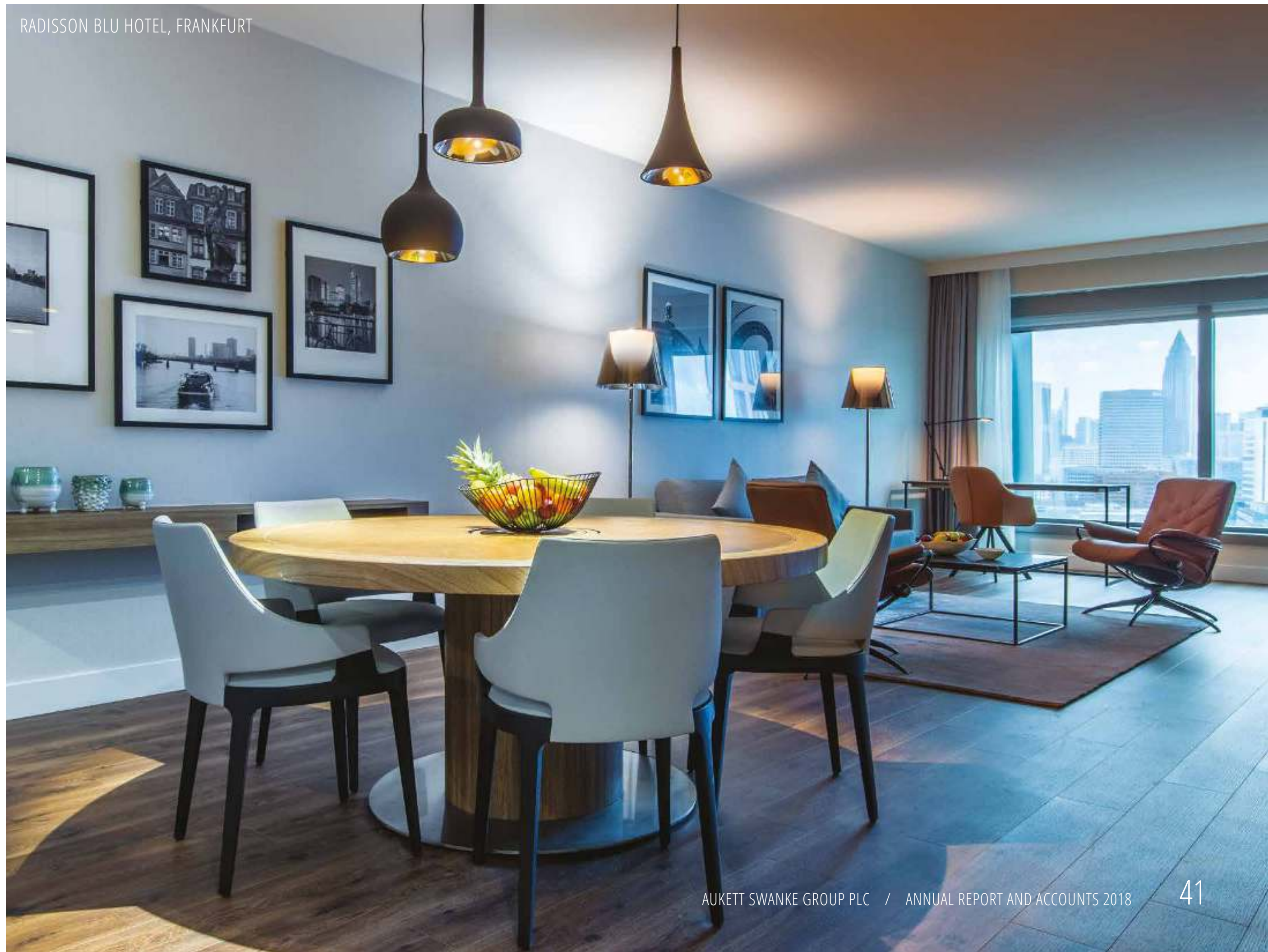
In preparing these financial statements, the Directors are required to:

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

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

Website publication

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

Opinion

We have audited the financial statements of Aukett Swanke Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position , the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group and of the parent company affairs as at 30 September 2018 and of the group's loss for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

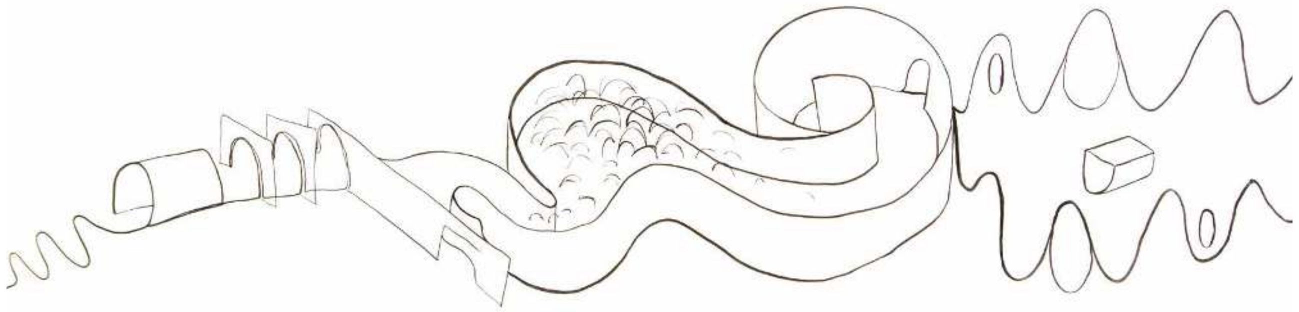
Conclusions relating to going concern

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

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

Key audit matters

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



Matter	How we addressed the matter in our audit
Recognition of contractual revenue, margin and related receivables and liabilities As explained in the Group Revenue Recognition accounting policy on page 59 and accounting estimates and judgements – Recognition of contractual revenue on page 60, the Group recognises revenue based on the stage of completion of contracts for services by reference to the proportion of costs incurred to the statement of financial position date compared with the estimated final costs of the contract at completion. Variations to expected revenue are assessed and recognised on a contract-by-contract basis when the Group believes it is probable they will result in revenue and they are capable of being measured reliably. A high degree of judgement therefore exists in the Directors' assessment in the stage of completion of individual contracts for services at the statement of financial position date and the completeness of total cost and revenues to be included within individual contracts. Changes to the total contract cost and / or revenue estimates could give rise to material variances in the amount of revenue and margin to be recognised in the reporting period.	We evaluated the design and implementation of controls of the Group's UK entities to monitor amounts recorded as revenue at the statement of financial position date (and reviewed the equivalent documentation of controls by the United Arab Emirates ('UAE')-based component auditor on those elements of the Group). This included review of the processes and controls under which information flows from key revenue documents (contracts, timecards, resourcing budgets and sales invoices) into the revenue model and ultimately the accounting system. The following references to "we" refer to the work performed collectively as a Group, i.e. covering both the work done by BDO UK on UK segments of the business and the work done on the UAE segments by the component auditor. We selected a sample of contracts to test, from a complete population of all contracts. The following procedures were performed in respect of the sample selected: • We traced total anticipated revenue on the sampled projects (as listed on the revenue model) to supporting documentation including the original contract and/or amendments to contracts (where applicable eg. due to agreed variations). • We agreed the chargeable time costs incurred to date for our sample of projects noted in the stage of the completion calculations to reports from the timekeeping system and tested a sample back to submitted time cards, including validation of the core charge out rate applied to ensure consistency with the firm's charge rates on the given individuals. • In the UK, the accuracy of sales invoices raised to date against the sampled projects and the completeness of the information source with regard to bills raised against those projects were audited by testing the underlying controls, to which no exceptions were noted. The UAE auditor's work around these invoices was substantive in nature. • Finally, we assessed the key judgements adopted by management in relation to the revenue recognition, in particular, judgements with respect to the percentage of completion by obtaining an understanding from the project managers of how they estimated the final expected project costs. This involved challenging assumptions made, evaluating the outturn of the projects against budget since inception and agreeing the actual costs incurred after the year-end to the forecasted costs for the project as at the year end to determine the accuracy with which the project was proceeding by reference to its budget. • The underlying calculation for each of the sampled projects was validated on the basis of the above information to ensure it complied with the requirements of IAS 18. • Further to this, we traced a sample of year-end trade receivables to invoices and subsequent post year-end cash receipt.

Matter	How we addressed the matter in our audit
	• We considered management's judgements around the recognition (or non-recognition) of material fee claims as at the statement of financial position date to determine the validity of the circumstances surrounding the revenue recognised on such claims and challenged management through review of key documentation and consideration of the underlying facts. No exceptions were noted from this work.
Goodwill impairment assessment of the UK and Middle East CGUs As explained in the Group Goodwill accounting policy on page 58 and assumptions included within value in use calculations on pages 68-69, the Group's balance sheet includes goodwill, principally arising from past acquisitions totalling £2.4m as at 30 September 2018. This comprising primarily of £1.7m within the UK Cash Generating Unit ('CGU') and £0.6m within the Middle East CGUs. There is a risk that goodwill allocated to CGU is not recoverable and should be impaired. An impairment assessment has therefore been carried out by management at the balance sheet date. This assessment includes a number of estimates and assumptions for future performance that determine the net present value of future cash flows, including but not limited to, the discount rate, long term growth rate, and operating profitability of the group. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, notably net earnings which are the basis of the assessment of recoverability, this is one of the key judgemental areas affecting the level of direction and strategy of our audit and the use of our resources	Our procedures included critically assessing the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we: • considered the consistency and appropriateness of the allocation of businesses and related goodwill balances into CGUs; • audited the Value in Use schedules of the Group to ensure that they were mathematically accurate; • reviewed the net earnings budgeted for the year ended 30 September 2018 in the context of the degree of work secured, including examination of supporting contracts and consideration of the pipeline activity • considered the underlying assumptions in determining the cash flows and growth assumptions applied with reference to historical forecasting accuracy and wider macro environment conditions; • challenged the assumptions used in the calculation of the discount rates used by the Group, including comparisons with external data sources; • assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the valuation of goodwill; and • performed our own sensitivity analysis, notably on net earnings which included consideration of the effect of a possible reduction in assumed growth rates and cash flows, given reasonably possible variations in operating cash flows (such as net earnings shortfall against budget) in the context of the above work.

Our application of materiality

Materiality for the Group financial statements as a whole was set at £210,000 (2017: £235,000) which represents approximately 1.5% of revenue less subconsultant costs for the year. The performance materiality level applied to the Group was £157,000 (2017: £176,000).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £10,000 (2017: £11,750) in addition to other misstatements that warranted reporting on qualitative grounds.

The audit of the company-only financial statements of Aukett Swanke Group Plc was performed at a level of £129,000 (2017: £83,000) which represents approximately 3% of net assets at the year-end.

An overview of the scope of our audit

The audit of the Group financial statements comprised full scope audits performed on the consolidated group headed up by Aukett Swanke Group Plc (in addition to its standalone parent entity financial statements), along with a full scope audit on its seven UK-domiciled subsidiaries as required by statutory regulations in the UK. Full scope audits were also performed by a separate independent audit firm within the UAE on the business of John R Harris & Partners, along with the Group's UAE-domiciled branches of Shankland Cox Limited, Aukett Fitzroy Robinson International Limited and the business of Aukett Swanke Architectural Design Limited.

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

- Revenue less subconsultant costs: 45%
- Result before taxation (normalised): 46%
- Gross assets: 48%

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

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

Specific procedures were performed around certain elements of the Berlin and Frankfurt joint ventures given their size and significance to the overall group and other unaudited entities within the group were reviewed analytically by reference to their expected financial performance and position.

We planned our audit by undertaking an evaluation of the systems and controls in place on the group's core transactional cycles and the controls in place designed to capture and record information for financial statement disclosures. Our testing was performed using a combination of tests of operating effectiveness of controls and for those areas where this would be perceived as being ineffective, substantive analytical procedures and other substantive procedures such as verification of transactions or samples from populations to underlying evidence.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

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

Date: 29 January 2019

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

ALLIANZ OPERATIONS CENTRE, IZMIR

Consolidated income statement

For the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Revenue	3	14,380	18,395
Sub consultant costs		(1,286)	(2,325)
Revenue less sub consultant costs	3	13,094	16,070
Personnel related costs		(11,915)	(13,114)
Property related costs		(2,029)	(2,360)
Other operating expenses		(2,066)	(2,229)
Other operating income	4	287	1,089
Operating loss		(2,629)	(544)
Finance costs	5	(36)	(34)
Loss after finance costs		(2,665)	(578)
Share of results of associate and joint ventures		121	253
Loss before tax		(2,544)	(325)
Tax credit	10	171	21
Loss for the year		(2,373)	(304)
Loss attributable to:			
Owners of Aukett Swanke Group Plc		(2,345)	(323)
Non-controlling interests		(28)	19
		(2,373)	(304)
Basic and diluted earnings per share for loss attributable to the ordinary equity holders of the Company:			
From continuing operations		(1.42)p	(0.20)p
Total loss per share	11	(1.42)p	(0.20)p

Consolidated statement of comprehensive income

For the year ended 30 September 2018

	2018 £'000	2017 £'000
Loss for the year	(2,373)	(304)
Currency translation differences	(31)	(124)
Other comprehensive loss for the year	(31)	(124)
Total comprehensive loss for the year	(2,404)	(428)
Total comprehensive loss for the year is attributable to:		
Owners of Aukett Swanke Group Plc	(2,370)	(425)
Non-controlling interests	(34)	(3)
	(2,404)	(428)

Consolidated statement of financial position

At 30 September 2018

	Note	2018 £'000	2017 £'000
Non current assets			
Goodwill	12	2,372	2,377
Other intangible assets	13	810	908
Property, plant and equipment	14	114	210
Investment in associate	16	545	530
Investments in joint ventures	17	248	233
Deferred tax	22	377	213
Total non current assets		4,466	4,471
Current assets			
Trade and other receivables	18	5,995	7,931
Cash at bank and in hand		710	1,188
Total current assets		6,705	9,119
Total assets		11,171	13,590
Current liabilities			
Trade and other payables	19	(5,272)	(4,723)
Current tax		(1)	-
Borrowings	20	(246)	(467)
Provisions	23	-	(151)
Total current liabilities		(5,519)	(5,341)
Non current liabilities			
Borrowings	20	(307)	(537)
Deferred tax	22	(61)	(71)
Provisions	23	(927)	(880)
Total non current liabilities		(1,295)	(1,488)
Total liabilities		(6,814)	(6,829)
Net assets		4,357	6,761
Capital and reserves			
Share capital	24	1,652	1,652
Merger reserve		1,176	1,176
Foreign currency translation reserve		(17)	8
Retained earnings		(95)	2,250
Other distributable reserve		1,494	1,494
Total equity attributable to equity holders of the Company		4,210	6,580
Non-controlling interests		147	181
Total equity		4,357	6,761

The financial statements on pages 47 to 90 were approved and authorised for issue by the Board of Directors on 29 January 2019 and were signed on its behalf by:

Nicholas Thompson
Chief Executive Officer

Beverley Wright
Chief Financial Officer

Company statement of financial position

At 30 September 2018

	Note	2018 £'000	2017 £'000
Non current assets			
Investments	15	5,514	5,514
Trade and other receivables	18	27	26
Total non current assets		5,541	5,540
Current assets			
Trade and other receivables	18	1,475	1,311
Cash at bank and in hand		166	623
Total current assets		1,641	1,934
Total assets		7,182	7,474
Current liabilities			
Trade and other payables	19	(2,256)	(2,536)
Borrowings	20	(246)	(239)
Total current liabilities		(2,502)	(2,775)
Non current liabilities			
Borrowings	20	(307)	(537)
Total non current liabilities		(307)	(537)
Total liabilities		(2,809)	(3,312)
Net assets		4,373	4,162
Capital and reserves			
Share capital	24	1,652	1,652
Retained earnings		51	(160)
Merger reserve		1,176	1,176
Other distributable reserve		1,494	1,494
Total equity attributable to equity holders of the Company		4,373	4,162

The result for the year contained within the parent company's income statement is £211,000 (2017: £411,000).

The financial statements on pages 47 to 90 were approved and authorised for issue by the Board of Directors on 29 January 2019 and were signed on its behalf by:

Nicholas Thompson
Chief Executive Officer

Beverley Wright
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash expended from operations	26	(11)	(746)
Interest paid		(36)	(34)
Income taxes paid		-	(8)
Net cash outflow from operating activities		(47)	(788)
Cash flows from investing activities			
Purchase of property, plant and equipment		(79)	(27)
Sale of property, plant and equipment		26	2
Dividends received		99	215
Net cash received in investing activities		46	190
Net cash outflow before financing activities		(1)	(598)
Cash flows from financing activities			
Repayment of bank loans		(236)	(250)
Net cash outflow from financing activities		(236)	(250)
Net change in cash and cash equivalents		(237)	(848)
Cash and cash equivalents at start of year		960	1,839
Currency translation differences		(13)	(31)
Cash and cash equivalents at end of year	21	710	960

Cash and cash equivalents are comprised of:

Cash at bank and in hand		710	1,188
Secured bank overdrafts		-	(228)
Cash and cash equivalents at end of year		710	960

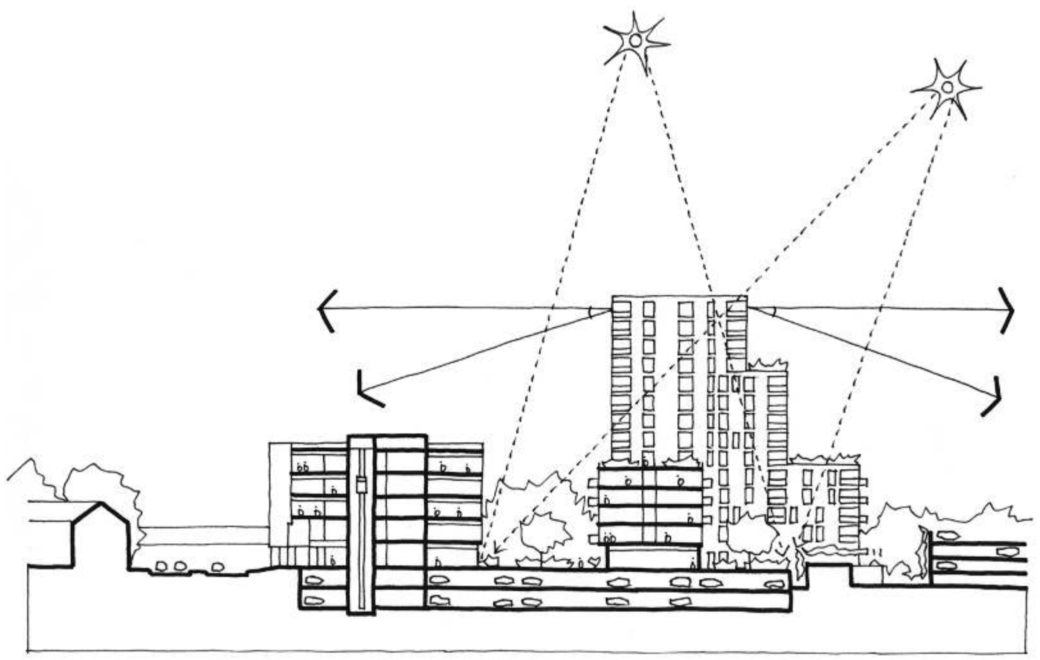
Company statement of cash flows

For the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash (expended by) / generated from operations	26	(292)	96
Interest paid		(28)	(34)
Net cash (outflow) / inflow from operating activities		(320)	62
Cash flows from investing activities			
Dividends received		99	215
Net cash generated from investing activities		99	215
Net cash (outflow) / inflow before financing activities		(221)	277
Cash flows from financing activities			
Repayment of bank loans		(236)	(250)
Net cash outflow from financing activities		(236)	(250)
Net change in cash and cash equivalents		(457)	27
Cash and cash equivalents at start of year		623	596
Cash and cash equivalents at end of year		166	623

Cash and cash equivalents are comprised of:

Cash at bank and in hand		166	623
Cash and cash equivalents at end of year		166	623



Consolidated statement of changes in equity

For the year ended 30 September 2018

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 30 September 2016	1,652	110	2,573	1,494	1,176	7,005	184	7,189
Loss for the year	-	-	(323)	-	-	(323)	19	(304)
Other comprehensive income	-	(102)	-	-	-	(102)	(22)	(124)
Total comprehensive income	-	(102)	(323)	-	-	(425)	(3)	(428)
At 30 September 2017	1,652	8	2,250	1,494	1,176	6,580	181	6,761
Loss for the year	-	-	(2,345)	-	-	(2,345)	(28)	(2,373)
Other comprehensive loss	-	(25)	-	-	-	(25)	(6)	(31)
Total comprehensive income	-	(25)	(2,345)	-	-	(2,370)	(34)	(2.404)
At 30 September 2018	1,652	(17)	(95)	1,494	1,176	4,210	147	4,357

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

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

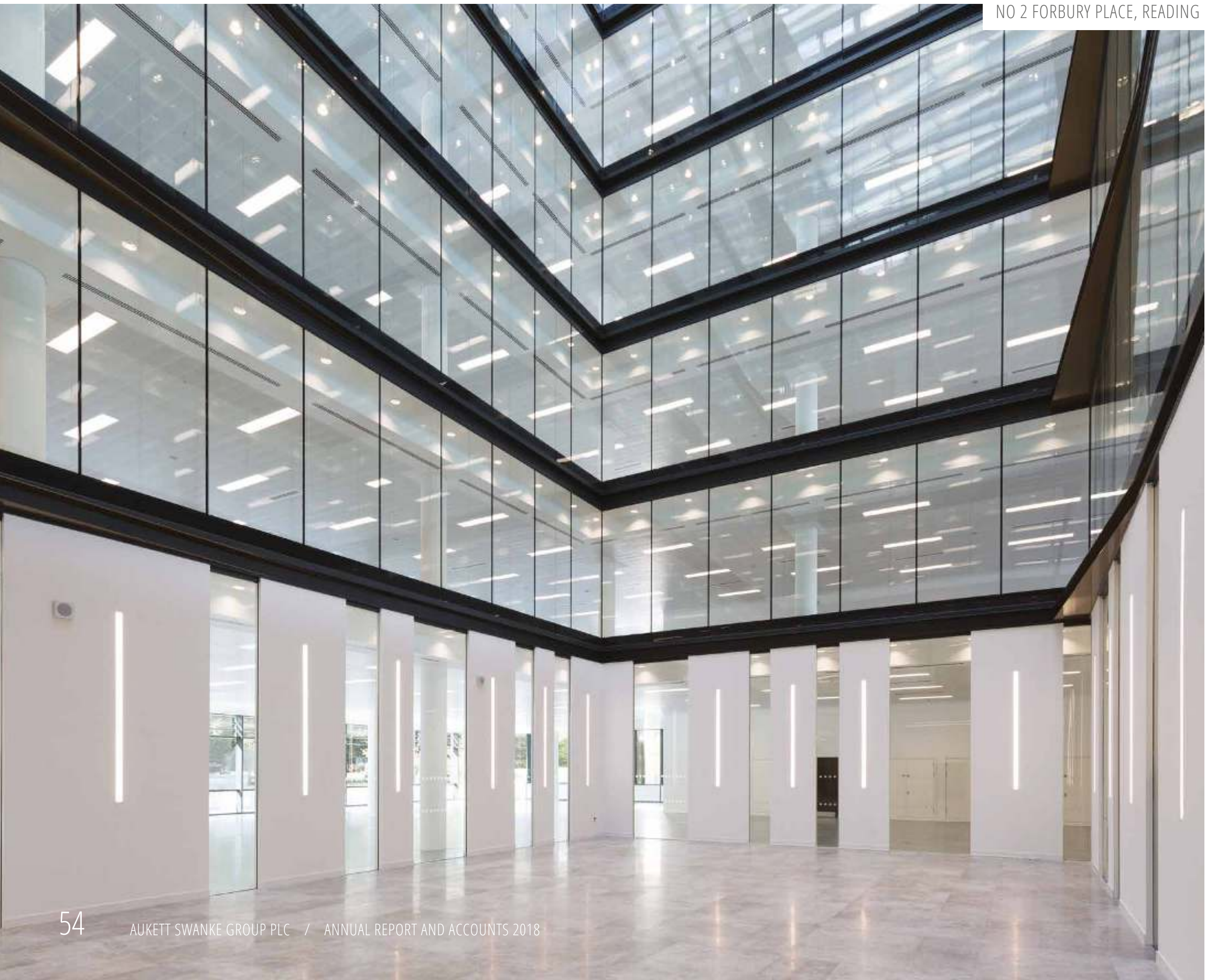
Company statement of changes in equity

For the year ended 30 September 2018

	Share capital	Retained earnings	Other distributable reserve	Merger reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 30 September 2016	1,652	(571)	1,494	1,176	3,751
Profit and total comprehensive income for the year	-	411	-	-	411
At 30 September 2017	1,652	(160)	1,494	1,176	4,162
Profit and total comprehensive income for the year	-	211	-	-	211
At 30 September 2018	1,652	51	1,494	1,176	4,373

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

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



NO 2 FORBURY PLACE, READING

Notes to the financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

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

New accounting standards, amendments and interpretations applied

For the year ended 30 September 2018, the changes to IAS 7, notably IAS 7.44(A), were adopted in the financial statements.

A presentation of the cash flow and non-cash flow movements relating to financing of the Group is presented within note 26 to the accounts.

The Group has not voluntarily presented the equivalent comparatives of this note for the year ended 30 September 2017.

New accounting standards, amendments and interpretations not yet applied

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

i) IFRS 15 'Revenues from contracts with customers' (see below).

ii) IFRS 9 'Financial instruments'. The standard provides a single classification and measurement model for financial assets and replaces the existing IAS 39. The standard introduces new requirements for the classification and measurement of financial liabilities; a new model for recognising provisions based on expected credit losses and simplifies hedge accounting compared to IAS 39. New disclosure requirements will also be introduced upon adoption of the standard.

The most significant part of the new requirements is anticipated to be the need to apply an expected credit loss model when calculating impairment losses on the Group's trade and other receivables. In applying IFRS 9, the Group must consider the probability of default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those assets. This is likely to result in earlier recognition of impairment provisions and greater judgement will be required due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In view of the fact that defaults in the UK have historically been immaterial, we consider that the expected credit loss model is unlikely to have a material effect on the measurement of provisions against trade receivables at the statement of financial position date. The impact of applying this model to the Middle East segment of the business is still being investigated and will be quantified in the interim financial statements to 31 March 2019.

On review of the financial instruments of the Group, it is expected that there will be little change to the measurement basis of financial assets and financial liabilities given the intentions of management in respect of the business model of the financial instruments held and the fact that most of the Group's financial instruments generate cash flows solely through the payment of principal and interest. As such, it is expected that the financial instruments of the Group will continue to be accounted for at amortised cost.

The group expects to adopt this standard for its accounting period beginning on 1 October 2018.

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

This standard is effective for accounting periods beginning on or after 1 January 2019 and the group expects to adopt this standard for its accounting period beginning on 1 October 2019. The impact of applying this standard is still being investigated.

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

IFRS 15 Revenues from contracts with customers

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

To recognise revenue under IFRS 15, an entity applies the following five steps:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;

- Step 3: Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
- Step 4: Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
- Step 5: Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer. A performance obligation may be satisfied at a point in time or over time. For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

The Group will apply IFRS 15 for its accounting period beginning on 1 October 2018. There will be no impact on cash flows with collection remaining in line with contractual terms.

Management has performed an initial review of the expected impact of adopting IFRS 15 to the Group's financial statements. Management's expectation from performing such a review is that a material change to recognition of revenues in the UK segment of the business is unlikely to deviate materially from the measurement of revenues under IAS 18 and the revenue recognition for the majority of contracts will still follow an "over time" pattern.

The impact of IFRS 15 on the Middle East business segment continues to be reviewed by management and will be fully quantified within the 31 March 2019 interim financial statements. It is expected that the revenue stream may need to be amended to be recognised on a "point in time" basis, however the financial impact of this on the opening reserves for the year ended 30 September 2019 remains open to conclusion.

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

Going concern

The Group's business activities, the principal risks and uncertainties facing the Group, and the financial position of the Group are described in the Strategic Report. The liquidity risks faced by the Group are further described in note 31. These factors are all considered when assessing the Group's ability to operate as a going concern.

The Group currently meets its day to day working capital requirements through its cash balances. It maintains its overdraft facility for additional financial flexibility and foreign currency hedging purposes. This overdraft facility is renewed annually and was renewed for a further 12 months in December 2018.

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

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

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

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

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

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

Basis of consolidation and equity accounting

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

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

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

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

Associates

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

Joint ventures

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

Joint ventures are accounted for under the equity method.

Borrowings

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

Cash and cash equivalents

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

Company income statement

The Company has taken advantage of the exemption provided by section 408 of the Companies Act 2006 not to present its income statement for the year. The Company's result is disclosed at the foot of the Company's statement of financial position.

Current Taxation

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

Deferred taxation

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

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

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

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

Dividends

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

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

Equity instruments

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

Foreign currency

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

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

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

Goodwill

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

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

Impairment

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

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

Other intangible assets

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

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

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

Investments

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

Leases and asset finance arrangements

Where asset finance arrangements result in substantially all the risks and rewards of ownership resting with the Group, the arrangement is treated as a finance lease with the assets included in the statement of financial position. All other lease arrangements are treated as operating leases and the annual rentals are charged to the income statement on a straight line basis over the lease term.

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

Operating segments

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

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

Other operating expenses

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

Property, plant and equipment

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

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

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

Provisions

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

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

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

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.

Trade receivables

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

An allowance for impairment of trade receivables is established when there are indicators suggesting that the specific debtor balance in question have been impaired. Known significant financial difficulties of the client and lengthy delinquency in receipt of payments are considered indicators that a trade receivable may be impaired. Where a trade receivable is considered impaired the carrying amount is reduced using an allowance and the amount of the loss is recognised in the income statement within other operating expenses.

2 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Accounting estimates

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

Recognition of contractual revenue

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

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

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

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 and financial difficulties of the client, likely use / demand for the completed project, and the length of time likely to be necessary to resolve the funding problems.

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

An increase of 5% (2017: 4%) as a percentage of total trade receivables would lead to a material bad debt exposure. Based on current likely recoverability present, there is a £0.9m, (2017: £0.7m) trade receivables provision primarily against Middle East trade receivables. Given the nature of these, there remains the potential to collect these in future years. Further quantitative information concerning trade receivables is shown in note 29.

Impairment of goodwill

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

Impairment of investments in subsidiaries, associate and joint ventures

The company's investment in subsidiaries, associate and joint ventures is reviewed annually for impairment. The recoverable amount is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets and forecasts covering a five year period. Cash flows beyond the five year period are extrapolated using long term average growth rates.

The key assumptions made in these projections are the same as those given in relation to impairment of goodwill in note 12.

Critical accounting judgements

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

Recognition of fee claim revenue

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

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

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.

In the current year, no material fee claim revenue has been recognised at 30 September 2018.

3 OPERATING SEGMENTS

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

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

Income statement segment information

Segment revenue	2018 £'000	2017 £'000
United Kingdom	6,744	8,915
Middle East	6,819	8,631
Continental Europe	817	849
Revenue	14,380	18,395

Segment revenue less sub consultant costs	2018 £'000	2017 £'000
United Kingdom	6,610	8,765
Middle East	5,852	6,833
Continental Europe	632	472
Revenue less sub consultant costs	13,094	16,070

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

Segment net finance expense	2018 £'000	2017 £'000
United Kingdom	(8)	-
Middle East	-	-
Continental Europe	-	-
Group costs	(28)	(34)
Net finance expense	(36)	(34)

Segment depreciation	2018 £'000	2017 £'000
United Kingdom	81	164
Middle East	61	95
Continental Europe	19	29
Depreciation	161	288

Segment amortisation	2018 £'000	2017 £'000
United Kingdom	27	27
Middle East	40	65
Continental Europe	13	18
Amortisation	80	110

2018 Segment result	Before goodwill and acquisition adjustments £'000	Fair value gains on deferred consideration and acquisition settlement £'000	Total £'000
United Kingdom	(1,505)	-	(1,505)
Middle East	(1,336)	127	(1,209)
Continental Europe	131	-	131
Group costs	39	-	39
(Loss) / profit before tax	(2,671)	127	(2,544)

2017 Segment result	Before goodwill and acquisition adjustments £'000	Fair value gains on deferred consideration and acquisition settlement £'000	Total £'000
United Kingdom	19	-	19
Middle East	(687)	700	13
Continental Europe	(136)	-	(136)
Group costs	(221)	-	(221)
(Loss) / profit before tax	(1,025)	700	(325)

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

Statement of financial position segment information

Segment assets	2018 £'000	2017 £'000
United Kingdom	1,798	2,564
Middle East	2,972	3,971
Continental Europe	84	241
Trade receivables and amounts due from customers for contract work	4,854	6,776
Other current assets	1,851	2,343
Non current assets*	4,466	4,471
Total assets	11,171	13,590

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

Segment liabilities	2018 £'000	2017 £'000
United Kingdom	2,776	1,656
Middle East	1,577	1,762
Continental Europe	90	225
Trade payables, advances received for contract work and accruals	4,443	3,643
Other current liabilities	1,076	1,698
Non current liabilities	1,295	1,488
Total liabilities	6,814	6,829

Geographical areas

Revenue	2018 £'000	2017 £'000
United Kingdom	6,744	8,915
Country of domicile	6,744	8,915
Russia	311	367
Turkey	506	482
United Arab Emirates	6,819	8,631
Foreign countries	7,636	9,480
Revenue	14,380	18,395

Non current assets	2018 £'000	2017 £'000
United Kingdom	2,031	2,138
Country of domicile	2,031	2,138
Russia	1	25
Czech Republic	-	17
Germany	793	747
Turkey	75	139
United Arab Emirates	1,189	1,192
Foreign countries	2,058	2,120
Non current assets excluding deferred tax	4,089	4,258
Deferred tax	377	213
Non current assets	4,466	4,471

Major clients

During the year ended 30 September 2018, the Group did not derive 10% or more of its revenues from any client (2017: no client).

	2018 £'000	2017 £'000
Largest client revenues	1,219	1,121

The largest client revenues for 2018 relate to the Middle East operating segment (2017: Middle East operating segment)

Revenue by project site

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

	2018 £'000	2017 £'000
United Kingdom	6,200	8,107
Middle East	6,954	9,032
Continental Europe	998	1,119
Rest of the world	228	137
Revenue	14,380	18,395

4 OTHER OPERATING INCOME

	2018 £'000	2017 £'000
Property rental income	28	238
Management charges to joint ventures and associates	115	109
Licence fee income	-	3
Other sundry income	17	39
Fair value gain on the reduction of deferred consideration	127	128
Gain recognised on acquisition settlement	-	572
Total other operating income	287	1,089

The gain recognised on acquisition settlement of £nil (2017: £572,000) relates to an amicable settlement on deferred consideration with the vendor of Shankland Cox Limited in respect of contract losses which were not known at the date of acquisition.

5 FINANCE COSTS

	2018 £'000	2017 £'000
Payable on bank loans and overdrafts	36	34
Total finance costs	36	34

6 AUDITOR REMUNERATION

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

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	42	36
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	58	62
Non-audit services - tax compliance services	-	-
Non-audit services - audit related assurance services	-	-

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

7 EMPLOYEE INFORMATION

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

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Technical	174	203	-	-
Administrative	39	43	7	8
Total	213	246	7	8

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 122 persons (2017: 156 persons).

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

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	9,447	10,733	630	697
Social security costs	594	643	84	87
Contributions to defined contribution pension arrangements	308	335	79	78
Total	10,349	11,711	793	862

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

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

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

8 OPERATING LEASES

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

	2018 £'000	2017 £'000
Property	830	944
Plant & equipment	40	25
Total	870	969

9 DIRECTORS' EMOLUMENTS

Directors with operational roles in the UK business, and The Executive Directors of Aukett Swanke Group ("ASG") Plc, waived part of their emoluments in the year to reflect difficult trading conditions. The total amounts waived were £14,000 (2017: £22,000).

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

2017	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Anthony Simmonds	45	-	45	-	45
Nicholas Thompson	198	31	229	-	229
Beverley Wright	156	23	179	-	179
John Bullough	30	-	30	-	30
Andrew Murdoch	104	18	122	11	133
Nick Pell	105	-	105	11	116
Total	638	72	710	22	732

Andrew Murdoch and Nick Pell resigned as Directors' on 29 March 2018.

Robert Fry was appointed as a Director on 29 March 2018.

Aggregate emoluments include bonuses awarded.

Benefits were accruing to five Directors (2017: three Directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid Director were £198,000 (2017: £198,000) together with pension contributions of £24,000 (2017: £31,000).

10 TAX CHARGE

	2018 £'000	2017 £'000
Current tax	(1)	2
Adjustment in respect of previous years	-	2
Total current tax	-	4
Origination and reversal of temporary differences	172	17
Changes in tax rates	-	-
Total deferred tax (note 22)	172	17
Total tax credit	171	21

The standard rate of corporation tax in the United Kingdom is applicable for the financial year was 19% (2017: 19%)

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

	2018 £'000	2017 £'000
(Loss) before tax	(2,544)	(325)
(Loss) before tax multiplied by the standardrate of corporation tax in the United Kingdom of 19% (2017: 19%)	(483)	(62)
Effects of:		
Non-tax deductible goodwill impairment	-	-
other non tax deductible expenses	59	43
differences in overseas tax rates	-	-
associate and joint ventures reported net of tax	(23)	(48)
impact on deferred tax of change in UK tax rate	-	-
tax losses not recognised	279	60
current tax adjustment in respect of previous years	-	(2)
income not taxable	(3)	(12)
Total tax credit	(171)	(21)

SPARDA BANK, FRANKFURT

11 EARNINGS PER SHARE

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

Earnings	2018 £'000	2017 £'000
Continuing operations	(2,345)	(323)
Loss for the year	(2,345)	(323)

Number of shares	2018 Number	2017 Number
Weighted average of ordinary shares in issue	165,213,652	165,213,652
Effect of dilutive options	-	-
Diluted weighted average of ordinary shares in issue	165,213,652	165,213,652

As explained in note 25 the Company has granted options over 500,000 of its ordinary shares. These have not been included above as the average share price was below the exercise price in 2018 and they therefore do not have a dilutive effect.

12 GOODWILL

Group	£'000
Cost	
At 1 October 2016	2,679
Exchange differences	(31)
At 30 September 2017	2,648
Exchange differences	(7)
At 30 September 2018	2,641
Impairment	
At 1 October 2016	270
Exchange differences	1
At 30 September 2017	271
Exchange differences	(2)
At 30 September 2018	269
Net book value	
At 30 September 2018	2,372
At 30 September 2017	2,377
At 30 September 2016	2,409

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

	United Kingdom £'000	Turkey £'000	Middle East £'000	Total £'000
At 30 September 2016	1,740	66	603	2,409
Exchange differences	-	(12)	(20)	(32)
At 30 September 2017	1,740	54	583	2,377
Exchange differences	-	(22)	17	(5)
At 30 September 2018	1,740	32	600	2,372

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

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

The carrying value of goodwill allocated to the United Kingdom and the Middle East is material. The total carrying value of goodwill allocated to Turkey is not.

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. Management also considers the level of future secured revenues at the point of drawing up these calculations;
- long term growth rate - which has been assumed to be 2.3% (2017: 2.4%) per annum based on the average historical growth in gross domestic product in the United Kingdom over the past fifty years; and
- the discount rate - which is the Group's pre-tax weighted average cost of capital and has been assessed at 13.1% (2017: 14.9%).

KINGS COLLEGE MUSIC SCHOOL, WIMBLEDON

Based on the discounted cash flow projections, the recoverable amount of the UK CGU is estimated to exceed carrying values by at least 200%. A 6% fall in all future forecast revenues without a corresponding reduction in costs in the UK CGU, or an increase in the discount rate by over 35%, would result in carrying amounts exceeding their recoverable amount. Management believes that the carrying value of goodwill remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

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

- the future level of revenue - which is based on knowledge of the current and expected level of construction activity in the Middle East;
- working capital requirements - which is based on management's best in a geography where it is common to have high levels of trade receivables;
- long term growth rate - which has been assumed to be 3.9% per annum based on the average historical growth in gross domestic product in the Middle East over the past forty years; and
- the discount rate - the pre-tax cost of capital has been assessed at 11.6% (2017: 14.0%). This is considered appropriate as the Middle East operation does not suffer corporation tax.

Based on the discounted cash flow projections, the recoverable amount of the Middle East CGU is estimated to exceed carrying values by at least £900,000. A 3.5% fall in all future forecast revenues without a corresponding reduction in costs in the Middle East CGU, or an increase in the discount rate by 370 basis points, would result in carrying amounts exceeding their recoverable amount. Management believe that the carrying value of goodwill remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

13 OTHER INTANGIBLE ASSETS

Group	Trade name £'000	Customer relationships £'000	Order book £'000	Trade licence £'000	Total £'000
Cost					
At 30 September 2016	707	448	175	76	1,406
Exchange differences	(18)	(31)	(11)	(3)	(63)
At 30 September 2017	689	417	164	73	1,343
Exchange differences	(12)	(34)	(7)	2	(51)
At 30 September 2018	677	383	157	75	1,292
Amortisation					
At 30 September 2016	73	114	153	10	350
Charge	27	53	22	8	110
Exchange differences	-	(12)	(11)	(2)	(25)
At 30 September 2017	100	155	164	16	435
Charge	26	47	-	7	80
Exchange differences	(5)	(22)	(7)	1	(33)
At 30 September 2018	121	180	157	24	482
Net book value					
At 30 September 2018	556	203	-	51	810
At 30 September 2017	589	262	-	57	908
At 30 September 2016	634	334	22	66	1,056

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

Trade name

The trade name was acquired as part of the acquisition of Swanke Hayden Connell Europe Limited ("SHC") in December 2013 and also on the acquisition of Shankland Cox Limited ("SCL") in February 2016. The SHC trade name reflects the inclusion of the Swanke name in the enlarged Group. Trade names are amortised on a straight line basis over a 25 year period from the acquisition date and have remaining amortisation periods of 20 and 22 years, respectively.

Customer relationships

The customer relationships were acquired as part of the acquisition of SHC in December 2013, on the acquisition of John R Harris & Partners Limited ("JRHP") in June 2015 and on the acquisition of SCL in February 2016. This represents the value attributed to clients who provided repeat business to the Group on the strength of these relationships. Customer relationships are amortised on a straight line basis over a 7-10 year period from the acquisition dates. The customer relationships acquired in December 2013 have a remaining amortisation period of 2 years. The customer relationships acquired in June 2015 and February 2016 both have remaining amortisation periods of 7 years.

Order book

The net book value of the order book was acquired as part of the acquisition of JRHP in June 2015. This represents the value of ongoing contracts acquired at the acquisition date. The amortisation of the order book is over the period to completion of the contracts, all of which had been completed by 30 September 2017.

Trade licence

The trade licence was acquired as part of the acquisition of JRHP in June 2015. This represents the value of licences granted to JRHP for architectural activities in the regions in which it operates. The licence is amortised on a straight line basis over a 10 year period from the acquisition date and has a remaining amortisation period of 7 years.

14 PROPERTY, PLANT & EQUIPMENT

Group	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
Cost			
At 30 September 2016	557	1,494	2,051
Additions	-	27	27
Disposals	(204)	(45)	(249)
Exchange differences	(7)	(20)	(27)
At 30 September 2017	346	1,456	1,802
Additions	-	79	79
Disposals	-	(86)	(86)
Exchange differences	(12)	(23)	(35)
At 30 September 2018	334	1,426	1,760
Depreciation			
At 30 September 2016	427	1,118	1,545
Charge	74	214	288
Disposals	(178)	(45)	(223)
Exchange differences	(7)	(11)	(18)
At 30 September 2017	316	1,276	1,592
Charge	28	133	161
Disposals	-	(75)	(75)
Exchange differences	(10)	(22)	(32)
At 30 September 2018	334	1,312	1,646
Net book value			
At 30 September 2018	-	114	114
At 30 September 2017	30	180	210
At 30 September 2016	130	376	506

15 INVESTMENTS

Company	Subsidiaries £'000	Joint ventures £'000	Associate £'000	Total £'000
Cost				
At 30 September 2016	9,927	21	12	9,960
Additions	150	-	-	150
At 30 September 2017	10,077	21	12	10,110
At 30 September 2018	10,077	21	12	10,110
Provisions				
At 30 September 2016	3,497	-	-	3,497
Conversion of debt	150	-	-	150
Charge	949	-	-	949
At 30 September 2017	4,596	-	-	4,596
At 30 September 2018	4,596	-	-	4,596
Net book value				
At 30 September 2018	5,481	21	12	5,514
At 30 September 2017	5,481	21	12	5,514
At 30 September 2016	6,430	21	12	6,463

The increase in cost of £150,000 during the prior year relates to converting amounts due from Aukett Fitzroy Robinson Sp Zoo into ordinary share capital before the commencement of liquidation proceedings. The original loan balance due had been impaired in previous accounting periods and therefore, there is no effect on the results of the Company arising from this transaction.

Subsidiary operations

The following are the subsidiary undertakings at 30 September 2018:

Name	Country of incorporation and registered office address (see table below)	Proportion of ordinary equity held 2018	2017	Nature of business
Subsidiaries				
Aukett Swanke Limited	(A)	100%	100%	Architecture & design
Aukett Fitzroy Robinson International Limited	(A)	100%	100%	Architecture & design
Veretec Limited	(A)	100%	100%	Architecture & design
Aukett Swanke OOO	(B)	100%	100%	Architecture & design
Swanke Hayden Connell International Limited	(A)	100%	100%	Architecture & design
Swanke Hayden Connell Mimarlik AS	(C)	100%	100%	Architecture & design
John R Harris & Partners Limited	(D)	80%	80%	Architecture & design
Shankland Cox Limited	(A)	100%	100%	Architecture & Engineering
Aukett Swanke Architectural Design Limited	(A)	100%	100%	Architecture & design
Swanke Hayden Connell Europe Limited	(A)	100%	100%	Non-trading
Aukett Fitzroy Robinson Sp Zoo	(E)	100%	100%	In liquidation
Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Swanke Limited	(A)	100%	100%	Dormant
John R Harris & Partners Limited	(A)	100%	100%	Dormant
Aukett Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Thomas Nugent Architects Limited	(A)	100%	100%	Dormant
Aukett Fitzroy Robinson Europe Limited	(A)	100%	100%	Dormant
Aukett Limited	(A)	100%	100%	Dormant
Aukett (UK) Limited	(A)	100%	100%	Dormant
Aukett Group Limited	(A)	100%	100%	Dormant
Fitzroy Robinson West & Midlands Limited	(A)	100%	100%	Dormant

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

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

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

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

Interest in associate and joint ventures

Set out below are the associate and joint ventures of the Group as at 30 September 2018. The entities listed below have share capital consisting solely of ordinary shares, held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation and registered office address (see below)	Proportion of ordinary equity held 2018	Proportion of ordinary equity held 2017	Nature of relationship	Measurement method
Aukett + Heese Frankfurt GmbH	(F)	50%	50%	Joint venture	Equity
Aukett sro	(G)	50%	50%	Joint venture	Equity
Aukett + Heese GmbH	(H)	25%	25%	Associate	Equity

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

Country of incorporation and registered office addresses

Ref	Country of Incorporation	Registered office address
(A)	England & Wales	10 Bonhill Street, London, EC2A 4PE, United Kingdom
(B)	Russia	18 Prospekt Andropova, bld.7, floor 11, office 5, Moscow, 115432, Russia
(C)	Turkey	Kore Sehitleri 34, Deniz Is Hani, 34394 Zincirlikuyu, Istanbul, Turkey
(D)	Cyprus	17-19 Themistokli Dervi street, The City House, 1066 Nicosia, Cyprus
(E)	Poland	ul Emilii Plater 18, 00-688 Warszawa, Poland
(F)	Germany	Gutleutstrasse 163, 60327 Frankfurt am Main, Germany
(G)	Czech Republic	Janackovo Nabrezi 471/49, 150 00 Prague 5 , Czech Republic
(H)	Germany	Budapester Strasse 43, 10787 Berlin, Germany

16 INVESTMENT IN ASSOCIATE

As disclosed in note 15, the Group owns 25% of Aukett + Heese GmbH which is based in Berlin, Germany. The table below provides summarised financial information for Aukett + Heese GmbH as it is material to the Group. The information disclosed reflects Aukett + Heese GmbH's relevant financial statements and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method.

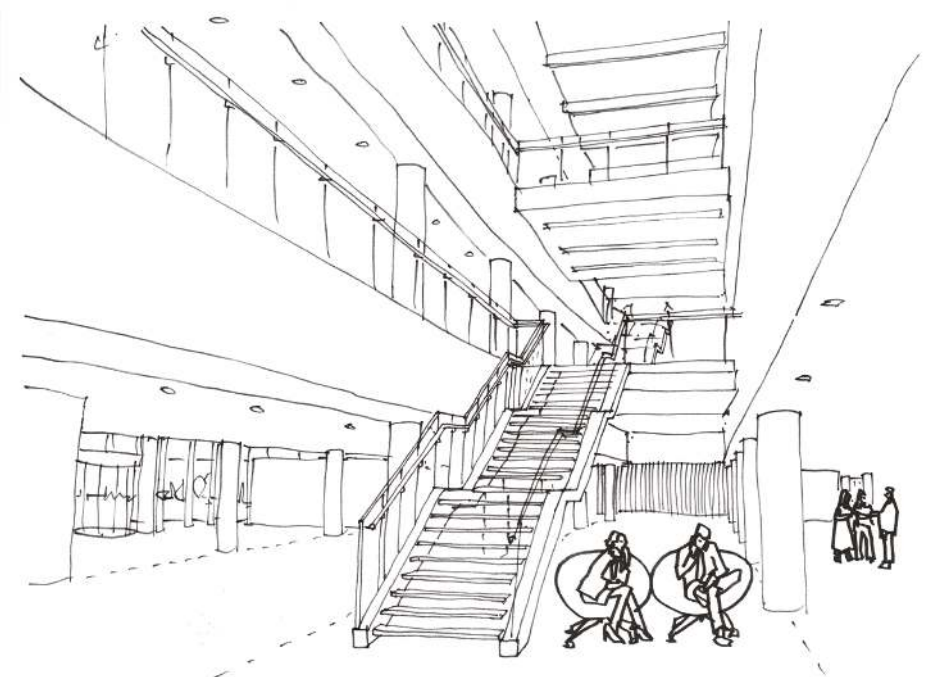
Summarised balance sheet	2018 £'000	2017 £'000
Assets		
Non current assets	146	270
Current assets	3,151	3,428
Total assets	3,297	3,698
Liabilities		
Current liabilities	(1,118)	(1,577)
Total liabilities	(1,118)	(1,577)
Net assets	2,179	2,121

Reconciliation to carrying amounts:

	2018 £'000	2017 £'000
Opening net assets at 1 October	2,121	2,116
Profit for the period	170	569
Other comprehensive income	21	41
Dividends paid	(133)	(605)
Closing net assets	2,179	2,121
Group's share in %	25%	25%
Group's share in £'000	545	530
Carrying amount	545	530

Summarised statement of comprehensive income	2018 £'000	2017 £'000
Revenue	15,729	14,310
Sub consultant costs	(7,773)	(5,885)
Revenue less sub consultant costs	7,956	8,425
Operating costs	(7,712)	(7,610)
Profit before tax	244	815
Taxation	(74)	(246)
Profit for the period from continuing operations	170	569
Other comprehensive income	21	41
Total comprehensive income	191	610

The Group received dividends of £33,000 (2017: £151,000) from Aukett + Heese GmbH. The principal risks and uncertainties associated with Aukett + Heese GmbH are the same as those detailed within the Group's Strategic Report.



17 INVESTMENTS IN JOINT VENTURES

Frankfurt

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

	£'000
At 30 September 2016	164
Share of profits	112
Dividends paid	(65)
Exchange differences	5
At 30 September 2017	216
Share of profits	96
Dividends paid	(66)
Exchange differences	2
At 30 September 2018	248

The Group received dividends of £66,000 (2017: £65,000) from Aukett + Heese Frankfurt GmbH. The following amounts represent the Group's 50% share of the assets and liabilities, and revenue and expenses of Aukett + Heese Frankfurt GmbH.

	2018 £'000	2017 £'000
Assets		
Non current assets	14	9
Current assets	444	453
Total assets	458	462
Liabilities		
Current liabilities	(210)	(246)
Total liabilities	(210)	(246)
Net assets	248	216

	2018 £'000	2017 £'000
Revenue	754	684
Sub consultant costs	(186)	(128)
Revenue less sub consultant costs	568	556
Operating costs	(428)	(406)
Profit before tax	140	150
Taxation	(44)	(38)
Profit after tax	96	112

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

Prague

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

	£'000
At 30 September 2016	17
Share of losses	(1)
Exchange differences	1
At 30 September 2017	17
Share of losses	(17)
At 30 September 2018	-

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

	2018 £'000	2017 £'000
Assets		
Current assets	46	117
Total assets	46	117
Liabilities		
Current liabilities	(46)	(100)
Total liabilities	(46)	(100)
Net assets	-	17

	2018 £'000	2017 £'000
Revenue	166	255
Sub consultant costs	(33)	(85)
Revenue less sub consultant costs	133	170
Operating costs	(150)	(171)
Loss before tax	(17)	(1)
Loss after tax	(17)	(1)

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

18 TRADE AND OTHER RECEIVABLES

Group	2018 £'000	2017 £'000
Gross trade receivables	4,578	5,945
Impairment allowances	(915)	(685)
Net trade receivables	3,663	5,260
Amounts due from customers for contract work	1,191	1,516
Amounts owed by associates and joint ventures	27	29
Other receivables	303	590
Prepayments	811	536
Total	5,995	7,931

Company	2018 £'000	2017 £'000
Amounts due after more than one year	-	-
Amounts owed by associate and joint ventures	27	26
Total amounts due after more than one year	27	26
Amounts due within one year		
Amounts owed by subsidiaries	1,422	1,268
Amounts owed by associate and joint ventures	-	3
Other receivables	9	10
Prepayments	44	30
Total amounts due within one year	1,475	1,311
Total	1,502	1,337

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

19 TRADE AND OTHER PAYABLES

Group	2018 £'000	2017 £'000
Trade payables	1,493	1,282
Advances received from customers for contract work	886	663
Other taxation and social security	525	625
Other payables	304	455
Dividends payable	-	-
Accruals	2,064	1,698
Total	5,272	4,723

Company	2018 £'000	2017 £'000
Trade payables	44	34
Amounts owed to subsidiaries	1,910	2,422
Other payables	11	3
Dividends payable	-	-
Accruals	291	77
Total	2,256	2,536

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

20 BORROWINGS

Group	2018 £'000	2017 £'000
Secured bank overdrafts	-	228
Secured bank loan	553	776
Total borrowings	553	1,004
Amounts due for settlement within 12 months	246	467
Current liability	246	467
Amounts due for settlement between one and two years	246	239
Amounts due for settlement between two and five years	61	298
Non current liability	307	537
Total borrowings	553	1,004

Company	2018 £'000	2017 £'000
Secured bank loan	553	776
Total borrowings	553	776
Instalments due within 12 months	246	239
Current liability	246	239
Instalments due between one and two years	246	239
Instalments due between two and five years	61	298
Non current liability	307	537
Total borrowings	553	776

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

21 ANALYSIS OF NET FUNDS

Group	2018 £'000	2017 £'000
Cash at bank and in hand	710	1,188
Secured bank overdrafts (note 20)	-	(228)
Cash and cash equivalents	710	960
Secured bank loan (note 20)	(553)	(776)
Net funds	157	184

22 DEFERRED TAX

Group	Tax depreciation on plant and equipment £'000	Trading losses £'000	Other temporary differences £'000	Total £'000
At 30 September 2016	56	156	(93)	119
Income statement	33	(41)	25	17
Exchange differences	-	-	6	6
At 30 September 2017	89	115	(62)	142
Income statement	-	165	7	172
Exchange differences	-	-	2	2
At 30 September 2018	89	280	(53)	316

Group	2018 £'000	2017 £'000
Deferred tax assets	377	213
Deferred tax liabilities	(61)	(71)
Net deferred tax balance	316	142

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

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

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

23 PROVISIONS

Group	Property lease provision £'000	Employee benefit obligations £'000	Total £'000
At 30 September 2016	192	871	1,063
Utilised	(65)	(163)	(228)
Charged to the income statement	24	206	230
Exchange differences	-	(34)	(34)
At 30 September 2017	151	880	1,031
Utilised	(151)	(156)	(307)
Charged to the income statement	-	191	191
Exchange differences	-	12	12
At 30 September 2018	-	927	927

Property lease provision

During the year the group vacated its London property on expiry of the lease and moved to a new property, in the process utilising the provision that had been provided in respect of obligations arising under the lease.

Employee benefit obligations

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

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

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

	2018	2017
Combined average length of service	5 years	5 years
Discount rate	3.09%	2.15%
Salary growth rate	4.2%	3.7%

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

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

		Impact on employee benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Combined average length of service	1 year	2.28%	(8.52)%
Salary growth rate	1%	0.48%	(0.47)%
Discount rate	1%	(0.47)%	0.49%

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

24 SHARE CAPITAL

Group and Company	2018 £'000	2017 £'000
Allocated, called up and fully paid		
165,213,652 (2017: 165,213,652) ordinary shares of 1p each	1,652	1,652

	Number
At 1 October 2016	165,213,652
No changes	-
At 30 September 2017	165,213,652
No changes	-
At 30 September 2018	165,213,652

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

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

25 SHARE OPTIONS

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

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

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

26 CASH (EXPENDED BY) / GENERATED FROM OPERATIONS

Group	2018 £'000	2017 £'000
Loss before tax – continuing operations	(2,544)	(325)
Finance costs	36	34
Share of results of associate and joint ventures	(121)	(253)
Intangible amortisation	80	110
Depreciation	161	288
(Profit) / loss on disposal of property, plant & equipment	(14)	23
Decrease in trade and other receivables	1,952	913
Increase / (decrease) in trade and other payables	586	(1,485)
Change in provisions	(117)	3
Unrealised foreign exchange differences	(30)	(54)
Net cash expended by operations	(11)	(746)

Company	2018 £'000	2017 £'000
Profit before income tax	211	411
Dividends receivable	(99)	(715)
Finance costs	28	34
(Increase) / decrease in trade and other receivables	(164)	23
Decrease in trade and other payables	(280)	(583)
Fixed asset impairment	-	949
Unrealised foreign exchange differences	12	(23)
Net cash (expended by) / generated from operations	(292)	96

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

Group	Non- current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 October 2017	537	467	1,004
Cash flows			
- Repayment of borrowings	-	(464)	(464)
- Payment of interest	-	(36)	(36)
Non-cash flows			
- Effects of foreign exchange	9	4	13
- Loans and borrowings classified as non-current at 30 September 2017	(239)	239	-
- Interest accrued in period	-	36	36
At 30 September 2018	307	246	553

Company	Non- current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 October 2017	537	239	776
Cash flows			
- Repayment of borrowings	-	(236)	(236)
- Payment of interest	-	(28)	(28)
Non-cash flows			
- Effects of foreign exchange	9	4	13
- Loans and borrowings classified as non-current at 30 September 2017	(239)	239	-
- Interest accrued in period	-	28	28
At 30 September 2018	307	246	553

27 FINANCIAL INSTRUMENTS

Risk management

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

Categories of financial assets and liabilities

Group	2018 £'000	2017 £'000
Trade receivables	3,663	5,260
Amounts due from customers for contract work	1,191	1,516
Amounts owed by associate and joint ventures	27	29
Other receivables	303	590
Cash at bank and in hand	710	1,188
Loans and receivables	5,894	8,583
Trade payables	(1,493)	(1,282)
Other payables	(304)	(455)
Accruals	(2,064)	(1,698)
Secured bank loans and overdrafts	(553)	(1,004)
Financial liabilities measured at amortised cost	(4,414)	(4,439)
Net financial instruments	1,480	4,144

Company	2018 £'000	2017 £'000
Amounts owed by subsidiaries	1,422	1,268
Amount owed by associate and joint ventures	27	29
Other receivables	9	10
Cash at bank and in hand	166	623
Loans and receivables	1,624	1,930
Trade payables	(44)	(34)
Amounts owed to subsidiaries	(1,910)	(2,422)
Other payables	(11)	(3)
Accruals	(291)	(77)
Secured bank loan	(553)	(776)
Financial liabilities measured at amortised cost	(2,809)	(3,312)
Net financial instruments	(1,185)	(1,382)

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

Collateral

As disclosed in note 20 the bank loan and overdraft 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:

	2018 £'000	2017 £'000
Group	1,941	2,832
Company	745	1,072

Other receivables in the consolidated statement of financial position include a £nil rent security deposit (2017: £148,000) in respect of the Group's London studio premises.

28 FOREIGN CURRENCY RISK

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

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

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

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

Group	2018 £'000	2017 £'000
Czech Koruna	27	29
EU Euro	32	97
Russian Rouble	642	714
UAE Dirham	1,220	938
UK Sterling	(51)	(32)
US Dollar	(547)	(130)
Turkish Lira	-	42
Net financial instruments held in foreign currencies	1,323	1,658

Company	2018 £'000	2017 £'000
Czech Koruna	27	29
EU Euro	32	97
Russian Rouble	13	25
US Dollar	(547)	(768)
UAE Dirham	373	67
Turkish Lira	-	42
Net financial instruments held in foreign currencies	(102)	(508)

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

	2018		2017	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000
Group	(28)	168	130	67
Company	(10)	-	(51)	-

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

	2018 £'000	2017 £'000
Group	2	(31)
Company	(25)	(2)

The Group's exchange gain of £2,000 (2017: loss of £31,000) includes cumulative exchange reserve losses of £nil (2017: £nil) recycled through the income statement on discontinued operations.

29 COUNTERPARTY RISK

Group

No collateral is held in respect of any financial assets and therefore the maximum exposure to credit risk at the date of the statement of financial position is the carrying value of financial assets shown in note 27.

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

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

	2018 £'000	2017 £'000
Not overdue	1,555	2,013
Between 0 and 30 days overdue	635	638
Between 30 and 60 days overdue	332	728
Greater than 60 days overdue	1,141	1,881
Total	3,663	5,260

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

	£'000
At 30 September 2016	1,276
Charged to the income statement	213
Allowance utilised	(788)
Exchange differences	(16)
At 30 September 2017	685
Charged to the income statement	374
Allowance utilised	(169)
Exchange differences	25
At 30 September 2018	915

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

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

The concentration of counterparty risk within the £4,854,000 (2017: £6,776,000) of trade receivables and amounts due from customers for contract work is illustrated in the table below showing the three largest exposures to individual clients at 30 September.

	2018 £'000	2017 £'000
Largest exposure	637	666
Second largest exposure	332	418
Third largest exposure	286	402

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

At 30 September 2018 the largest exposure to a single financial institution represented 50% (2017: 41%) of the Group's cash and cash equivalents.

Company

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

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

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

The Company is exposed to counterparty risk though the guarantees set out in note 32.

30 INTEREST RATE RISK

Group	2018 £'000	2017 £'000
Rent deposit	-	148
Secured bank loans	(553)	(776)
Secured bank overdrafts	-	(228)
Interest bearing financial instruments	(553)	(856)

Company	2018 £'000	2017 £'000
Secured bank loans	(553)	(776)
Interest bearing financial instruments	(553)	(776)

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

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

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

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

	2018 £'000	2017 £'000
Group	(6)	(9)
Company	(6)	(8)

31 LIQUIDITY RISK

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

At 30 September 2018 the Group had £850,000 (2017: £850,000) of gross borrowing facility and £500,000 net borrowing facility (2017: £250,000) under its United Kingdom bank overdraft facility. In December 2018 Coutts & Co renewed the overdraft facility, maintaining it at £500,000, which is now next due for review in November 2019, with an interim review in May 2019.

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

Group Timing of cashflows	Borrowings £'000	Other financial liabilities £'000	Total £'000
Within one year	489	3,435	3,924
Between one and two years	256	-	256
Between two and five years	307	-	307
	1,052	3,435	4,487
Expected future charges through the income statement	(48)	-	(48)
Financial liabilities at 30 September 2017	1,004	3,435	4,439
Timing of cashflows			
Within one year	265	3,917	4,182
Between one and two years	256	-	256
Between two and five years	62	-	62
	583	3,917	4,500
Expected future charges through the income statement	(30)	-	(30)
Financial liabilities at 30 September 2018	553	3,917	4,470

Company Timing of cashflows	Borrowings £'000	Other financial liabilities £'000	Total £'000
Within one year	261	2,536	2,797
Between one and two years	256	-	256
Between two and five years	307	-	307
	824	2,536	3,360
Expected future charges through the income statement	(48)	-	(48)
Financial liabilities at 30 September 2017	776	2,536	3,312
Timing of cashflows			
Within one year	265	2,256	2,521
Between one and two years	256	-	256
Between two and five years	62	-	62
	583	2,256	2,839
Expected future charges through the income statement	(30)	-	(30)
Financial liabilities at 30 September 2018	553	2,256	2,809

32 GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

A cross guarantee and offset agreement is in place between the Company and certain of its United Kingdom subsidiaries in respect of the United Kingdom bank loan and overdraft facility. Details of the UK bank loan are disclosed in note 20. At 30 September 2018 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £nil (2017: £228,000).

The Company and certain of its United Kingdom subsidiaries are members of a group for Value Added Tax (VAT) purposes. At 30 September 2018 the net VAT payable balance of those subsidiaries was £243,000 (2017: £284,000).

At the year end, one of the Group's Middle East subsidiaries had outstanding letters of guarantee totalling £108,000 (2017: £165,000). These guarantees are secured by matching cash on deposit, which is included within trade and other receivables.

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

The Group had the following aggregate commitments under operating leases.

	2018 £'000	2017 £'000
Not later than one year	131	549
Later than one year and not later than five years	1,406	1
Later than five years	2,129	-
Total	3,666	550

The Group's most significant lease relates to its London studio premises which comprises £3,522,000 (2017: £403,000) of the amounts shown in the table above. The lease of its Bonhill Street studio includes an upward rent review after 5 years, does not contain any break clauses and expires in May 2028. The lease of its York Way studio was concluded during the year.

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

At both 30 September 2018 and 2017 neither the Group nor the Company had any capital commitments in respect of property, plant and equipment.

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

	2018 £'000	2017 £'000
Not later than one year	149	-
Later than one year and not later than five years	68	-
Later than five years	-	-
Total	217	-

33 RELATED PARTY TRANSACTIONS

Key management personnel compensation

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

Group	2018 £'000	2017 £'000
Short term employee benefits	1,513	1,472
Post employment benefits	104	114
Total	1,617	1,586

The key management personnel of the Company comprises its Directors.

Company	2018 £'000	2017 £'000
Short term employee benefits	690	719
Post employment benefits	60	73
Total	750	792

During the prior year the Company granted 500,000 options over its ordinary shares to Beverley Wright, a director of the Company. The fair value of these share options is not considered to be material.

Transactions and balances with associate and joint ventures

The Group makes management charges to Aukett + Heese Frankfurt GmbH. The amount charged during the year in respect of these services amounted to £48,000 (2017: £47,000). Aukett + Heese Frankfurt GmbH charged the Group £4,000 (2017: £7,000) for architectural services. Dividends of £66,000 (2017: £65,000) were received from Aukett + Heese Frankfurt GmbH during the year. The amount owed to the Group by Aukett + Heese Frankfurt GmbH at the balance sheet date was £nil (2017: £nil).

The Group makes management charges to Aukett + Heese GmbH. The amount charged by the Group during the year in respect of these services amounted to £64,000 (2017: £62,000). The Group also charged Aukett + Heese GmbH £nil (2017: £50,000) for architectural services. Dividends of £33,000 (2017: £150,000) were received from Aukett + Heese GmbH during the year. The amount owed to the Group by Aukett + Heese GmbH at 30 September 2018 was £nil (2017: £1,000).

As disclosed in note 15, the Group owns 50% of Aukett + Heese Frankfurt GmbH and 25% of Aukett + Heese GmbH. The remaining 50% of Aukett + Heese Frankfurt GmbH and 75% of Aukett + Heese GmbH are owned by Lutz Heese, a former director of the Company.

The Group charges name licence fees and management fees to Aukett sro, a joint venture in which the Group has a 50% interest. During the year, charges of £3,000 (2017: £3,000) were made to Aukett sro in respect of these services. The Group was also charged £32,000 (2017: £29,000) for architectural services provided by Aukett sro during the year, of which £14,000 (2017: £nil) was owed by the Group at the balance sheet date. Separately, Aukett sro owed the Group and the Company £27,000 as at 30 September 2018 (2017: £29,000) relating to previously declared but not yet paid dividends and name licence charges.

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

Transactions and balances with subsidiaries

The names of the Company's subsidiaries are set out in note 15.

The Company made management charges to its subsidiaries for management services of £1,315,000 (2017: £1,191,000) and paid charges to its subsidiaries for office accommodation and other related services of £90,000 (2017: £90,000).

At 30 September 2018 the Company was owed £1,421,000 (2017: £1,268,000) by its subsidiaries and owed £1,910,000 (2017: £2,422,000) to its subsidiaries. These balances arose through various past transactions including working capital advances, treasury management and management charges. The amounts owed at the year-end are non interest bearing and repayable on demand.

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

34 CORPORATE INFORMATION

General corporate information regarding the Company is shown on page 27. The addresses of the Group's principal operations are shown on page 3. A description of the Group's operations and principal activities is given within the Strategic Report.

Notice of meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 10:00am on Thursday 28 March 2019 at 10 Bonhill Street, London, EC2A 4PE for the following purposes:

Ordinary business

1 To receive and adopt the annual report for the year ended 30 September 2018.

2 Anthony Simmonds retires by rotation.

3 To re-appoint BDO LLP as auditors of the Company to hold office, from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, at a remuneration to be fixed by the directors.

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 £826,068 to such persons and upon such conditions as the directors may determine, such authority to expire at the conclusion of the next annual general meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted after such expiry and the directors may allot shares in the Company in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

5 To propose as a special resolution that the directors be and are hereby empowered pursuant to section 570 of the Act to allot shares in the Company up to an aggregate nominal amount of £165,214 for cash pursuant to the authority conferred by resolution 6 above as if section 561 of the Act did not apply to such allotment, such authority to expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted after such expiry and the directors may allot shares in the Company in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

Beverley Wright, Company Secretary
29 January 2019
Registered office: 10 Bonhill Street, London, EC2A 4PE

Notes

1 Any member entitled to attend and vote at the meeting may appoint another person, whether a member or not, as their proxy to attend and, on a poll, to vote instead of them. A form of proxy is enclosed for this purpose and to be valid must be lodged with the Company's registrars together with any power of attorney or other authority under which it is signed, not less than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting.

2 In accordance with regulation 41 of Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the register of members at 6:30pm on Tuesday 26 March 2019 (the 'Specified Time') will be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at that meeting. Should the meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period then to be so entitled members must be entered on the register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.

Explanatory note to resolution 5

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

Shareholder information

Listing information

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

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

Share price

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

The Company's mid-market share price is published daily in The Times and The Financial Times newspapers.

Registrars

Enquiries relating to matters such as loss of a share certificate, dividend payments or notification of a change of address should be directed to Equiniti who are the Company's Registrars at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA - 0371 384 2030 (lines are open 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales). Callers from outside the UK should dial +44 (0)121 415 7047.

The website is www.equiniti.com.

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

Investor relations

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

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

Donate your shares

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

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

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

Further details about ShareGift can be obtained from ShareGift, 67/68 Jermyn Street, London, SW1Y 6NY - 020 7930 3737 - www.sharegift.org.

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