For release [18] February 2021 7am

Aukett Swanke Group Plc

Announcement of final audited results
for the year ended 30 September 2020

Announcement of final audited results for the year ended 30 September 2020

Aukett Swanke Group plc ("the Group"), the international group of architects, interior designers and engineers announces its final audited results for the year ended 30 September 2020.

Highlights

- United Kingdom and Middle East results down but Continental Europe up significantly.
- Revenues - surge in coronavirus cases led to sharp decline in revenues in second half (April to September) down 42% (H2 2020: £4.79m, H2 2019: £8.19m)
- Profit before tax – focus on costs contained loss before tax to a creditable £46k (2019: profit £292k)
- Cash – cash preserved through cost focus above and restructuring of loan payments, with net funds of £837k at 30 September 2020 (2019: £820k)
- Structural reorganisation through remote working and reduced number of Middle East licences and offices

Nicholas Thompson, CEO said

"The past year has confronted us with a succession of constantly changing problems as Governments around the world have moved the goal posts according to fluctuating circumstances, and responses of clients have similarly varied. We have continued our efforts to contain costs whenever and wherever possible whilst maintaining the quality of service our clients expect. The net result is considerably better than one might have expected.

The current year started with revenues below our expectations due to further project delays and below average enquiries, accordingly we expect to make a loss in H1. However, increased levels of enquiries and notable project wins since December have improved our order book and the potential for recovery in H2."

Enquiries

Aukett Swanke Group Plc - 020 7843 3000

- Nicholas Thompson, Chief Executive Officer
- Antony Barkwith, Group Finance Director

Arden Partners Plc - 020 7614 5900

- Corporate Finance: John Llewellyn-Lloyd / Benjamin Cryer

Investor / Media Enquiries - 07979 604687

- Chris Steele

17 February 2021

Extract from the Chairman's Statement

This is my second year as Non-Executive Chairman, and there is no escaping the fact that it has been dominated by the worldwide impact of the pandemic that evidently has affected every family, every economy and every business in the world.

I would like to express my personal gratitude to all of our management and staff for the considerable efforts that they have made to minimise the impact of this pandemic and to explore more creative and imaginative ways to maintain and, where possible, expand our range of services.

As a global business, we are well accustomed to dealing with circumstances that vary from country to country and region to region; governments have reacted to this global crisis very differently, with policies often changing from day to day. Our Directors and staff have worked tirelessly to manage all of these factors and they have swiftly adapted to working remotely without losing their invaluable team spirit.

Given these multiple challenges, I am delighted that the outcome this year is genuinely creditable and better than anyone could reasonably have expected: a loss before tax of only £46k (2019: profit £292k).

Looking forward to a recovery from this pandemic governments everywhere will be striving to see their economies prosper once again. With our projects continuing and new commissions being added we remain focused on maintaining our quality of service by adapting to changing circumstances and until a more sustained market is evident.

I fully expect the Group to continue to build on the progress made in the last financial year as the impact of pandemic starts to recede and that continued improvement to be reflected in the Group's valuation.

John Bullough, who has been an active non-executive director for 6 years, has decided to retire from the board at the conclusion of the Annual General Meeting. I would like to take this opportunity to thank John for his many years of hard work and commitment and wise counsel.

Therefore, in spite of the current market conditions, I look forward to the remainder of 2021 and beyond with great confidence.

Raúl Curiel
Chairman
17 February 2021

Extracts from chief executive's statement, strategic and directors' reports

Navigating our way through a pandemic is not a common occurrence in the commercial world and so we, like every other business, had to quickly adapt our organisation and services provision to a set of unknown factors with uncertain consequences. It has been no mean feat to stem the potential losses that we faced in the second half and the outcome of a loss just below breakeven at £46k for the year is a quite remarkable result under these circumstances. Both I and my co-Directors are grateful to all those in the Group who have contributed to this outcome.

At the interim stage we had achieved a small but important continuation to our profit recovery. This recovery was left very much in doubt as the impact of the COVID-19 worldwide pandemic took hold. We said at that time that COVID-19 created an uncertain future and that we would adapt our operations as best we could. This has largely been achieved through remote working and reduced office occupancy levels where appropriate but, with the increasing number of project delays through specific gateways (planning to technical drawings and onto construction) and the unpredictable nature of localised lockdowns and new regulations, some disruption has, predictably, occurred to the decision-making process required to transition across these gateways. Because of this we were unable to match the full reduction in the revenue loss arising from such delays in the second half with equivalent cost reductions. This final result achieved is even more satisfying given this unprecedented background.

Group Performance

This year is a tale of two halves.

The first half saw a growing revenue line and a return to profitability. This follows on from 2019 where the Group returned a profit in the second half. However, having initially contained the impact of the COVID-19 pandemic in the first half of our year, successive months in H2 2020 saw a steady deterioration in top line revenues with a consequent impact on profit. Revenues for the year as a whole fell by £3.32m (21%) to £12.17m (2019: £15.49m) which was entirely in the second half. Our short-term cost controls and expense avoidance managed to mitigate this to a marginal loss for the year at £46k (2019: profit £292k).

The UK operation continued to produce a profit before the allocation of central costs, and the Middle East incurred a small loss, whereas our Continental Europe operations went from strength to strength. Both the UK and Middle East were impacted by delays through decision gateways whereas the Continental European operations did not see such immediate impasses to the progress in their projects.

On a brighter note we managed our cash balances well with group wide cash balances at the year-end standing at £992k (2019: £1,145k) After deducting the final balance due on the Group's long term loan, net funds stood at £837k (2019: £820k). This provides us with some comfort in the months ahead given the apparent longevity of the COVID-19 pandemic, at least until the current vaccination programme successfully takes hold.

United Kingdom

Second half revenues stalled as client gateways became more difficult to cross, resulting in the small increase in revenues seen in H1 being reversed in H2. Revenue ended the year at £7.11m (2019: £7.45m) and loss before tax (including management charges) at £282k (2019: £89k), whilst profit before group management charge fell to a respectable £214k (2019: £451k) given the impact of wider events.

Although the pandemic had a negative effect on the transition through project gateways there were many projects where considerable progress was made and we are able to report no cancellations due to COVID-19.

Particular project highlights during the year have been: Birmingham City University's STEAMhouse at East Side Locks and our £60m EQ head quarter building in Bristol, both of which are now on site; site progress with the Asticus Building in London's West End; a new office planning application comprising 290,000sqft in Wimbledon for M&G and Bell Hammer, following a competition win earlier in the year; and a number of hybrid scheme rollouts including the formal position of Hybrid Architect at Highams Park in London for 400 residential units and 85,000sqft of industrial space. We have also seen an increase in the number of Life Sciences buildings. STEAMhouse, EQ and Asticus also include our workplace consultancy services. In addition, we won our first overseas hybrid scheme for a major oil and gas company in Moscow's Skolkovo development area.

In our specialised delivery group, Veretec, it is pleasing to report that there were no project cancellations. However, there were a number of temporary suspensions, together with construction delays for projects on site to establish new COVID-19 social distancing and hygiene solutions following the lockdown in March 2020.

We only saw new onsite instructions starting to come through towards the end of the financial year when the lockdown restrictions were lifted, which will benefit 2021 but, obviously, not the current result. Two larger commissions have been contracted during H1.

Key projects around London include Featherstone Building, Old Street; Nova East, Victoria; 1 Museum Street, Holborn; Hawley Wharf, Camden and Carey Street Spitalfields where we were the executive delivery architect, together with ongoing technical design audits.

Although we did not experience any major losses in operational efficiency it became clear, after a few months of remote working, that some project team work would benefit from personal contact (such as design reviews and the detailed review of drawings) and as a result the office was re-opened, on a voluntary attendance basis, in July as restrictions were lifted. However, new restrictions have been introduced since the year end that essentially retain the remote working requirement for the time being.

United Arab Emirates

Whilst the statistics on COVID-19 were less in the UAE than in say, Europe, the restrictions imposed were much harsher. Initially this had a negative effect on the design side of the business with virtually all jobs stalling or being terminated and no news ones being evident in our marketplace. Construction sites remained open but any positive COVID-19 test on site staff resulted in immediate closure and a discontinuous service profile. As a result, revenue fell sharply in H2 to end the year on at £4.82m (2019: £7.52m) a year on year fall of 36%. Whilst management implemented a combination of short-term cost reductions primarily through payroll and permanent operational savings which are further described in the financial review, this effectively eliminated any possibility of a profit, hence a final loss of just £23k (2019: profit £525k) at pre management charge level is a good result.

The team in the UAE retain a strong local market position with a number of clients where their services are regularly sought. This has led to the current commissions from T&T (as project manager) Du telecom; Etisalat with their retail and stores and business centres; WSP on a number of detailed design and site based projects; DCT in Al Ain with the historic building stock such as Al Ain Museum and Sheikh Khalifa House. On a more individual project basis we have continued to receive additional instructions on the landmark Atlantis, The Palm hotel refurbishment, the Expo 2020 site and Imkan and Miral in Abu Dhabi, as well as from high net worth individuals in the region.

We started to see new enquiries coming through in the latter months of the year, with some larger projects being evident. However, until the vaccine is widely available with more positive sentiment being evident we see the market as generally flat.

Continental Europe

This hub comprises one wholly owned subsidiary, two joint ventures and an associate plus a former wholly owned subsidiary in Russia operating under a licensee arrangement. Revenue and costs for the partly-owned entities are not included in revenue or costs in the Consolidated Income Statement; in line with the use of the equity method of accounting only the after-tax result is included in Group income statement.

The hub has been by far the best performing hub this year with profits of £657k (2019: £495k). The main contributor was again Berlin which seemingly shrugged off the pandemic as did its sister company in Frankfurt. The smaller operations in Istanbul and Prague both had positive years with Prague having its best year for over ten years.

Projects this year by the Berlin office included the completion of the Haus an der Dahme apartment building, the design start for the refurbishment of the Bahn Tower at the Sony Centre and the start on site of the Edge East Side tower, set to be the tallest building in Berlin, pre-let to Amazon.

In Frankfurt completions include the Sparda Bank façade renovation and fit-outs for Allergan and a leading international technology company, the latter in the iconic Messeturm building. Projects soon to complete include office fit-outs for Commerzbank on their Cielo Campus in collaboration with the Berlin office.

Prague project completions include the fit-out of Swarco's offices, the design stages for the WPP Bubenska and Exxon Mobil HQ fit-out projects and the ongoing site stages for the refurbishment of the Trikaya OC Repy shopping centre and DB Schenker Logistics building extension.

Turkey had a positive year and the resilience of the corporate sector precipitated new fit-out projects for LC Waikiki and Google, and the completion of an architectural refurbishment project for the Turkish Chamber of Commerce TUSIAD Enka in Istanbul. Several follow-on projects to create COVID-19 safe working environments were also completed for Google and Allianz in Istanbul and VM Ware in Bulgaria. Architectural designs were completed for new housing and villa types in Erbil, Iraq, due to start on site in 2021.

The Moscow office completed several concept designs for mixed use projects in Moscow, Tumen and the Krasnodar region, and collaborated with the London studio on a significant education centre and a private residence project in the Moscow region. The Moscow operation's first year as a licensee business has made a positive contribution to Group revenues.

Group Costs

Central expenditure continued to be kept under tight control during the second half and reduced through salary savings, travel avoidance and minimising overhead spending. This was aided by the reversal of a significant accrual that had been provided for a significant one-off event but having been evaluated as at the year end, is no longer considered sufficiently probable to warrant retention in the books. This reduced net Group Costs by 24% or £285k against the prior period spend of £1.18m.

Going Concern

As noted at the beginning of this statement, COVID-19 has created a level of uncertainty for the future. With project delays and disruption continuing after the year end and into 2021, we expect increased challenges on our working capital position over the next 12 months.

We begin each financial year needing to win new work and this next year is no different.

We typically bid for a large number of projects and have an enviable and consistent track record of winning more than our fair share. The position is no different in the current financial year except that the impact of COVID-19 makes it more difficult to predict the number of projects sent out to tender and more importantly the timings on the projects we win. To date we have managed this risk by controlling costs and remaining close to our clients.

The board has a reasonable expectation that the Group will have adequate resources to operate for the foreseeable future, however we face the usual uncertainties that occur in our market regarding the future levels and timing of work that are made by client decisions which are beyond our control.

The going concern statement in the Directors report and corresponding section in note 1 provide a summary of the assessments made by the directors to establish the financial risk to the Group over the next 12 months.

Summary and outlook

2020 could have been so much better. We had every expectation of a return to profit from prior year losses, over the full year, but only managed this for the first six months. The loss in the second half is a direct result of COVID-19 issues.

The 2020-21 financial year has started with revenues below our expectations due to further project delays through client gateway decisions and below average enquiries, accordingly we expect to make a loss in the first half. However, increased levels of enquiries and notable project wins since December have improved our order book and the potential for recovery in the second half.

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 and at the same time provides a pleasant and rewarding working environment for our staff. In addition, we undertake to deliver projects throughout the technical drawing stages and, onto site and up to practical completion and handover.

Our markets are subject to cyclical and other economic and political influences in the markets in which we operate, which gives rise to peaks and troughs in our financial performance. Management is cognisant that our business model needs to reflect these variable factors in both our decision making and expectation of future performance. The recent pandemic, which affected all our operations, is an event that has required specific responses and creates an uncertain outlook in terms of both continuity of project instructions and new business activity. However, the business and the component parts have been through many sustained crises before and whilst losses have been incurred the business has been able to respond positively by adopting new business models along with re-structuring the operational costs.

Business Model

We operate through a ‘three hub’ structure covering: the United Kingdom with our office in London; the Middle East with offices in Abu Dhabi, Al Ain, and Dubai; and Continental Europe with four offices in Berlin, Frankfurt, Istanbul, and Prague; along with a Licensee operation in Moscow. This model has remained unchanged for several years.

The presentation of the results of our operations is at local, underlying, trading level and before the allocation of central costs in order to provide a level playing field in terms of comparable performance across the hubs as many only incur a small management charge.

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 in the United Arab Emirates ("UAE") comprises several 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 better placed to offer such a 'one-stop shop' service.

Our Continental European operations provide services offered that are consistent with the other two hubs. Entities within this hub can provide additional drawing services to the larger operations in order to optimise both local and group wide resources.

Management of the operations is delegated to locally based Directors who are, in most instances, indigenous to the country with oversight on a regular basis by the Group's executive management.

As a Group we now have a total average full time equivalent ("FTE") staff contingent of 291 (2019: 305) throughout our organisation which includes both wholly owned and joint venture operations. We are ranked by professional staff in the 2021 World Architecture 100 at number 54= (2019: 2020 WA100 number 63=).

As stated above the pandemic created by COVID-19 has required us to adopt a series of measures to maintain our business envelope which we have achieved through: remote and home working; voluntary attendance in the office; communication through a series of media tools; investing in Office 365, all of which has been achieved in each hub.

Nicholas Thompson
Chief Executive Officer

Antony Barkwith
Group Finance Director

17 February 2021

Consolidated income statement

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Revenue	2	12,166	15,492
Sub consultant costs		(830)	(1,781)
Revenue less sub consultant costs	2	11,336	13,711
Personnel related costs		(9,600)	(11,294)
Property related costs		(1,295)	(1,542)
Other operating expenses		(1,324)	(1,294)
Other operating income		455	371
Operating loss		(428)	(48)
Finance costs		(112)	(42)
Loss after finance costs		(540)	(90)
Gain on disposal of subsidiary		52	-
Share of results of associate and joint ventures		442	382
(Loss) / profit before tax		(46)	292
Tax credit		26	40
(Loss) / profit for the year	2	(20)	332
(Loss) / profit attributable to:			
Owners of Aukett Swanke Group Plc		5	346
Non-controlling interests		(25)	(14)
		(20)	332
Basic and diluted earnings per share for profit attributable to the ordinary equity holders of the Company:			
From continuing operations		0.00p	0.21p
Total profit per share	3	0.00p	0.21p

Consolidated statement of comprehensive income

For the year ended 30 September 2020

	2020 £'000	2019 £'000
(Loss) / profit for the year	(20)	332
Currency translation differences	(38)	46
Other comprehensive (loss)/profit for the year	(38)	46
Total comprehensive (loss)/profit for the year	(58)	378
Total comprehensive (loss)/profit for the year is attributable to:		
Owners of Aukett Swanke Group Plc	(33)	392
Non-controlling interests	(25)	(14)
	(58)	378

Consolidated statement of financial position

At 30 September 2020

	Note	2020 £'000	2019 £'000
Non current assets			
Goodwill	6	2,392	2,412
Other intangible assets		653	762
Property, plant and equipment		272	590
Right-of-use assets		2,929	-
Investment in associate	7	927	711
Investments in joint ventures	8	317	277
Deferred tax		214	193
Total non current assets		7,704	4,945
Current assets			
Trade and other receivables		3,527	4,904
Contract assets		628	663
Cash at bank and in hand		992	1,145
Total current assets		5,147	6,712
Total assets		12,851	11,657
Current liabilities			
Trade and other payables		(3,333)	(4,528)
Contract liabilities		(606)	(836)
Borrowings		(155)	(331)
Lease liabilities		(539)	-
Total current liabilities		(4,633)	(5,695)
Non current liabilities			
Borrowings		-	(272)
Lease liabilities		(2,805)	-
Deferred tax		(47)	(53)
Provisions		(992)	(1,123)
Total non current liabilities		(3,844)	(1,448)
Total liabilities		(8,477)	(7,143)
Net assets		4,374	4,514
Capital and reserves			
Share capital	9	1,652	1,652
Merger reserve		1,176	1,176
Foreign currency translation reserve		(16)	22
Retained earnings		41	37
Other distributable reserve		1,494	1,494
Total equity attributable to equity holders of the Company		4,347	4,381
Non-controlling interests		27	133
Total equity		4,374	4,514

Consolidated statement of cash flows

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash generated from operations	4	151	647
Interest paid		(9)	(42)
Income taxes received/(paid)		218	(1)
Net cash inflow from operating activities		360	604
Cash flows from investing activities			
Purchase of property, plant and equipment		(245)	(90)
Sale of property, plant and equipment		16	2
Dividends received		211	186
Net cash (expended on)/received in investing activities		(18)	98
Net cash inflow before financing activities		342	702
Cash flows from financing activities			
Payments of lease liabilities		(314)	(36)
Repayment of bank loans		(154)	(250)
Net cash outflow from financing activities		(468)	(286)
Net change in cash and cash equivalents		(126)	416
Cash and cash equivalents at start of year		1,145	710
Currency translation differences		(27)	19
Cash and cash equivalents at end of year		992	1,145

Cash and cash equivalents are comprised of:		
Cash at bank and in hand	992	1,145
Cash and cash equivalents at end of year	992	1,145

Consolidated statement of changes in equity

For the year ended 30 September 2020

	Share capital £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Other distributable reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 30 September 2018	1,652	(24)	(309)	1,494	1,176	3,989	147	4,136
Profit for the year	-	-	346	-	-	346	(14)	332
Other comprehensive income	-	46	-	-	-	46	-	46
Total comprehensive income	-	46	346	-	-	392	(14)	378
Balance at 30 September 2019 as originally presented	1,652	22	37	1,494	1,176	4,381	133	4,514
Effect of adoption of IFRS16	-	-	(1)	-	-	(1)	-	(1)
Restated total equity at 1 October 2019	1,652	22	36	1,494	1,176	4,380	133	4,513
Profit/(loss) for the year	-	-	5	-	-	5	(25)	(20)
Acquisition of minority interest	-	-	-	-	-	-	(81)	(81)
Other comprehensive income	-	(38)	-	-	-	(38)	-	(38)
Total comprehensive income	-	(38)	5	-	-	(33)	(106)	(139)
At 30 September 2020	1,652	(16)	41	1,494	1,176	4,347	27	4,374

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.

Notes to the audited final results

1 Basis of preparation

The financial statements for the Group and parent have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Going concern

The Group currently meets its day to day working capital requirements through its cash balances. It maintains an overdraft facility of £500k for additional financial flexibility and foreign currency hedging purposes. This overdraft facility is renewed annually and was renewed for a further 12 months in November 2020, with a review in May 2021.

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 March 2020 by the Financial Reporting Council, “FRC guidance for companies and auditors during the Covid-19 crisis”.

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.

As the COVID-19 pandemic developed through 2020 and into 2021 it affected all of the territories in which the Group operates to varying extents and other countries in which the Group has clients and projects. In March 2020 the Group moved to remote working without any significant disruption, ensuring that staff could continue to work efficiently and service active projects.

With the economic uncertainty that the pandemic presents, the Groups’ operational management took preventative steps including: implementing pay reductions in the UK and UAE operations, and the central administrative operation of varying percentages and durations; furloughing permanent staff; releasing temporary or freelance staff; and encouraging unpaid leave and part time working - all of which provided management with a range of tools that can be implemented at short notice and with immediate effect. The Group has also sought to remove non-essential or deferrable expenditure. Entities deferred operational cash flows where possible to provide short term support to the Groups’ working capital and therefore avoid any new external borrowings and limited use of existing facilities. However, those deferrals unwind in 2021, and haven’t as yet been replaced with similar assistance.

The Groups’ 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, and we have no reason not to expect that the overdraft facility would not be renewed again in November 2021.

Due to the uncertainty in forecasting profits during the COVID-19 pandemic Coutts & Co have agreed to waive the debt servicing covenant for the year ended 30 September 2020 and to remove the debt servicing covenant from the facility agreement for the year ending 30 September 2021 and as such if this covenant is reintroduced in the November 2021 renewal this covenant would next be due for assessment following the year ending 30 September 2022 (assessed on completion of the annual audit, anticipated in January 2023).

During the year Coutts & Co supportively agreed to extend the terms of repayment of the outstanding US Dollar loan. This loan was originally scheduled to be cleared in November 2020, but was extended to July 2021. As at 17 February 2021 the balance on this loan is USD 120k.

The other covenants applicable relate to a measure of the Groups’ gearing, and maintaining a level of UK eligible debtors. The Groups’ Directors are confident that the structure of the Group ensures that the covenants will continue to be satisfied so long as the Group operates within the £500k overdraft limit.

Certain Governments have brought in support packages for businesses during the pandemic such as the UK government backed Coronavirus Business Interruption Loan Scheme (CBILS). However, there is limited information on how long these schemes with continue, with for example CBILS currently extended to 31 March 2021.

The Group has managed cash flow within its existing facilities so far, but it is possible that such schemes will be withdrawn during the course of the next 12 month going concern review period, and as such our forecast assumes that no additional external financing is received when measuring the Groups ability to continue to operate.

The Groups' assessment of going concern is therefore focussed on its ability to operate within the £500k overdraft limit.

The Group forecasts on the basis of earnings and billings from i) secure contractual work, ii) known potential work which is deemed to have a greater than 50% chance of being undertaken and is predominantly follow on stages of currently instructed work, on which a factoring is applied; and iii) new work from known sources such as competitive tenders and submitted fee proposals, or new work to be achieved based on historical experience of market activity and timescales in which work can be converted from an enquiry to an active project which varies by territory and the service each office in the Group provides.

Aware that the risk of the COVID-19 pandemic could lead to recessions and delays in clients making financial investment decisions, the forecasts assessed by the Directors then apply sensitivities based on levels of earnings reductions sustained over the next 12 months, making controllable adjustments to the cost base through structural adjustments to staffing numbers and deferring and removing non-essential costs. We also assess overall cash levels across the Group and how those can be best deployed to ensure each of the entities in the Group has sufficient cash to operate.

The above cost planning exercise and focus on near term secure income and contract extensions has resulted in the Group reforecasting based on cash inflows from turnover less sub consultant costs reduced by an average of 10% against management accounts over the next 12 months. This reforecasting ensures that where the business is sensitive to expected declines in cash inflows from work, management are able to plan ahead for this and manage cost outflows effectively.

In the event that the level of turnover falls by more than the 10% indicated above, management have identified further cash flow initiatives around the Group which could be utilised to generate additional free cash to allow the company to continue to trade. This could include options to sublet, administrative staff and discretionary overhead cost savings and freeing up liquidity in our German associate and joint venture.

In the shorter term management reviewed a number of scenarios, including a scenario modelling a pause on short term expected work amounting to 21.4% of income for 3 months, then followed by the same reductions in workload from the 12 month model (averaging out to over 14% across 12 months). The short-term impact would necessitate the Group moving a level of cash from the investments in joint ventures and associates into the Group, and an improved debtor collection rate than we normally forecast to remain within the limits of our facilities.

The Directors note that the UK and other governments in the territories in which we operate, have been supportive in their efforts to enable construction and infrastructure projects to continue throughout the pandemic so far including whilst lock-down measures have been imposed. With the measures put in place by contractors and sites to date combined with lessons learnt from companies to enable continued operations through remote working, we see the industry now better positioned to reduce the risks of impact from further COVID-19 spikes.

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. However there remains a risk that in the current COVID-19 environment, the Group may find itself as the result of unexpected levels of delays on project work beyond its control requiring additional financing.

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis, however given the lack of certainty involved in preparing these cash flow forecasts, there is a material uncertainty which may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Group or the Parent Company was unable to continue as a going concern.

2 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 is included within Continental Europe together with Germany and the Czech Republic.

Income statement segment information

Segment revenue	2020 £'000	2019 £'000
United Kingdom	7,106	7,454
Middle East	4,823	7,522
Continental Europe	237	516
Revenue	12,166	15,492

Segment revenue less sub consultant costs	2020 £'000	2019 £'000
United Kingdom	6,990	7,379
Middle East	4,122	5,900
Continental Europe	224	432
Revenue less sub consultant costs	11,336	13,711

2020 Segment result	Before goodwill and acquisition adjustments £'000	Fair value gains on deferred consideration and acquisition settlement £'000	Sub-total £'000	Reallocation of group management charges £'000	Total £'000
United Kingdom	(282)	-	(282)	496	214
Middle East	(472)	-	(472)	449	(23)
Continental Europe	511	-	511	146	657
Group costs	197	-	197	(1,091)	(894)
Loss before tax	(46)	-	(46)	-	(46)

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

3 Earnings per share

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

Earnings	2020 £'000	2019 £'000
Continuing operations	5	346
Profit for the year	5	346

Number of shares	2020 Number	2019 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

4 Cash generated from operations

Group	2020 £'000	2019 £'000
(Loss) / profit before tax – continuing operations	(46)	292
Finance costs	112	42
Share of results of associate and joint ventures	(442)	(382)
Intangible amortisation	79	81
Depreciation	74	150
Amortisation of right-of-use assets	340	-
Profit on disposal of property, plant & equipment	-	(3)
Decrease in trade and other receivables	989	425
(Decrease) / increase in trade and other payables	(794)	86
Change in provisions	(79)	(68)
Unrealised foreign exchange differences	(82)	24
Net cash generated from operations	151	647

5 Analysis of net funds

Group	2020 £'000	2019 £'000
Cash at bank and in hand	992	1,145
Cash and cash equivalents	992	1,145
Secured bank loan	(155)	(325)
Net funds	837	820

6 Goodwill

Group

	£'000
Cost	
At 1 October 2018	2,641
Exchange differences	42
At 30 September 2019	2,683
Addition	19
Disposal	(271)
Exchange differences	(39)
At 30 September 2020	2,392
Impairment	
At 1 October 2018	269
Exchange differences	2
At 30 September 2019	271
Disposal	(271)
Exchange differences	-
At 30 September 2020	-
Net book value	
At 30 September 2020	2,392
At 30 September 2019	2,412
At 30 September 2018	2,372

The disposal recorded in the year related to Goodwill on a Russian subsidiary which was sold during the year. As the Goodwill allocated to that entity had previously been fully impaired no gain or loss was recognised on disposal of the goodwill.

The addition recorded in the year related to Goodwill on the acquisition of an additional 15% shareholding in John R Harris & Partners Limited increasing the Group's shareholding from 80% to 95%.

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

	United Kingdom	Turkey	Middle East	Total
	£'000	£'000	£'000	£'000
At 30 September 2018	1,740	32	600	2,372
Exchange differences	-	5	35	40
At 30 September 2019	1,740	37	635	2,412
Addition	-	-	19	19
Exchange differences	-	(11)	(28)	(39)
At 30 September 2020	1,740	26	626	2,392

An annual impairment test is performed over the cash generating units ('CGUs') of the Group where goodwill is allocable to those CGUs.

While JRHP and SCL are identifiable as separate CGUs for the purposes of performing an impairment review under IAS 36, the goodwill of the two CGUs is aggregated here for reference purposes in the disclosure tables.

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 material.

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

- the future level of revenue, set at a compound growth rate of 3.7% over the next five years - which is based on knowledge of past property development cycles and external forecasts such as the construction forecasts published by Experian. Historically the property development market has both declined more swiftly and recovered more sharply than the economy as a whole. Management also considers the level of future secured revenues at the point of drawing up these calculations. Projections consider a gradual return to economic health in the year to September 2021 due to the ongoing effects of the COVID-19 pandemic, then growing to an operation generating revenue in excess of £8m for subsequent years;

- long term growth rate - which has been assumed to be 2.0% (2019: 2.1%) per annum based on the average historical growth in gross domestic product in the United Kingdom over the past fifty years; and

- the discount rate - which is the UK segment's pre-tax weighted average cost of capital and has been assessed at 12.66% (2019: 13.3%).

Based on the discounted cash flow projections, the recoverable amount of the UK CGU is estimated to exceed carrying values by £5,504k (282%). A 7% fall in all future forecast revenues (applied as a smooth reduction to the compound growth rate noted above) without a corresponding reduction in costs in the UK CGU, or an increase in the discount rate to over 39%, would result in carrying amounts exceeding their recoverable amount. A decrease in the effective compound growth rate of revenue to 2.1% instead of the 3.7% noted above, without a corresponding reduction in costs in the UK CGU, would result in carrying amounts exceeding their recoverable amount. Management believes that the carrying value of goodwill remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

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

- the future level of revenue, set at a compound growth rate of 5.5% (for JRHP) and 0.9% (for SCL) over the next five years - which is based on knowledge of the current and expected level of construction activity in the Middle East; Projections for SCL assume a continuation of the effect of economic slowdown through the year to September 2021 before returning to revenue in excess of AED 8.5m for subsequent years. For JRHP we assume earnings in the year to September 2021 of AED 9m with earnings rising above AED 10m from the year 2022/23.

- 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 3.15% per annum based on the average historical growth in gross domestic product in the Middle East over the past forty years; and

- the discount rate – which is the Middle East segment's pre-tax weighted average cost of capital, has been assessed at 13.7% (2019: 11.9%).

Based on the discounted cash flow projections, the recoverable amount of JRHP within the Middle East CGU is estimated to exceed carrying values by at least £1.50m (115%). A decrease in the effective compound growth rate of revenue to 3.6% instead of the 5.5% noted above, without a corresponding reduction in costs in the Middle Eastern CGU, would result in carrying amounts exceeding their recoverable amount. An increase in the discount rate to 30.7% would result in carrying amounts exceeding their recoverable amount.

Based on the discounted cash flow projections, the recoverable amount of SCL within the Middle East CGU is estimated to exceed carrying values by at least £1.65m (296%). A decrease in the effective compound growth rate of revenue to minus (1.34)% instead of the 0.9% noted above, without a corresponding reduction in costs in the Middle Eastern CGU, would result in carrying amounts exceeding their recoverable amount. An increase in the discount rate to 51.4% 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.

7 Investment in associate

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.

Summarised balance sheet	2020 £'000	2019 £'000
Assets		
Non current assets	280	170
Current assets	6,755	4,568
Total assets	7,035	4,738
Liabilities		
Current liabilities	(3,329)	(1,896)
Total liabilities	(3,329)	(1,896)
Net assets	3,706	2,842

Reconciliation to carrying amounts:

	2020 £'000	2019 £'000
Opening net assets at 1 October	2,842	2,179
Profit for the period	1,201	1,065
Other comprehensive income	102	(4)
Dividends paid	(439)	(398)
Closing net assets	3,706	2,842
Group's share in %	25%	25%
Group's share in £'000	927	711
Carrying amount	927	711

Summarised statement of comprehensive income	2020 £'000	2019 £'000
Revenue	13,208	13,425
Sub consultant costs	(3,764)	(5,372)
Revenue less sub consultant costs	9,444	8,053
Operating costs	(7,724)	(6,525)
Profit before tax	1,720	1,528
Taxation	(519)	(463)
Profit for the period from continuing operations	1,201	1,065
Other comprehensive income	102	(4)
Total comprehensive income	1,303	1,061

The Group received dividends of £105,000 after deduction of German withholding taxes (2019: £100,000) 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.

8 Investments in joint ventures

Frankfurt

The Group owns 50% of Aukett + Heese Frankfurt GmbH which is based in Frankfurt, Germany.

	£'000
At 30 September 2018	248
Share of profits	117
Dividends paid	(86)
Exchange differences	(2)
At 30 September 2019	277
Share of profits	117
Dividends paid	(110)
Exchange differences	8
At 30 September 2020	292

The Group received dividends of £106,000 after deduction of German withholding taxes (2019: £86,000) 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.

	2020 £'000	2019 £'000
Assets		
Non current assets	18	12
Current assets	500	580
Total assets	518	592
Liabilities		
Current liabilities	(226)	(315)
Total liabilities	(226)	(315)
Net assets	292	277

	2020 £'000	2019 £'000
Revenue	1,233	1,030
Sub consultant costs	(451)	(343)
Revenue less sub consultant costs	782	687
Operating costs	(610)	(516)
Profit before tax	172	171
Taxation	(55)	(54)
Profit after tax	117	117

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

Prague

The Group owns 50% of Aukett sro which is based in Prague, Czech Republic.

	£'000
At 30 September 2018	-
Share of losses	-
Exchange differences	-
At 30 September 2019	-
Share of profits	25
Exchange differences	-
At 30 September 2020	25

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

	2020 £'000	2019 £'000
Assets		
Current assets	105	88
Total assets	105	88
Liabilities		
Current liabilities	(80)	(93)
Total liabilities	(80)	(93)
Net assets / (liabilities)	25	(5)

	2020 £'000	2019 £'000
Revenue	347	265
Sub consultant costs	(141)	(124)
Revenue less sub consultant costs	206	141
Operating costs	(172)	(146)
Profit / (loss) before tax	34	(5)
Taxation	(4)	-
Profit / (loss) after tax	30	(5)

In the prior year the carrying value of the investment in the joint venture was limited to £nil as the company had net liabilities. The current year share of profit is therefore reduced by £5k so that the carrying value of the investment in joint venture matches the Groups' share of the entities' net assets being £25k as at 30 September 2020.

9 Share capital

Group and Company	2020 £'000	2019 £'000
Allocated, called up and fully paid		
165,213,652 (2019: 165,213,652) ordinary shares of 1p each	1,652	1,652

	Number
At 1 October 2018	165,213,652
No changes	-
At 30 September 2019	165,213,652
No changes	-
At 30 September 2020	165,213,652

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

10 Changes in accounting policies

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

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

10(a) Adjustments recognised on adoption of IFRS 16

	£'000
Operating lease commitments disclosed as at 30 September 2019	3,637
Adjustment for conditional rent free periods	193
(Less): short-term leases recognised on a straight-line basis as expense	(103)
(Less): low-value leases recognised on a straight-line basis as expense	(12)
	3,715
Discounted using the lessee's incremental borrowing rate of at the date of initial application	3,277
Add: finance lease liabilities recognised as at 30 September 2019	278
Lease liability recognised as at 1 October 2019	**3,555**
Of which are:	
Current lease liabilities	211
Non-current lease liabilities	3,344
	3,555

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that

lease recognised in the balance sheet as at 30 September 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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

	30 September 2020 £'000	1 October 2019 £'000
Properties (operating lease type assets)	2,426	2,743
Properties (rent deposit)	52	60
Leasehold improvements (finance lease type assets)	451	466
Total right-of-use assets	**2,929**	**3,269**

Impact on the financial Statements

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

	30 Sep 2019 as originally presented £'000	Finance lease type assets IFRS 16 £'000	Restoration costs IFRS 16 £'000	Operating lease type assets IFRS 16 £'000	1 Oct 2019 as restated £'000
Property, plant & equipment	590	(278)	(188)	-	124
Right-of-use assets	-	278	188	2,803	3,269
Total non current assets	4,945	-	-	2,803	7,748
Current Assets					
Trade and other receivables	4,904	-	-	(60)	4,844
Total current assets	6,712			(60)	6,652
Total assets	11,657	-	-	2,743	14,400
Current liabilities					
Trade and other payables	(4,528)	-	-	533	(3,995)
Borrowings	(331)	71	-	-	(260)
Lease liabilities	-	(71)	-	(140)	(211)
Total current liabilities	(5,695)	-	-	393	(5,302)
Non current liabilities					
Borrowings	(272)	207	-	-	(65)
Lease liabilities	-	(207)	-	(3,137)	(3,344)
Provisions	(1,123)	-	-	-	(1,123)
Total non current liabilities	(1,448)	-	-	(3,137)	(4,585)
Total liabilities	(7,143)	-	-	(2,744)	(9,887)
Net assets	4,514	-	-	(1)	4,513
Retained Earnings	37	-	-	(1)	36
Total equity attributable to equity holders of the Company	4,381	-	-	(1)	4,380
Total equity	4,514	-	-	(1)	4,513

Practical expedients applied

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

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

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

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

10(b) The Group's leasing activities and how these are accounted for

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

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

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

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

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

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

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

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

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

11 Status of final audited results

This announcement of final audited results was approved by the Board of Directors on 17 February 2021.

The financial information presented in this announcement has been extracted from the Group's audited statutory accounts for the year ended 30 September 2020 which will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditor's report on these accounts was unqualified, but contained references to matters to which the auditors drew attention by way of emphasis without qualifying their report, namely around going concern, specifically the Group may find itself as a result of unexpected levels of delays on project work beyond its control requiring additional financing. The auditor’s report did not contain a statement under section 498 of the Companies Act 2006.

Statutory accounts for the year ended 30 September 2019 have been delivered to the registrar of companies and the auditors' report on these accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

The financial information presented in this announcement of final audited results does not constitute the Group's statutory accounts for the year ended 30 September 2020.

12 Annual General Meeting

The Annual General Meeting will be held at 10.00am on Monday 29 March 2021 at 10 Bonhill Street, London, EC2A 4PE.

13 Annual report and accounts

Copies of the 2020 audited accounts will be available today on the Company's website (www.aukettswanke.com) for the purposes of AIM rule 26 and will be posted to shareholders who have elected to receive a printed version in due course.