

Registered number 02155571

**Aukett Swanke Group Plc**

**Annual report**

**For the year ended 30 September 2020**



# Aukett Swanke Group Plc

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# Aukett Swanke Group Plc

## Five year summary

Years ending 30 September	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Total revenues under management <sup>1</sup>	28,534	31,505	31,950	34,583	30,379
Revenue	12,166	15,492	14,380	18,395	20,841
Revenue less sub consultant costs <sup>1</sup>	11,336	13,711	13,094	16,070	18,410
(Loss) / profit before tax	(46)	292	(2,544)	(325)	927
Basic earnings per share (p)	0.00	0.21	(1.42)	(0.20)	0.47
Dividends per share (p)	-	-	-	-	0.18
Net assets	4,374	4,514	4,136	6,761	7,189
Cash and cash equivalents <sup>2</sup>	992	1,145	710	960	1,839
Secured bank loans	(155)	(325)	(553)	(776)	(1,049)
Net funds <sup>3</sup>	837	820	157	184	790

<sup>1</sup>Alternative performance measures, refer to pages 14-15 for definition

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

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

## Corporate information

### Company secretary

Antony Barkwith  
cosec@aukettswanke.com

### Registered office

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### Registered number

England & Wales 02155571

### Website

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### Share registrars

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### Nominated adviser and broker

Arden Partners Plc  
[www.arden-partners.com](http://www.arden-partners.com)

### Auditors

BDO LLP  
[www.bdo.co.uk](http://www.bdo.co.uk)

### Bankers

Coutts & Co  
[www.coutts.com](http://www.coutts.com)

### Investor / Media enquiries

Chris Steele 07979 604687

### Solicitors

Payne Hicks Beach [www.phb.co.uk](http://www.phb.co.uk)  
Fox Williams [www.foxwilliams.com](http://www.foxwilliams.com)

# Aukett Swanke Group Plc

## 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.

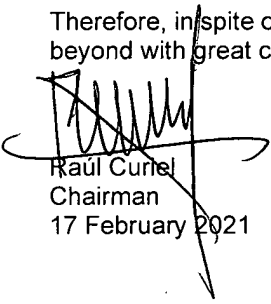
Given these multiple challenges, I am delighted that the outcome this year is genuinely creditable and better than anyone could reasonably have expected: a loss before tax of only £46k (2019: profit £292k).

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.



Raul Curiel  
Chairman  
17 February 2021

# Aukett Swanke Group Plc

## Board of Directors

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

BA(Hons) MArch Aged 74

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

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

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

BSc (Hons) MBA Aged 66

Nicholas became Group CEO in 2005 and has over 35 years of experience in property and consulting organisations; twenty-six of these with Aukett Swanke. During his career with Aukett Swanke he has held the position of Finance Director moving on to become Managing Director in 2002. He holds a master's degree in Business Administration from City University and currently sits on the Cass MBA Advisory Board. He is also a qualified accountant. In 2015 he became a non-executive director of the Wren Insurance Association Limited, a mutual Insurer for architectural practices. Nicholas is responsible for implementing the Group's strategy.

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

FCA MPhys (Hons) Aged 40

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

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

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

FRICS Aged 70

John joined Aukett Swanke as a non-executive director in June 2014. He has over 45 years of international experience in property development and investment. Following 18 years with Grosvenor, John joined ALDAR Properties PJSC in Abu Dhabi and was their Chief Executive until November 2010. He is a Fellow of the Royal Institution of Chartered Surveyors and is a past president of the British Council of Shopping Centres.

## **Aukett Swanke Group Plc**

**Robert Fry (Executive Director & Managing Director – International) ^**  
BA(Hons) DipArch MA RIBA Int'l AIA Aged 64

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

**Clive Carver (Non-executive director) \*\*#^**  
FCA FCT Aged 60

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

### **Board committees**

- \* Member of the Audit Committee chaired by Clive Carver
- \* Member of the Remuneration Committee chaired by John Bullough
- # Member of the Nomination Committee chaired by Raúl Curiel
- ^ Member of the Internal Controls and Risk Committee chaired by Clive Carver

# Aukett Swanke Group Plc

## Chief Executive's Statement

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 impediments 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.

## **Aukett Swanke Group Plc**

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 new 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.



# Aukett Swanke Group Plc

## 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.

## Aukett Swanke Group Plc

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. This is further supplemented by the principal risks and uncertainties section in the strategic report.

### 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.



On behalf of the Board  
Nicholas Thompson  
Chief Executive Officer  
17 February 2021

# Aukett Swanke Group Plc

## Financial review

The headline financial results of the Group were:

	2020 £'000	2019 £'000
Total revenues under management <sup>1</sup>	28,534	31,505
Revenue	12,166	15,492
Revenue less sub consultant costs <sup>1</sup>	11,336	13,711
Net operating expenses	(12,219)	(14,130)
Other operating income	455	371
Net finance costs	(112)	(42)
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	(20)	332

<sup>1</sup>Alternative performance measures, refer to pages 14-15 for definition

Revenues for the year were £12.17m, a decrease of 21.5% on the previous year (2019: £15.49m). Similarly, revenues less sub consultants decreased to £11.34m (2019: £13.71m), a 17.3% decrease. Subconsultant costs decreased from £1.78m last year to £0.83m. Each of the Group's hubs experienced a fall in revenue. While the UK limited its decrease to 4.7%, and the Continental Europe decrease was anticipated (following the sale of the Russian subsidiary in October 2019 generating a profit on disposal of £52k in the process), the Middle East felt the greatest impact of economic slowdown with revenues falling by 35.9% (revenue less subconsultant costs down by 30.1%).

Operating expenses in the year were reduced by £1.91m, of which £1.36m related to technical staff costs, 84% of which was from a combination of permanent reductions in headcount and temporary salary reductions agreed with staff within the UAE reflecting the reduction in technical workload and revenue. Indirect personnel expenses reduced £0.34m, of which £0.19m was in the UAE and £0.15m saved in Group central costs from temporary salary savings, reduced travel and entertaining, and professional services. Further savings were made in the UAE on property costs as the UAE (£0.09m) continued to consolidate its office location, and across the business as operations downsized through the COVID-19 pandemic in the second half of the year.

Other operating income included £158k of government grants claimed on the UK furlough scheme, of which £133k had been received in cash by the year end. The cash position through the second half of the year and at year end was further protected through a £227k UK VAT deferral which is due to be repaid in instalments between March 2021 and February 2022, and a UK rent deferral of £139k to be paid monthly over the period January to December 2021.

The Group adopted IFRS16 this year with no material net impact on the profit and loss account felt from the transition. The adjustments recognised on adoption are detailed in note 34.

## Aukett Swanke Group Plc

The result before tax was a loss of £46k (2019: £292k profit). The adverse performance compared to the prior year recognised the challenges in rescaling fixed operating costs, and intermittent trading in the 2<sup>nd</sup> half of the year in the UAE and UK, as well as wider challenges to the UAE operation in levels of construction investment in the region.

Taking account of a £26k tax credit, and loss attributable to non-controlling interests of £25k our profit after tax at £5k gives an EPS profit of 0.00 pence per share (2019: 0.21 pence per share (profit)).

### United Kingdom

	2020	2019
	£'000	£'000
Revenue	7,106	7,454
Revenue less sub consultant costs <sup>1</sup>	6,990	7,379
FTE technical staff <sup>1</sup>	69	73
Net revenue per FTE technical staff <sup>1</sup>	101	101
Profit before tax (excluding Group management charges) <sup>1</sup>	214	451
Loss before tax (including Group management charges)	(282)	(89)

<sup>1</sup>Alternative performance measures, refer to pages 14-15 for definition

The UK's revenue decreased 4.7% year on year. The year started strongly with earnings exceeding £4.09m in the first half of the year, driven by continued growth in the Veretec executive architecture offering which generate revenue of £2.5m in the 6 months to March 2020. However the impact of economic slowdown hit Veretec earnings significantly harder than Aukett Swanke Limited in the second half of the year as earnings reduced 41.5% to £1.5m. Earnings also reduced in the second half of the year in Aukett Swanke Limited however this was limited to a reduction of 10.5%.

Staff numbers (FTE technical staff) grew to 80 by March 2020 before then dipping to a low of 54 in July 2020 and ending the year at 60. Staff numbers were adjusted primarily through the release of agency and freelance staff on short notice periods, with some temporary utilisation of the UK government furlough scheme for payroll employees. This agile response enabled the UK hub to maintain revenue at £100k per FTE for the full year, comparable with the prior year result.

Whilst management took steps to limit the impact of lower earnings, much of the operating cost base is fixed in the costs of the London office, IT infrastructure and insurances. Modest savings were achieved in day to day running costs, travel and discretionary spend and as a result the hub recorded a result (excluding Group management charges) £237k down on the prior year (on revenues £348k lower).

### Middle East

	2020	2019
	£'000	£'000
Revenue	4,823	7,522
Revenue less sub consultant costs <sup>1</sup>	4,122	5,900
FTE technical staff <sup>1</sup>	52	70
Net revenue per FTE technical staff <sup>1</sup>	79	84
(Loss)/profit before tax (excluding Group management charges) <sup>1</sup>	(23)	525
Loss before tax (including Group management charges)	(472)	(69)

<sup>1</sup>Alternative performance measures, refer to pages 14-15 for definition

Revenues decreased 35.9% from £7.52m to £4.82m in the year, due to the effect of a general slowdown in construction investment in the region combined with further economic contraction following the onset of the COVID-19 pandemic mid-way through the year.

## Aukett Swanke Group Plc

Some of the large projects which had restarted in the prior year stalled or stopped completely, which included projects providing fees into all of the region's subsidiaries. With new opportunities more scarce, competitiveness on fees and onerous clauses being proposed on potential new contracts, management undertook significant cost cutting measures both in direct technical staff costs by implementing permanent headcount reductions, temporary reduced working hours and temporary salary reductions, and in the ongoing administrative, property and operational costs, with measures to simplify the organisational structure and further consolidate and co-locate the entities' operations into common buildings.

Average technical staff FTE numbers reduced to 52 (2019: 70) and net revenue per FTE technical staff dropped from £84k to £79k.

The reduction in revenue less subconsultant costs of £1.79m, meant that the hub registered a small loss before management charges, being £0.55m down on the prior year.

### Continental Europe

	2020 £'000	2019 £'000
Revenue	237	516
Revenue less sub consultant costs <sup>1</sup>	224	432
FTE technical staff <sup>1</sup>	7	13
Net revenue per FTE technical staff <sup>1</sup>	33	33
Profit before tax (excluding Group management charges) <sup>1</sup>	657	495
Profit before tax (including Group management charges)	511	351
<b>Including 100% of associate &amp; joint ventures</b>		
Total revenues under management <sup>1</sup>	16,605	16,529
Revenue less sub consultant costs <sup>1</sup>	11,646	10,140
FTE technical staff <sup>1</sup>	129	116
Net revenue per FTE technical staff <sup>1</sup>	90	87

<sup>1</sup>Alternative performance measures, refer to pages 14-15 for definition

Reported revenues, comprise the Turkey subsidiary (prior year Turkey and Russia). Turkey reported revenues for the year of £237k (2019: £261k), however this decrease was attributable to the devaluation of the Turkish Lira across the period. In local currency revenue less sub consultant costs actually increased by 13.4% to TRY 1.87m. With international clients and contracts denominated in USD and EUR, the subsidiary recorded further foreign exchange gains and recorded a local profit (including Group management charges) of £25k.

The result before tax (including Group management charges), also including the joint venture and associate in Germany and the joint venture in the Czech Republic, was a profit of £511k (2019: £351k).

Continental Europe's result is materially dominated by the associate Berlin and joint venture in Frankfurt, which remained strong and profitable throughout the year. They together contributed £418k (2019: £382k) profit (including Group management charges) to the Continental Europe result. The Czech Republic also enjoyed a much stronger year with increased revenue and a Group share of profit at £25k.

While total revenues under management increased 0.5%, revenue less sub consultant costs increased 14.9%, as the mix of projects undertaken required a lower share of third party technical support. Revenue less sub consultant costs increased in both operations in Germany and the Czech Republic with each relatively unaffected by the economic impact of COVID-19.

Staff numbers increased to 129 from 116 due to growth across the entities, with steady income streams enabling improved efficiency and profitability. As a result, earnings per FTE technical staff were improved at £90k (2019: £87k).

# Aukett Swanke Group Plc

## Financing

Taking account of the year's result, total equity is now £4.37m (2019: £4.51m).

Net funds (see note 21) at year end were marginally improved, being £837k (2019: £820k), comprising cash of £992k (2019: 1,145k), and the loan taken out in respect of the acquisition of Shankland Cox Limited ("SCL"), which now stands at just £155k (2019: £325k).

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 was being repaid in equal quarterly instalments of USD 80k over five years. During the year it was agreed with Coutts & Co to reschedule the final USD 240k balance into monthly instalment payments of USD 20k from Aug-20 to July-21. This facility is also used by the Group to hedge foreign exchange exposures.

The Group's overdraft facility from its bankers Coutts & Co was maintained at £500k throughout the year, continuing to provide working capital flexibility and to support the UK business. This is renewable annually and currently remains in place until November 2021, with a review in May 2021.

The Group has four finance leases taken out by Aukett Swanke Limited to fund the purchase of fit-out costs of the London office in June & November 2018 which were capitalised as a tangible fixed assets (reclassified as right of use assets in the current year following adoption of IFRS16) and finance lease liabilities. The lease liability as at 30 September 2020 was £207k (2019: £278k).

On adoption of IFRS16 the Group recognised a right of use asset and lease liability on the London office which was taken out on a 10 year lease to May 2028. The impact on this change in accounting policy is disclosed in notes 14 and 34. The lease liability as at 30 September 2020 was £3,137k. The office leases in the UAE and Turkey are all short term, and other leases in the Group are low value, therefore no IFRS16 capitalisation of these leases has been made.

Throughout the year there has continued to be a very strong focus on cash management, liquidity forecasts and covenant compliance. Although nothing was drawn at year end, use was made of the overdraft throughout the year. Going forward utilisation of the facility is expected to continue to be required throughout the going concern period.

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

## 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.

## Aukett Swanke Group Plc

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

- The UK trades as two businesses: Veretec Limited and Aukett Swanke Limited. Veretec had been growing over the past few years, continuing that trend through the first half of the 2019/20 financial year until the impact of a slowdown during the COVID-19 pandemic from April 2020. We consider that to be a temporary slowdown and the company to rebound into the 2020/21 year growing back up to the levels of revenue and staff numbers previously attained. Aukett Swanke Limited maintained a core stable team through much of the year with a smaller impact from COVID-19 as most of its live projects continued through preconstruction phases.
- The Middle East adapted its strategy during the year. Previously Aukett Swanke Architectural Design Limited targeted 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. In the year 2019/20 these larger, long term projects largely stalled or stopped due to the economic challenges in the region, and the hub focussed on winning smaller projects to maintain its core staff and capability. However the long term strategy remains the focus of the business going forwards with the mix of larger, longer term projects giving a combination of more predictable revenue streams on which to grow the business, balancing with the smaller projects so as not to be over reliant on a small number of key clients.
- Continental Europe remains mixed across the portfolio. The German businesses are strongest, and Berlin and Frankfurt have strong forward order books continuing their levels of profitability. Turkey and the Czech Republic continue to try and build strength, with both enhancing their capability to support other businesses in the Group.

### Key Performance Indicators ("KPIs")

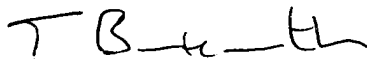
The key performance indicators used within the Group for assessing financial performance are:

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

## Aukett Swanke Group Plc

- Result before taxation (excluding Group management charges), and result before taxation (including Group management charges), which are further assessed on pages 10 to 12;
- Cash at bank and in hand and net funds / (debt), which is assessed further on page 2.

The numbers of full time equivalent technical members of staff differ 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 11 and 12.



On behalf of the Board  
Antony Barkwith  
Group Finance Director  
17 February 2021



# Aukett Swanke Group Plc

## Strategic report

The Directors present their Strategic Report on the Group for the year ended 30 September 2020.

### 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.

## **Aukett Swanke Group Plc**

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.

### **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. With regards to Brexit, now that the UK has left the EU with a trade and cooperation agreement in place, the UK has improved clarity on the future trading arrangements. In the short term this improves business confidence to make operational and investment decisions, however there still remains some uncertainty in predicting and quantifying the long term impact for the UK business.

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.

The effect of COVID-19 has driven political decisions on the grounds of public health and safety, which impacts the ability for both the Group and its clients to operate, and for staff to travel; and economic grounds to reduce the long-term impact on the viability of companies and sustain jobs. Further, this impacts clients' decision making thereby influencing levels of property development activity. Whilst the lock-down measures imposed by the UK government in 2020 and into 2021 demonstrated an ability to manage case levels, the easing of these measures highlighted how quickly case levels can increase and stretch the UK health service's ability to cope. Whilst the recent approvals of a number of vaccines is welcomed, it is too early to tell how effective their roll out will be which makes the effect of the pandemic in the coming 12 months impractical to quantify.

#### **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.

# Aukett Swanke Group Plc

## Operational gearing and funding

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

The UK office lease rent free period which expired in May 2020 includes the option to further extend the rent free period for a further 4 months subject to landlord approved installation of specific property improvements. The decision whether to undertake this work has been paused while management undertake a thorough review of how the UK operation anticipates utilising the office space in the future. The UAE continued further property rationalisation and simplification of local licenses to reduce ongoing fixed costs. The UK continues to maintain a balance in the mix of permanent vs. contract and agency staff to give flexibility to respond to falls in revenue as was experienced during the year.

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 contract assets (and consequentially higher levels of contract liabilities);
- 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 contract assets. Payment also tends to take longer in the Middle East.

The decline in revenue in the UK and the Middle East in the second half of the year tightened the free cash available to be remitted to the Plc by the year end, which was partially offset by dividends received from the German joint Ventures. Further pressure on cash resources is anticipated through the first half of 2021.

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 2020 renewed the Group's overdraft facility until November 2021, 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 17 February 2021 of which is USD 120k.

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;

## **Aukett Swanke Group Plc**

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

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

### **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.

## Aukett Swanke Group Plc

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 17 February 2021 and signed on its behalf by



Antony Barkwith  
Group Finance Director

# Aukett Swanke Group Plc

## Directors' report

The Directors present their report for the year ended 30 September 2020.

### Corporate governance

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

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

### Board of Directors

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

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

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

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

### Audit Committee

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

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

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

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

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

# **Aukett Swanke Group Plc**

## **Remuneration Committee**

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

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

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

## **Nomination Committee**

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

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

The Nomination Committee is chaired by Raúl Curiel with the other members being Nicholas Thompson, John Bullough and Clive Carver.

During the year the Committee reviewed the effectiveness of the Board and the matrix of its skill sets. It met on one occasion.

## **Internal Controls and Risk Committee**

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

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

## **Directors**

Antony Barkwith, John Bullough, Clive Carver, Raúl Curiel, Robert Fry and Nicholas Thompson all served as Directors of the Company throughout the year ended 30 September 2020.

Biographical details of the current Directors are set out on pages 4 and 5.

The Company maintains directors' and officers' liability insurance.

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

## Aukett Swanke Group Plc

	Number of meetings while in office	Number of meetings attended
<b>Executive Directors</b>		
Nicholas Thompson	13	13
Robert Fry	13	13
Antony Barkwith	13	13
<b>Non-executive Directors</b>		
John Bullough	13	13
Raúl Curiel	13	13
Clive Carver	13	12

### Directors' interests

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

Number of ordinary shares	30 September 2020	30 September 2019
Nicholas Thompson	16,802,411	16,802,411
John Bullough	500,000	500,000
Raúl Curiel	9,240,018	9,240,018
Clive Carver	-	-
Antony Barkwith	-	-
Robert Fry	2,150,000	2,150,000

### Directors' service contracts

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

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

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



# Aukett Swanke Group Plc

## Substantial shareholdings

At 17 February 2021 the Company had been informed of the following notifiable interests of three per cent or more in its share capital:

Shareholder	Notes	Number of ordinary shares	Percentage of ordinary shares
Nicholas Thompson	Director of the Company	16,802,411	10.17%
Jeremy Blake	Former employee of the Group	13,030,638	7.89%
Andrew Murdoch	Former director of the Company	12,478,486	7.56%
Begonia 365 SL	Controlled by a former director of the Company	9,515,192	5.76%
Raúl Curiel	Non-Executive Director of the Company	9,240,018	5.59%
Stephen Atkinson	Former employee of the Group	7,634,922	4.62%
John Vincent	Former director of the Company	5,791,394	3.51%

## Share price

The mid-market closing price of the shares of the Company at 30 September 2020 was 1.60 pence and the range of mid-market closing prices of the shares during the year was between 1.40 pence and 2.90 pence.

## Share capital

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

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

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

# Aukett Swanke Group Plc

## Environmental policy

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

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

We believe ourselves to be at the forefront of sustainability amongst our peers which is demonstrated by our track record in achieving 72 'Excellent' or 'Very Good' BREEAM (Building Research Establishment Environmental Assessment Method) ratings awarded to buildings designed by the Group. We have also achieved 1 Ska 'Gold' and 2 Ska 'Silver' environmental assessment ratings and 9 LEED (Leadership in Energy and Environmental Design) 'Gold' award and 5 'Silver' awards.

## Employees

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

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

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

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

## Health and safety

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

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

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

# Aukett Swanke Group Plc

## Disclosure of information to auditor

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

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

## Future developments

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

## Financial instruments

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

## Dividends

With the continuing pandemic and the uncertainty that this has on near-term trading along with the requirement to conserve cash flow, the Board does not intend to pay a dividend in the forthcoming year.

## Going Concern

The impact of measures taken around the world to restrict the spread of the COVID-19 virus have had a significant impact to which the business has to date stood up well.

Actions taken in the Spring and Summer of 2020, resulted in new working practices to allow existing projects to continue and to for the Group to continue to bid for new work. The cost cutting actions taken also mitigated the financial impact of the above on the Group and the Group continues to operate within its banking limits, with an anticipated breach of the debt servicing covenant having been waived prior to this occurring for the year ended 30 September 2020.

More details of the actions taken, and the results of forecasting performed by the Group in response to the COVID-19 pandemic are summarised in the Going Concern section of note 1.

In addressing any going concern issues the Directors are required to consider likely cashflows over at least a 12 month period following the date of the approval of the Financial Statements.

While the business is currently operating within its banking limits, should there be any material delays in projects under way or should the Group stop winning its share of new projects there may be a need for further action.

At year end, the Group had net assets of approximately £4.4 million, and total current assets less current liabilities of approximately £0.5 million.

Based on forecasts prepared and reviewed for the period to 30 September 2022 the Directors have a reasonable expectation that the Group will have 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 or depending on the outcome of overdraft facility renewals scheduled for November 2021, requiring additional financing.

## **Aukett Swanke Group Plc**

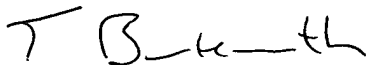
For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis however given the lack of certainty involved in preparing these cash flow forecasts, there is a material uncertainty which may cast significant doubt on the Group's and the Parent Company's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

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.

### **Annual General Meeting**

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

The Directors' report was approved by the Board on 17 February 2021 and signed on its behalf by



Antony Barkwith  
Company Secretary  
Aukett Swanke Group Plc  
Registered number 02155571

# **Aukett Swanke Group Plc**

## **Statement of directors' responsibilities**

### **Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### **Website publication**

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

# Aukett Swanke Group Plc

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

### Opinion

We have audited the financial statements of Aukett Swanke Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 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 changes in cash flows, the consolidated and company statements of changes in equity and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates the Directors' assessment of going concern. In the current COVID-19 environment, the Group may find itself as a result of unexpected levels of delays on project work beyond its control requiring additional financing. As stated in note 1, these events or conditions along with other matters as set out in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our audit procedures in response to this key audit matter included:

## Aukett Swanke Group Plc

- We agreed the forecasts to the plans agreed by the Board of Directors for approval, ensuring that the cash flow forecast and net funds represent an accurate extraction of the future plans;
- Reconciled the opening cash position to the 30 September 2020 audited consolidated cash balance;
- Understood the relative contribution of the business segments to the Group's going concern analysis and challenged the focus of the analysis on the UK segment;
- Corroborated the secured and potential work pipelines to work performed on the value in use models and audit of contracts, challenging Management as to any material post-year end variances in revenues and enquiring about the impact of any project delays in secured and potential continuation work;
- Challenged the future revenue pipeline and enquired about the status of outstanding bids, agreeing to submitted proposal documents and newly won contracts where appropriate;
- Checked the calculations used by Management in sensitising the base case cash flow model to the downside scenarios highlighted in note 1 to confirm their mechanical accuracy;
- Considering the availability of the facility by challenging Management on conversations held with the Group's bankers from the latest facility update, in addition to auditing the assessment by Management of covenant sensitivity to the future forecasts and the impact therefore on retention of the facility during the going concern period; and
- Challenged the cost savings and cash deferral initiatives planned by Management throughout the going concern period, including corroborating to supporting evidence of the cash availability from these measures.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Valuation of contract assets and completeness of contract liabilities for long-term architectural services contracts</b>	
<b>Matter</b>	<b>How we addressed the matter in our audit</b>
<p>The accounting policies for the recognition of revenue on contracts with customers in accordance with IFRS 15 are documented on pages 52-53.</p> <p>The measurement of revenue earned on architectural services contracts with customers is determined by reference to the stage of completion of those contracts at the statement of financial position date, which is a function of the costs (fee earners and</p>	<p>We considered the design and implementation of controls around the recognition and measurement of revenue in the year to the statement of financial position date, including controls around contract and sales invoice approval, timecard entries and total cost estimation by directors.</p> <p>We tested the operating effectiveness of controls around the approval of invoices by</p>

## Aukett Swanke Group Plc

<p>subcontractors) incurred on the contract compared to the total costs expected at the culmination of the contract, less any bills raised to date.</p> <p>Since the above measurement requires Directors to assess the final costs expected on a contract to determine the stage of completion, there is inherent estimation uncertainty and therefore significant judgment arising in the formulation of these estimates, which could vary materially over time and dependent on customer activity.</p>	<p>Management and the reconciliation of the billing system to the accounting system.</p> <p>We selected a sample of contracts for testing from the statement of financial position balances of contract assets and contract liabilities and performed the following procedures:</p> <ul style="list-style-type: none"><li>- We agreed the revenue from the revenue recognition model to the underlying contract and where relevant, contract variations agreed between the Group and its clients.</li><li>- Chargeable time costs incurred to date for the selected projects were agreed to reports generated from the timekeeping system. A sample of individual costs from the reports were agreed through to their supporting timecard and their charge rate agreed to firm wide charge rates to test the accuracy of the recorded time.</li><li>- Reviewed work done by the component auditor to agree a sample of revenue entries recorded in the accounting system to the supporting contract, a copy of the physical sales invoice raised and cash received (see below for work performed around revenue recognition work performed on the year-end balances).</li><li>- For the sample of recorded projects (both in the UK and by the UAE component auditor), the relevant calculation of revenue at the statement of financial position date was recomputed to test the accuracy of the calculation of contract asset or contract liability.</li><li>- In both the UK and in the UAE (component auditor), we assessed and challenged the key stage of completion judgments made by the directors. This involved reviewing the basis of future costs expected to be incurred on the project, and obtaining a detailed understanding of the project from management and the project Director. Where relevant, key judgments (costs to completion, project recovery rates) and objectives achieved (submission of key deliverables indicating closure of costs allocable to certain project stages) were corroborated to supporting documentation and post-year end time chargeability to test the accuracy of judgments made at the statement of financial position date.</li></ul>
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## Aukett Swanke Group Plc

<p><b>Key observation</b></p> <p>Based on the procedures performed, we consider that assumptions made by management in recognising revenue on part-completed contracts with customers at the statement of financial position date to be appropriate.</p>
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<b>Annual impairment review of the UK, Shankland Cox Limited ('SCL') and John R Harris &amp; Partners ('JRHP') Cash Generating Units</b>	
<b>Matter</b>	<b>How we addressed the matter in our audit</b>

<b>Matter</b>	<b>How we addressed the matter in our audit</b>
<p>The accounting policies for the impairment reviews performed annually under applicable accounting standards are described on page 50.</p> <p>The total statement of financial position goodwill arising from past acquisitions of £2.4m, exists predominantly within the UK (£1.7m), with another £0.6m being in relation to the JRHP cash generating unit (located within the UAE operating segment). The residual £0.1m, which is immaterial, is allocable to the Turkey CGU. While no goodwill is allocable to the SCL CGU (also in the UAE operating segment), £0.3m of other intangible assets are situated within the CGU. There is a risk that these are impaired in the context of the results of the Group and the UK and UAE economic operating environments.</p> <p>The impairment review includes a number of significant judgments around future cash flows (primarily revenue less sub consultant costs), discount rates and long term growth rates, to which the CGUs are sensitive to variations in. In the light of the COVID-19 pandemic there is even heightened uncertainty around future revenue less sub consultant cost pipelines and the consequent profitability of the CGUs.</p> <p>There is significant management judgment and uncertainty involved in the preparation of the value in use models under applicable accounting standards for the Group and as a result this was considered to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- We assessed the value in use models for each CGU to test compliance with the requirements of applicable accounting standards and mathematical accuracy of each model.</li> <li>- The Weighted Average Cost of Capital ('WACC') of the models was recomputed with reference to external data to test its accuracy of computation.</li> <li>- The cash flows within the model were challenged to check that these were accurately stated, reasonable and achievable in the light of the economic environment and future pipeline of work. The pipeline of work was specifically challenged and samples of underlying revenue pipeline corroborated to the supporting contracts from where the revenue has been derived.</li> <li>- The sensitivity analysis performed by Management was assessed to determine the susceptibility of future cash flows to variance in the input assumptions along with the headroom in the model.</li> </ul>

<p><b>Key observation</b></p> <p>Based on the procedures performed, we consider that the assumptions and the methodology used in preparing the value in use calculations are appropriate.</p>
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# Aukett Swanke Group Plc

## Our application of materiality

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

Materiality for the Group financial statements was set at £191,000 (2019: £205,000) which represents approximately 1.5% (2019: 1.5%) of the three yearly average revenue less sub consultant costs for the year. This benchmark is considered to be appropriate as this fairly reflects the activity of the Group in a lossmaking environment, where we would generally base the materiality for a listed Group on its profits.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. The performance materiality level applied to the Group was £133,000 (2019: £143,000), being 70% (2019: 70%) of the materiality level.

The audit of the company-only financial statements of Aukett Swanke Group Plc was performed at a level of £91,000 (2019: £141,000) which represents 3% of net assets at the year-end (2019: 3%). This benchmark was considered to be most appropriate as it represents the principal purpose of the company as a holding entity to the subsidiaries of the Group. The performance materiality level applied to the company-only audit was £63,700 (2019: £98,700) being 70% (2019: 70%) of the company-only materiality level.

Component materiality ranged from £6,000 to £50,000, based on 1.5% of revenue less sub-consultant costs as noted above. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £6,600 (2019: £7,000) in addition to other misstatements that warranted reporting on qualitative grounds.

## An overview of the scope of our audit

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

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

## Aukett Swanke Group Plc

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

- Revenue less sub-consultant costs: 36%
- Gross assets: 12%

In addition to the above, the UAE segment for which the component auditor was responsible, contributed a loss of £472k to the overall group loss before tax of £46k.

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 LLP in the component audit work performed was as follows:

- Direction of planning activities and expected areas of audit focus including the materiality, anticipated risk areas and approach to audit work to be adopted;
- Planning meeting between component auditor and BDO LLP to establish understanding of terms and instructions, conducted by video conference;
- Detailed remote review of audit files produced by UAE component auditor by the Group Engagement team (performed over video conference);
- Attendance at the clearance meeting between UAE local management and UAE component auditor by video conference; and
- Direction and supervision of clearance of core audit areas relevant to the Group with involvement in steering and concluding on any remaining audit adjustments and judgements.

The above elements of the review and involvement in the component auditor's activities in our role as group auditor under ISA 600 were largely conducted by video conference (where noted) in view of the travel restrictions in place due to the SARs-Cov19 pandemic. As group auditor we were able to obtain sufficient assurance over the audit work performed on the significant components through use of this approach.

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

### Other information

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

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

# Aukett Swanke Group Plc

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

## Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities set out on page 28 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

## Aukett Swanke Group Plc

### 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.

*BDO LLP*

Nicholas Carter-Pegg (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
Date: 18 February 2021

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

# Aukett Swanke Group Plc

## Consolidated income statement

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Revenue	3	12,166	15,492
Sub consultant costs		(830)	(1,781)
Revenue less sub consultant costs	3	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	4	455	371
Operating loss		(428)	(48)
Finance costs	5	(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	9	26	40
(Loss) / profit for the year		(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	10	0.00p	0.21p

# Aukett Swanke Group Plc

## Consolidated statement of comprehensive income

For the year ended 30 September 2020

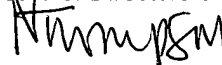
	2020 £'000	2019 £'000
(Loss) / profit for the year	(20)	332
Currency translation differences	(38)	46
Other comprehensive (loss)/profit for the year	(38)	46
<b>Total comprehensive (loss)/profit for the year</b>	<b>(58)</b>	<b>378</b>
Total comprehensive (loss)/profit for the year is attributable to:	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

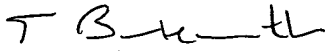
## Consolidated statement of financial position

At 30 September 2020

	Note	2020 £'000	2019 £'000
<b>Non current assets</b>			
Goodwill	11	2,392	2,412
Other intangible assets	12	653	762
Property, plant and equipment	13	272	590
Right-of-use assets	14	2,929	-
Investment in associate	16	927	711
Investments in joint ventures	17	317	277
Deferred tax	22	214	193
<b>Total non current assets</b>		<b>7,704</b>	<b>4,945</b>
<b>Current assets</b>			
Trade and other receivables	18	3,527	4,904
Contract assets	3	628	663
Cash at bank and in hand		992	1,145
<b>Total current assets</b>		<b>5,147</b>	<b>6,712</b>
<b>Total assets</b>		<b>12,851</b>	<b>11,657</b>
<b>Current liabilities</b>			
Trade and other payables	19	(3,333)	(4,528)
Contract liabilities	3	(606)	(836)
Borrowings	20	(155)	(331)
Lease liabilities	14	(539)	-
<b>Total current liabilities</b>		<b>(4,633)</b>	<b>(5,695)</b>
<b>Non current liabilities</b>			
Borrowings	20	-	(272)
Lease liabilities	14	(2,805)	-
Deferred tax	22	(47)	(53)
Provisions	23	(992)	(1,123)
<b>Total non current liabilities</b>		<b>(3,844)</b>	<b>(1,448)</b>
<b>Total liabilities</b>		<b>(8,477)</b>	<b>(7,143)</b>
<b>Net assets</b>		<b>4,374</b>	<b>4,514</b>
<b>Capital and reserves</b>			
Share capital	24	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
<b>Total equity attributable to equity holders of the Company</b>		<b>4,347</b>	<b>4,381</b>
<b>Non-controlling interests</b>		<b>27</b>	<b>133</b>
<b>Total equity</b>		<b>4,374</b>	<b>4,514</b>

The financial statements on pages 37 to 95 were approved and authorised for issue by the Board of Directors on 17 February 2021 and were signed on its behalf by:

  
Nicholas Thompson  
Chief Executive Officer

  
Antony Barkwith  
Group Financial Director



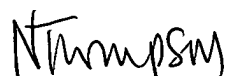
## Company statement of financial position

At 30 September 2020

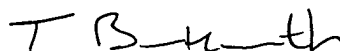
	Note	2020 £'000	2019 £'000
<b>Non current assets</b>			
Property, plant and equipment	13	15	-
Investments	15	3,348	5,514
Trade and other receivables	18	26	27
<b>Total non current assets</b>		<b>3,389</b>	<b>5,541</b>
<b>Current assets</b>			
Trade and other receivables	18	1,928	2,096
Cash at bank and in hand		164	88
<b>Total current assets</b>		<b>2,092</b>	<b>2,184</b>
<b>Total assets</b>		<b>5,481</b>	<b>7,725</b>
<b>Current liabilities</b>			
Trade and other payables	19	(2,430)	(2,692)
Borrowings	20	(155)	(260)
<b>Total current liabilities</b>		<b>(2,585)</b>	<b>(2,952)</b>
<b>Non current liabilities</b>			
Deferred tax		(3)	-
Borrowings	20	-	(65)
<b>Total non current liabilities</b>		<b>(3)</b>	<b>(65)</b>
<b>Total liabilities</b>		<b>(2,588)</b>	<b>(3,017)</b>
<b>Net assets</b>		<b>2,893</b>	<b>4,708</b>
<b>Capital and reserves</b>			
Share capital	24	1,652	1,652
Retained earnings		(1,429)	386
Merger reserve		1,176	1,176
Other distributable reserve		1,494	1,494
<b>Total equity attributable to equity holders of the Company</b>		<b>2,893</b>	<b>4,708</b>

The result for the year contained within the parent company's income statement is a loss of £1,815k (2019: profit £335k).

The financial statements on pages 37 to 95 were approved and authorised for issue by the Board of Directors on 17 February 2021 and were signed on its behalf by:



Nicholas Thompson  
Chief Executive Officer



Antony Barkwith  
Group Financial Director

# Aukett Swanke Group Plc

## Consolidated statement of cash flows

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	151	647
Interest paid		(9)	(42)
Income taxes received/(paid)		218	(1)
<b>Net cash inflow from operating activities</b>		<b>360</b>	<b>604</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(245)	(90)
Sale of property, plant and equipment		16	2
Dividends received		211	186
<b>Net cash (expended on)/received in investing activities</b>		<b>(18)</b>	<b>98</b>
<b>Net cash inflow before financing activities</b>		<b>342</b>	<b>702</b>
<b>Cash flows from financing activities</b>			
Payments of lease liabilities		(314)	(36)
Repayment of bank loans		(154)	(250)
<b>Net cash outflow from financing activities</b>		<b>(468)</b>	<b>(286)</b>
<b>Net change in cash and cash equivalents</b>		<b>(126)</b>	<b>416</b>
Cash and cash equivalents at start of year		1,145	710
Currency translation differences		(27)	19
<b>Cash and cash equivalents at end of year</b>	21	<b>992</b>	<b>1,145</b>
<i>Cash and cash equivalents are comprised of:</i>			
Cash at bank and in hand		992	1,145
<b>Cash and cash equivalents at end of year</b>		<b>992</b>	<b>1,145</b>

# Aukett Swanke Group Plc

## Company statement of cash flows

For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
<hr/>			
Cash flows from operating activities			
Cash generated from operations	26	45	10
Interest paid		(9)	(24)
Net cash inflow/(outflow) from operating activities		36	(14)
<hr/>			
Cash flows from investing activities			
Purchase of property, plant and equipment		(17)	-
Dividends received		211	186
Net cash generated from investing activities		194	186
<hr/>			
Net cash inflow before financing activities		230	172
<hr/>			
Cash flows from financing activities			
Repayment of bank loans		(154)	(250)
Net cash outflow from financing activities		(154)	(250)
<hr/>			
Net change in cash and cash equivalents		76	(78)
<hr/>			
Cash and cash equivalents at start of year		88	166
Cash and cash equivalents at end of year		164	88
<hr/>			
<i>Cash and cash equivalents are comprised of:</i>			
Cash at bank and in hand		164	88
Cash and cash equivalents at end of year		164	88

# Aukett Swanke Group Plc

## Consolidated statement of changes in equity

For the year ended 30 September 2020

	Share capital	Foreign currency translation reserve	Retained earnings	Other distributable reserve	Merger reserve	Total	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 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 (note 34)	-	-	(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.

## Aukett Swanke Group Plc

### Company statement of changes in equity

For the year ended 30 September 2020

	Share capital	Retained earnings	Other distributable reserve	Merger reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 30 September 2018	1,652	51	1,494	1,176	4,373
Profit and total comprehensive income for the year	-	335	-	-	335
At 30 September 2019	1,652	386	1,494	1,176	4,708
Loss and total comprehensive income for the year	-	(1,815)	-	-	(1,815)
At 30 September 2020	1,652	(1,429)	1,494	1,176	2,893

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

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

# Aukett Swanke Group Plc

## Notes to the financial statements

### 1 Summary of significant accounting policies

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

#### Basis of preparation

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

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

For the year ended 30 September 2020, a number of new or amended standards became applicable and the Group had to change its accounting policies to correctly reflect the requirements of the following standards:

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

The impact of the adoption of IFRS 16 and the new accounting policies are disclosed in note 34. There was no change to the Group on adoption of IFRIC 23.

#### 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 2020 and have not yet been adopted by the Group:

- (i) IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)
- (ii) IFRS 3 *Business Combinations* (Amendment – Definition of Business)
- (iii) Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

At present the Group has not analysed the impact of these new accounting standards and amendments.

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.

# Aukett Swanke Group Plc

## 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 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 as described in note 31 and above, 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.

## Aukett Swanke Group Plc

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 will 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 Group's ability to continue to operate.

The Group's 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.



## **Aukett Swanke Group Plc**

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.

### **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**

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

#### **Joint ventures**

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

Joint ventures are accounted for under the equity method.

# **Aukett Swanke Group Plc**

## **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 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.

# Aukett Swanke Group Plc

## 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.

# Aukett Swanke Group Plc

## 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

The majority of the Group's accounting policies for leases are set out in note 14.

### *Identifying Leases*

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy all of the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and
- (c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that pre-determines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

## Operating segments

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

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

## Other operating expenses

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

# Aukett Swanke Group Plc

## Property, plant and equipment

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

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

Leasehold improvements – Unexpired term of lease

Office furniture – 4 years

Office equipment – 4 years

Computer equipment – 2 years

## Provisions

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

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

### *Employee benefits*

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

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

## Post retirement benefits

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

## Revenue recognition

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

### Step 1) Identification of the contract

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

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

## **Aukett Swanke Group Plc**

### **Step 2) Identification of performance obligations**

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

### **Step 3) Identify the consideration**

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

### **Step 4) Allocate the transaction price**

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

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

### **Step 5) Recognition of revenue**

For all contracts undertaken by Management, the measurement of revenues follows an "over time" pattern.

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

The amount by which revenue exceeds progress billings is classified as contract assets. To the extent progress billings exceed relevant revenue, the excess is classified as contract liabilities.

### **Trade receivables**

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

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

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.

## **Aukett Swanke Group Plc**

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

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

## **2 Accounting estimates and judgements**

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

### **Accounting estimates**

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

#### **Impairment of trade receivables**

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

An increase of 6% (2019: 6%) as a percentage of total trade receivables would lead to a material bad debt exposure. Based on the combination of credit loss allowances and specifically identified further provisions, there is a £1.0m, (2019: £1.0m) trade receivables provision primarily against Middle East trade receivables. Given the nature of these, there remains the potential to collect these in future years. Further quantitative information concerning trade receivables is shown in notes 18 and 29.

#### **Impairment of goodwill**

Details of the impairment reviews undertaken in respect of the carrying value of goodwill are given in note 11.

#### **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 11.

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## Critical accounting judgements

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

### **Recognition of fee claim revenue**

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

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

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

In the current year no material fee claim revenue has been recognised at 30 September 2020.

### **IFRS 16 Right-of-use asset and Lease liability**

The lease of its UK, Bonhill Street studio includes an upward rent review after 5 years, does not contain any break clauses and expires in May 2028.

The lease includes provision for an additional 4 month rent free period on condition that the Group undertakes specific property improvements to the Landlords reasonable satisfaction. The Group estimates that the cost of installation of these improvements would be equivalent or higher in cost than the value of the 4 months rent free saving. As the Group would have to pay for the comfort cooling system to gain the rent free saving, the 4 month rent free period is not included within the IFRS 16 calculation for the right-of-use asset and associated lease liability.

## **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 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



## Aukett Swanke Group Plc

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

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

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

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

Segment net finance expense	2020 £'000	2019 £'000
United Kingdom	(104)	(18)
Middle East	-	-
Continental Europe	-	-
Group costs	(8)	(24)
Net finance expense	(112)	(42)

Segment depreciation	2020 £'000	2019 £'000
United Kingdom	29	101
Middle East	40	48
Continental Europe	3	1
Group costs	2	-
Depreciation	74	150

Segment amortisation	2020 £'000	2019 £'000
United Kingdom	367	27
Middle East	43	43
Continental Europe	9	11
Amortisation	419	81

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)

## Aukett Swanke Group Plc

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

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

### Revenue from contracts with customers

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

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

	2020 £'000	2019 £'000
Current contract assets relating to professional services contracts	648	680
Loss allowance	(20)	(17)
Total contract assets	628	663
Contract liabilities relating to professional services contracts	606	836
Total contract liabilities	606	836

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

There were no significant changes in Contract assets as the timing of providing services ahead of the agreed payment schedules for contracts remained largely unchanged. Most of the contract assets are derived from contracts in the Middle East operating segment.

Contract liabilities have decreased as the Group has invoiced for lower amounts ahead of providing services. Contract liabilities derive primarily from contracts in the UK operating segment.

## Aukett Swanke Group Plc

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

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

	£'000
Total contract liabilities as at 1 October 2019	(836)
Revenue recognised that was included in the contract liability balance at the beginning of the period	737
Credits issued relating to the contract liability balance at the beginning of the year, previously invoiced but not recognised as revenue.	28
Cash received in advance of performance and not recognised as revenue in the period	(535)
<b>Total contract liabilities as at 30 September 2020</b>	<b>(606)</b>

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

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

Segment assets	2020 £'000	2019 £'000
United Kingdom	1,354	1,488
Middle East	1,562	2,565
Continental Europe	91	91
Trade receivables and contract assets	3,007	4,144
Other current assets	2,140	2,568
Non current assets*	7,704	4,945
<b>Total assets</b>	<b>12,851</b>	<b>11,657</b>

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

Segment liabilities	2020 £'000	2019 £'000
United Kingdom	2,168	2,989
Middle East	1,052	1,594
Continental Europe	25	85
Trade payables, contract liabilities and accruals	3,245	4,668
Other current liabilities	1,388	1,027
Non current liabilities	3,844	1,448
<b>Total liabilities</b>	<b>8,477</b>	<b>7,143</b>

## Aukett Swanke Group Plc

### Geographical areas

Revenue	2020 £'000	2019 £'000
United Kingdom	7,106	7,454
Country of domicile	7,106	7,454
Russia	-	254
Turkey	237	262
United Arab Emirates	4,823	7,522
Foreign countries	5,060	8,038
<b>Revenue</b>	<b>12,166</b>	<b>15,492</b>
Non current assets	2020 £'000	2019 £'000
United Kingdom	5,072	2,479
Country of domicile	5,072	2,479
Czech Republic	25	-
Germany	1,219	988
Turkey	57	75
United Arab Emirates	1,117	1,210
Foreign countries	2,418	2,273
Non current assets excluding deferred tax	7,490	4,752
Deferred tax	214	193
Non current assets	7,704	4,945

### Major clients

During the year ended 30 September 2020, the Group did not derive 10% or more of its revenues from any client (2019: no client).

	2020 £'000	2019 £'000
Largest client revenues	877	940

The largest client revenues for 2020 relate to the United Kingdom operating segment (2019: Middle East operating segment).

### Revenue by project site

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

	2020 £'000	2019 £'000
United Kingdom	6,769	6,900
Middle East	4,994	7,827
Continental Europe	373	589
Rest of the world	30	176
<b>Revenue</b>	<b>12,166</b>	<b>15,492</b>

## Aukett Swanke Group Plc

### 4 Other operating income

	2020 £'000	2019 £'000
Property rental income	148	170
Management charges to joint ventures and associates	122	114
Government grants (UK furlough scheme)	158	-
Other sundry income	27	33
Fair value gain on the reduction of deferred consideration	-	54
<b>Total other operating income</b>	<b>455</b>	<b>371</b>

### 5 Finance costs

	2020 £'000	2019 £'000
Payable on bank loans and overdrafts	9	28
Finance lease interest payable	103	14
<b>Total finance costs</b>	<b>112</b>	<b>42</b>

### 6 Auditor remuneration

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

	2020 £'000	2019 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	53	42
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	69	65
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	
	2020 Number	2019 Number	2020 Number	2019 Number
Technical	129	152	-	-
Administrative	32	36	7	7
<b>Total</b>	<b>161</b>	<b>188</b>	<b>7</b>	<b>7</b>

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 141 persons (2019: 126 persons).

## Aukett Swanke Group Plc

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	6,958	8,254	542	647
Social security costs	461	517	65	75
Contributions to defined contribution pension arrangements	273	259	41	38
<b>Total</b>	<b>7,692</b>	<b>9,030</b>	<b>648</b>	<b>760</b>

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

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

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

### 8 Directors' emoluments

Directors with operational roles in the UK business, and the Executive Directors and Non-executive Directors of Aukett Swanke Group ("ASG") Plc, waived part of their emoluments in the current year to reflect difficult trading conditions. The total amounts waived were 2020: £38k (2019: £nil).

2020	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Nicholas Thompson	218	10	228	15	243
John Bullough	28	-	28	2	30
Robert Fry	119	19	138	9	147
Clive Carver	28	-	28	2	30
Raúl Curiel	28	-	28	2	30
Antony Barkwith	101	13	114	8	122
<b>Total</b>	<b>522</b>	<b>42</b>	<b>564</b>	<b>38</b>	<b>602</b>

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

## Aukett Swanke Group Plc

Benefits were accruing to three Directors (2019: five Directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid Director were £218,000 (2019: £210,000) together with pension contributions of £10,000 (2019: £21,000).

### 9 Tax charge

	2020 £'000	2019 £'000
Current tax	-	1
Adjustment in respect of previous years	-	(218)
Total current tax	-	(217)
Origination and reversal of temporary differences	(26)	83
Changes in tax rates	-	94
Total deferred tax (note 22)	(26)	177
Total tax credit	(26)	(40)

The standard rate of corporation tax in the United Kingdom is applicable for the financial year was 19% (2019: 19%)

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

	2020 £'000	2019 £'000
Loss/(profit) before tax	(46)	292
Loss/(profit) before tax multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	(9)	55
Effects of:		
Other non tax deductible (credits)/expenses	(12)	8
Associate and joint ventures reported net of tax	(84)	(73)
Tax losses not recognised	84	105
Current tax adjustment in respect of previous years	-	(218)
Deferred tax adjustment in respect of previous years	7	94
Income not taxable	(12)	(11)
Total tax credit	(26)	(40)

### 10 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

## Aukett Swanke Group Plc

As explained in note 25 the Company has granted options over 1,500,000 of its ordinary shares. These have not been included above as the average share price was below the exercise price in 2020 and they therefore do not have a dilutive effect.

### 11 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 noted on page 10. 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 £'000	Turkey £'000	Middle East £'000	Total £'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.



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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;

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- 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.

### 12 Other intangible assets

Group	Trade name £'000	Customer relationships £'000	Order book £'000	Trade licence £'000	Total £'000
<b>Cost</b>					
At 30 September 2018	677	383	157	75	1,292
Disposal	-	-	(157)	-	(157)
Exchange differences	24	21	-	5	50
At 30 September 2019	701	404	-	80	1,185
Disposal	-	-	-	-	-
Exchange differences	(29)	(31)	-	(4)	(64)
At 30 September 2020	672	373	-	76	1,121
<b>Amortisation</b>					
At 30 September 2018	121	180	157	24	482
Disposal	-	-	(157)	-	(157)
Charge	26	47	-	8	81
Exchange differences	5	10	-	2	17
At 30 September 2019	152	237	-	34	423
Disposal	-	-	-	-	-
Charge	26	45	-	8	79
Exchange differences	(9)	(23)	-	(2)	(34)
At 30 September 2020	169	259	-	40	468
<b>Net book value</b>					
At 30 September 2020	503	114	-	36	653
At 30 September 2019	549	167	-	46	762
At 30 September 2018	556	203	-	51	810

## **Aukett Swanke Group Plc**

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

### **Trade name**

The trade name was acquired as part of the acquisition of Swanke Hayden Connell Europe Limited ("SHC") in December 2013 and also on the acquisition of Shankland Cox Limited ("SCL") in February 2016. The SHC trade name reflects the inclusion of the Swanke name in the enlarged Group. Trade names are amortised on a straight line basis over a 25 year period from the acquisition date and have remaining amortisation periods of 18 and 20 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 3 months. The customer relationships acquired in June 2015 and February 2016 both have remaining amortisation periods of 5 years.

### **Trade licence**

The trade licence was acquired as part of the acquisition of JRHP in June 2015. This represents the value of licences granted to JRHP for architectural activities in the regions in which it operates. The licence is amortised on a straight line basis over a 10 year period from the acquisition date and has a remaining amortisation period of 5 years.

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### 13 Property, plant & equipment

Group	Leasehold improvements £'000	Furniture & equipment £'000	Total £'000
<b>Cost</b>			
At 30 September 2018	671	1,426	2,097
Additions	241	59	300
Disposals	(317)	(35)	(352)
Exchange differences	2	23	25
At 30 September 2019	597	1,473	2,070
<b>Reclassification due to adoption of IFRS</b>			
16 (note 14)	(578)	-	(578)
Additions	-	245	245
Disposals	-	(80)	(80)
Exchange differences	(5)	(32)	(37)
At 30 September 2020	14	1,606	1,620
<b>Depreciation</b>			
At 30 September 2018	351	1,312	1,663
Charge	95	55	150
Disposals	(317)	(35)	(352)
Exchange differences	2	17	19
At 30 September 2019	131	1,349	1,480
<b>Reclassification due to adoption of IFRS</b>			
16 (note 14)	(112)	-	(112)
Charge	-	74	74
Disposals	-	(64)	(64)
Exchange differences	(5)	(25)	(30)
At 30 September 2020	14	1,334	1,348
<b>Net book value</b>			
At 30 September 2020	-	272	272
At 30 September 2019	466	124	590
At 30 September 2018	320	114	434

Company	Furniture & equipment £'000	Total £'000
<b>Cost</b>		
At 30 September 2019	-	-
Additions	17	17
At 30 September 2020	17	17
<b>Depreciation</b>		
At 30 September 2019	-	-
Charge	2	2
At 30 September 2020	2	2
<b>Net book value</b>		
At 30 September 2020	15	15
At 30 September 2019	-	-

# Aukett Swanke Group Plc

## 14 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 October 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 October 2019, see Note 34. The following policies apply subsequent to the date of initial application, 1 October 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 23).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

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When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

### **Nature of leasing activities (in the capacity as lessee)**

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions' property leases the periodic rent is fixed over the lease term.

The Group also leases certain items of plant and equipment. Leases of plant and equipment comprise only fixed payments over the lease terms.

The lease liability recognised by the Group on land and buildings relates to the lease on the London premises. Rent on the premises is fixed, subject to a market value rent review in 2023.

The payments on leasehold improvements are all fixed payments for the length of the leases.

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

At 30 September 2020 the leases recognised do not include any break clauses.

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### Right-of-use Assets

	Land and buildings £'000	Restoration costs £'000	Leasehold improvements £'000	Total £'000
At 1 October 2019	2,803	188	278	3,269
Additions	-	-	-	-
Adjustment to brought forward amortisation	-	-	44	44
Amortisation	(325)	(22)	(37)	(384)
At 30 September 2020	2,478	166	285	2,929

### Lease liabilities

	Land and buildings £'000	Leasehold improvements £'000	Total £'000
At 1 October 2019	3,277	278	3,555
Additions	-	-	-
Interest expense	92	11	103
Lease payments	(232)	(82)	(314)
At 30 September 2020	3,137	207	3,344

	£'000
Short-term lease expense	142
Low value lease expense	17
Expense relating to variable lease payments not included in the measurement of lease liabilities	-
Aggregate undiscounted commitments for short-term leases	66

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

At 30 September 2020	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
	Lease liabilities	114	340	469	1,300

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 leases.

	2020 £'000	2019 £'000
Not later than one year	74	68
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	74	68

## Aukett Swanke Group Plc

### 15 Investments

Company	Subsidiaries £'000	Joint ventures £'000	Associate £'000	Total £'000
Cost				
At 30 September 2018 and 2019	10,077	21	12	10,110
Addition	100	-	-	100
At 30 September 2020	10,177	21	12	10,210
Provisions				
At 30 September 2018 and 2019	4,596	-	-	4,596
Charge	2,266	-	-	2,266
At 30 September 2020	6,862	-	-	6,862
Net book value				
At 30 September 2018 and 2019	5,481	21	12	5,514
At 30 September 2020	3,315	21	12	3,348

The increase in cost of £100k during the year relates to the acquisition of a further 15% equity shareholding in John R Harris & Partners Limited.

A provision for impairment of £2,141k has also been made against the Company's investment in Shankland Cox Limited as a result of the matters described in note 11, the value of that subsidiary is considered to have suffered a permanent diminution.

A provision for impairment of £125k has also been made against the Company's investment in Aukett Fitzroy Robinson International Limited, as the United Arab Emirates branch of the subsidiary ceased trading when its' licence expired and was cancelled in July 2020.

The current net book values of the investments in subsidiaries was £5,581k before charges made in the current year, which is larger than the net assets of the consolidated statement of financial position of £4,374k (2019: £4,514k). After the charge taken on Shankland Cox Limited the net book value of £3,440k is less than the net assets of the consolidated statement of financial position.

The net book values are supported by the value in use calculations detailed further in note 11.



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## Subsidiary operations

The following are the subsidiary undertakings at 30 September 2020:

Name	Country of incorporation and registered office address (see table below)	Proportion of ordinary equity held		Nature of business
		2020	2019	
<b>Subsidiaries</b>				
Aukett Swanke Limited	(A)	100%	100%	Architecture & design
Aukett Fitzroy Robinson International Limited	(A)	100%	100%	Architecture & design
Veretec Limited	(A)	100%	100%	Architecture & design
Aukett Swanke OOO	(B)	0%	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)	95%	80%	Architecture & design
Shankland Cox Limited	(A)	100%	100%	Architecture & Engineering
Aukett Swanke Architectural Design Limited	(A)	100%	100%	Architecture & design
Swanke Hayden Connell Europe Limited	(A)	100%	100%	Non-trading
Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Swanke Limited	(A)	100%	100%	Dormant
John R Harris & Partners Limited	(A)	100%	100%	Dormant
Aukett Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Thomas Nugent Architects Limited	(A)	100%	100%	Dormant
Aukett Fitzroy Robinson Europe Limited	(A)	100%	100%	Dormant
Aukett Limited	(A)	100%	100%	Dormant
Aukett (UK) Limited	(A)	100%	100%	Dormant
Aukett Group Limited	(A)	100%	100%	Dormant
Fitzroy Robinson West & Midlands Limited	(A)	100%	100%	Dormant

Aukett Swanke OOO was sold to a third party in October 2019.

Aukett Fitzroy Robinson International Limited is incorporated in England & Wales. The entity operated principally through its Middle East branch which was registered in the Abu Dhabi emirate of the United Arab Emirates. The branch licence expired and was cancelled in July 2020, with new work continuing through Aukett Swanke Architectural Design Limited.

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 Group was increased from 80% to 95% on the 30<sup>th</sup> September 2020, non-controlling interests correspondingly decreased from 20% to 5%.

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.

## Aukett Swanke Group Plc

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

### Interest in associate and joint ventures

Set out below are the associate and joint ventures of the Group as at 30 September 2020. The entities listed below have share capital consisting solely of ordinary shares, held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Country of incorporation and registered office address (see below)	Proportion of ordinary equity held		Nature of relationship	Measurement method
		2020	2019		
Aukett + Heese Frankfurt GmbH	(E)	50%	50%	Joint venture	Equity
Aukett sro	(F)	50%	50%	Joint venture	Equity
Aukett + Heese GmbH	(G)	25%	25%	Associate	Equity

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

### Country of incorporation and registered office addresses

Ref	Country of Incorporation	Registered office address
(A)	England & Wales	10 Bonhill Street, London, EC2A 4PE, United Kingdom
(B)	Russia	3 Malaya Polyanka Street, office 501, Moscow, 119180, Russia
(C)	Turkey	Esentepe Mahallesi Kore Şehitleri Caddesi 34, Deniz İş Hanı K.6 34394 Zincirlikuyu, Istanbul, Turkey
(D)	Cyprus	17-19 Themistokli Dervi street, The City House, 1066 Nicosia, Cyprus
(E)	Germany	Gutleutstrasse 163, 60327 Frankfurt am Main, Germany
(F)	Czech Republic	Janackovo Nabrezi 471/49, 150 00 Prague 5, Czech Republic
(G)	Germany	Budapester Strasse 43, 10787 Berlin, Germany

## 16 Investment in associate

As disclosed in note 15, the Group owns 25% of Aukett + Heese GmbH which is based in Berlin, Germany. The table below provides summarised financial information for Aukett + Heese GmbH as it is material to the Group. The information disclosed reflects Aukett + Heese GmbH's relevant financial statements and not the Group's share of those amounts.

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

## Aukett Swanke Group Plc

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

<b>Summarised statement of comprehensive income</b>	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.

### 17 Investments in joint ventures

#### Frankfurt

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

	£'000
At 30 September 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.

## Aukett Swanke Group Plc

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

As disclosed in note 15, 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
<b>Assets</b>		
Current assets	105	88
<b>Total assets</b>	<b>105</b>	<b>88</b>
<b>Liabilities</b>		
Current liabilities	(80)	(93)
<b>Total liabilities</b>	<b>(80)</b>	<b>(93)</b>
<b>Net assets / (liabilities)</b>	<b>25</b>	<b>(5)</b>

## Aukett Swanke Group Plc

	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.

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	2020 £'000	2019 £'000
Gross trade receivables	3,410	4,503
Impairment allowances	(1,031)	(1,022)
Net trade receivables	2,379	3,481
Other financial assets at amortised cost	419	510
Amounts owed by associates and joint ventures	41	37
Corporate tax asset	-	218
Other current assets	688	658
Total	3,527	4,904

The corporate tax asset of £218k brought forward from the prior year related to cash receivable from UK R&D tax claims. The asset was received during the year as per the Income Taxes Received line in the Consolidated Statement of Cash Flows.

Company	2020 £'000	2019 £'000
<i>Amounts due after more than one year</i>		
Amounts owed by associate and joint ventures	26	27
Total amounts due after more than one year	26	27
<i>Amounts due within one year</i>		
Amounts owed by subsidiaries	1,830	2,045
Amounts owed by associate and joint ventures	14	10
Other financial assets at amortised cost	30	4
Other current assets	54	37
Total amounts due within one year	1,928	2,096
Total	1,954	2,123

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

## Aukett Swanke Group Plc

### Impairment allowances

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

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

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

Provisions on bad and doubtful debts in the UK and Turkey have been immaterial in the historical period reviewed in order to establish the expected loss rate at 30 September 2020. In the UK the Group generally builds up advances for contract work recognised as a credit to the balance sheet which reduces the impact of potential bad debts. Amounts due for contract work not yet billed are generally not material. No loss allowance provision has been made for trade receivables and contracts assets owed to Group entities operating in these countries.

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

Whilst the total impairment allowance is comparable with the prior year, impairment allowances as a percentage of gross trade receivables has increased to 30% (2019: 23%). The reduction in gross trade receivables is primarily a result of the reduced trading in the Group in the final months of the year compared to the prior year and better rates of debtor collection. Whilst the gross trade receivables and impairment allowance both include a number of old specific balances maintained from prior years which have been provided for but as yet not formally written off.

The loss allowance for the Middle East operating segment as at 30 September 2020 (excluding additional loss allowances measured on a case-by-case basis) was determined as follows for both trade receivables and contract assets:

30 September 2020	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	3%	4%	7%	12%	16%	
Gross carrying amount (£'000)	1,080	69	161	14	552	1,876
Loss allowance (£'000) through CSOFP	33	3	11	2	89	138

## Aukett Swanke Group Plc

The comparative loss allowance for the Middle East operating segment as at 30 September 2019 was:

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

The loss allowance for the Middle East operating segment as at 30 September 2020 was determined as follows for both trade receivables and contract assets:

The loss allowance was initially calculated in United Arab Emirate Dirhams (AED) being the functional currency of the Group entities in the Middle East operating segment. On conversion to GBP in the Group consolidation, the carried forward loss allowance is converted at the balance sheet rate, whereas the movement in the loss allowance in the year is converted at the average rate in the statement of comprehensive income. A foreign exchange difference of (£8k) arises which is taken through the foreign currency translation reserve.

	Contract assets £'000	Trade receivables £'000
Opening loss allowance provision as at 1 October 2019	17	163
Loss allowance provision	3	(37)
Amounts restated through opening Foreign Currency translation reserve	-	(8)
<b>Loss allowance calculated based on ECL loss matrices</b>	<b>20</b>	<b>118</b>
Additional provisions identified on a case by case basis	-	913
<b>Total loss allowance as at 30 September 2020 - calculated under IFRS 9</b>	<b>20</b>	<b>1,031</b>

The loss allowances decreased by £45k to £118k for trade receivables and increased by £3k to £20k for contract assets during the year to 30 September 2020.

A further allowance for impairment of trade receivables and contract assets is established on a case-by-case basis (amounting to £913k at 30 September 2020 and £859k at 30 September 2019) when there are indicators suggesting that the specific debtor balance in question has experienced a significant deterioration in credit worthiness. Known significant financial difficulties of the client and lengthy delinquency in receipt of payments are considered indicators that a trade receivable may be impaired. Where a trade receivable or contract asset is considered impaired the carrying amount is reduced using an allowance and the amount of the loss is recognised in the income statement within other operating expenses.

## Aukett Swanke Group Plc

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

	£'000
At 30 September 2018	1,095
Loss allowance provision	(25)
Charged to the income statement based on additional case by case provisions	137
Allowance utilised	(243)
Exchange differences	58
At 30 September 2019	1,022
Loss allowance provision	(37)
Charged to the income statement based on additional case by case provisions	105
Allowance utilised	(20)
Exchange differences	(39)
At 30 September 2020	1,031

### 19 Trade and other payables

Group	2020 £'000	2019 £'000
Trade payables	1,713	1,760
Other taxation and social security	549	573
Other payables	145	123
Accruals	926	2,072
Total	3,333	4,528
<b>Company</b>	<b>2020</b> £'000	<b>2019</b> £'000
Trade payables	57	26
Amounts owed to subsidiaries	2,156	2,389
Other payables	103	4
Accruals	114	273
Total	2,430	2,692

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

### 20 Borrowings

Group	2020 £'000	2019 £'000
Secured bank loan	155	325
Finance lease liabilities	-	278
Total borrowings	155	603
Amounts due for settlement within 12 months	155	331
Current liability	155	331
Amounts due for settlement between one and two years	-	136
Amounts due for settlement between two and five years	-	136
Non current liability	-	272
Total borrowings	155	603



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Finance lease liabilities were included in borrowings until 30 September 2019, but were reclassified to lease liabilities on 1 October 2019 in the process of adopting the new leasing standard. See notes 14 & 34 for further information about the change in accounting policy for leases.

Company	2020 £'000	2019 £'000
Secured bank loan	155	325
Total borrowings	155	325
Instalments due within 12 months	155	260
Current liability	155	260
Instalments due between one and two years	-	65
Instalments due between two and five years	-	-
Non current liability	-	65
Total borrowings	155	325

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	2020 £'000	2019 £'000
Cash at bank and in hand	992	1,145
Cash and cash equivalents	992	1,145
Secured bank loan (note 20)	(155)	(325)
Net funds	837	820

### 22 Deferred tax

Group	Tax depreciation on plant and equipment £'000	Trading losses £'000	Other temporary differences £'000	Total £'000
At 30 September 2018	89	280	(53)	316
Income statement	(5)	(163)	(9)	(177)
Exchange differences	-	-	1	1
At 30 September 2019	84	117	(61)	140
Income statement	(41)	68	(1)	26
Exchange differences	-	-	1	1
At 30 September 2020	43	185	(61)	167

Group	2020 £'000	2019 £'000
Deferred tax assets	214	193
Deferred tax liabilities	(47)	(53)
Net deferred tax balance	167	140

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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 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 2018	-	927	927
Utilised	-	(232)	(232)
Recorded in property, plant and equipment (note 15)	210	-	210
Charged to the income statement	-	163	163
Exchange differences	-	55	55
At 30 September 2019	210	913	1,123
Utilised	-	(205)	(205)
Charged to the income statement	-	121	121
Exchange differences	-	(47)	(47)
At 30 September 2020	210	782	992

#### *Property lease provision*

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

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

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

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

#### *Employee benefit obligations*

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

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

	2020	2019
Combined average length of service	5 years	5 years
Discount rate	1.04%	1.98%
Salary growth rate	1.5%	1.2%

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

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

	Change in assumption	Impact on employee benefit obligation	
		Increase in assumption	Decrease in assumption
Combined average length of service	1 year	1.34%	(3.79)%
Salary growth rate	1%	0.20%	(0.20)%
Discount rate	1%	(0.19)%	0.20%

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	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.

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

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### 25 Share options

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

Granted	At 1 October 2019 Number	Granted Number	Lapsed Number	At 30 September 2020 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
24 Aug 2020	-	1,000,000	-	1,000,000	3.60	24 Aug 2022	24 Aug 2026
<b>Total</b>	<b>500,000</b>	<b>1,000,000</b>	<b>-</b>	<b>1,500,000</b>			

The 500,000 share options granted on 6 March 2017 relate to Beverley Wright, a former Director of the Company. The 1,000,000 share options granted on 24 August 2020 relate to Antony Barkwith, a current Director of the Company. These share options vested and vest respectively 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 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
<b>Net cash generated from operations</b>	<b>151</b>	<b>647</b>
<b>Company</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
(Loss) / profit before income tax	(1,812)	335
Dividends receivable	(211)	(186)
Finance costs	9	24
Depreciation	2	-
Provision on investments	2,266	-
Decrease / (increase) in trade and other receivables	169	(580)
(Decrease) / increase in trade and other payables	(362)	395
Unrealised foreign exchange differences	(16)	22
<b>Net cash generated from operations</b>	<b>45</b>	<b>10</b>

## Aukett Swanke Group Plc

### 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 2019 (as originally stated)	272	331	603
IFRS16 Lease Liabilities	3,137	140	3,277
At 1 October 2019 (restated)	3,409	471	3,880
Cash flows			
- Repayment of borrowings	-	(154)	(154)
- Payment of interest	-	(9)	(9)
- Payment of lease liabilities	-	(314)	(314)
Non-cash flows			
- Effects of foreign exchange	-	(16)	(16)
- Loans and borrowings classified as non-current at 30 September 2020	(604)	604	-
- Interest accrued in period	-	112	112
At 30 September 2020	2,805	694	3,499

Company	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 October 2019	65	260	325
Cash flows			
- Repayment of borrowings	-	(154)	(154)
- Payment of interest	-	(9)	(9)
Non-cash flows			
- Effects of foreign exchange	-	(16)	(16)
- Loans and borrowings classified as non-current at 30 September 2020	(65)	65	-
- Interest accrued in period	-	9	9
At 30 September 2020	-	155	155

# Aukett Swanke Group Plc

## 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

<b>Group</b>	2020 £'000	2019 £'000
Net trade receivables	2,379	3,481
Contract assets	628	663
Other financial assets at amortised cost	419	510
Amounts owed by associate and joint ventures	41	37
Cash at bank and in hand	992	1,145
Loans and receivables measured at amortised cost	4,459	5,836
Trade payables	(1,713)	(1,760)
Other payables	(145)	(123)
Accruals	(926)	(2,072)
Lease liabilities	(3,554)	(278)
Secured bank loans and overdrafts	(155)	(325)
Financial liabilities measured at amortised cost	(6,493)	(4,558)
Net financial instruments	(2,034)	1,278
<b>Company</b>	2020 £'000	2019 £'000
Amounts owed by subsidiaries	1,830	2,045
Amount owed by associate and joint ventures	40	37
Other receivables	30	4
Cash at bank and in hand	164	88
Loans and receivables measured at amortised cost	2,064	2,174
Trade payables	(57)	(26)
Amounts owed to subsidiaries	(2,156)	(2,389)
Other payables	(103)	(4)
Accruals	(114)	(273)
Secured bank loan	(155)	(325)
Financial liabilities measured at amortised cost	(2,585)	(3,017)
Net financial instruments	(521)	(843)

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.

# Aukett Swanke Group Plc

## Collateral

As disclosed in note 20 the bank loan and overdraft (undrawn at 2019 and 2020 year ends) are secured by a debenture over all the present and future assets of the Company and certain of its United Kingdom subsidiaries. The carrying amount of the financial assets covered by this debenture were:

	2020 £'000	2019 £'000
Group	3,052	3,464
Company	1,025	1,044

Other receivables in the consolidated statement of financial position include a £207k rent security deposit (2019: £279k) in respect of the Group's London studio premises. The rent deposit redeems a cash sum of £279k at the end of the term of the lease in May 2028. As disclosed in Note 34, on adoption of IFRS 16 £60k was capitalised as a right of use asset with a (£1k) adjustment to retained earnings.

## 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	2020 £'000	2019 £'000
Czech Koruna	26	37
EU Euro	21	18
Russian Rouble	-	719
UAE Dirham	1,844	1,993
UK Sterling	(3)	(46)
US Dollar	(11)	(252)
Net financial instruments held in foreign currencies	1,877	2,469

Company	2020 £'000	2019 £'000
Czech Koruna	26	37
EU Euro	20	18
Russian Rouble	-	40
US Dollar	(12)	(252)
UAE Dirham	999	945
Net financial instruments held in foreign currencies	1,033	788

## Aukett Swanke Group Plc

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.

	2020		2019	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000
Group	25	132	1	203
Company	103	-	79	-

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

	2020 £'000	2019 £'000
Group	(12)	(17)
Company	(19)	18

### 29 Counterparty risk

#### Group

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

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

The ageing of trade receivables against which an IFRS 9 impairment loss allowance has been made, as the directors consider their recovery is probable, was:

	Receivables pre-allowance 2020 £'000	loss allowance £'000	Receivables post-allowance 2020 £'000
Not overdue	1,038	(13)	1,025
Between 0 and 30 days overdue	306	(3)	303
Between 30 and 60 days overdue	222	(11)	211
Greater than 60 days overdue	931	(91)	840
Total	2,497	(118)	2,379

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

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



## Aukett Swanke Group Plc

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

An additional expected loss allowance provision has then been applied to the residual trade receivables as detailed in note 18.

The concentration of counterparty risk within the £3,007k (2019: £4,144k) 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.

	2020 £'000	2019 £'000
Largest exposure	323	759
Second largest exposure	128	304
Third largest exposure	120	203

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

At 30 September 2020 the largest exposure to a single financial institution represented 55% of the Group's cash and cash equivalents held by John R Harris & Partners Limited with The National Bank of Ras Al-Khaimah (P.S.C) (2019: 73% held by Shankland Cox Limited with Emirates NBD Bank PJSC, a Dubai government-owned bank).

### 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	2020 £'000	2019 £'000
Rent deposit	278	278
Secured bank loans	(155)	(325)
Secured bank overdrafts	-	-
Interest bearing financial instruments	123	(47)

Company	2020 £'000	2019 £'000
Secured bank loans	(155)	(325)
Interest bearing financial instruments	(155)	(325)

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

## Aukett Swanke Group Plc

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.

	2020 £'000	2019 £'000
Group	1	-
Company	(2)	(3)

### 31 Liquidity risk

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

At 30 September 2020 the Group had £850,000 (2019: £850,000) of gross borrowing facility and £500,000 net borrowing facility (2019: £500,000) under its United Kingdom bank overdraft facility. In November 2020 Coutts & Co renewed the overdraft facility, maintaining it at £500,000, which is now next due for review in November 2021, with an interim review in May 2021.

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

Group	Borrowings	Lease liabilities	Other financial liabilities	Total
	£'000	£'000	£'000	£'000
<b>Timing of cashflows</b>				
Within one year	362	-	3,955	4,317
Between one and two years	160	-	-	160
Between two and five years	141	-	-	141
	663	-	3,955	4,618
Expected future charges through the income statement	(34)	-	-	(34)
Financial liabilities at 30 September 2019	629	-	3,955	4,584
<b>Timing of cashflows</b>				
Within one year	157	547	2,784	3,488
Between one and two years	-	547	-	547
Between two and five years	-	1,450	-	1,450
Greater than five years	-	1,161	-	1,161
	157	3,705	2,784	6,646
Expected future charges through the income statement	(2)	(361)	-	(363)
Financial liabilities at 30 September 2020	155	3,344	2,784	6,283

At 30 September 2019, borrowings included finance leases on leasehold Improvements. On adoption of IFRS16 these have been reclassified as lease liabilities. At 30 September 2020, lease liabilities includes the finance lease on leasehold improvements and the land and buildings office lease (see note 14) recognised on adoption of IFRS 16 (note 34).

## Aukett Swanke Group Plc

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

	Borrowings	Other financial liabilities	Total
	£'000	£'000	£'000
<b>Timing of cashflows</b>			
Within one year	157	2,430	2,587
Between one and two years	-	-	-
Between two and five years	-	-	-
	157	2,430	2,587
Expected future charges through the income statement	(2)	-	(2)
Financial liabilities at 30 September 2020	155	2,430	2,585

### 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 2020 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £nil (2019: £75,000).

The Company and certain of its United Kingdom subsidiaries are members of a group for Value Added Tax (VAT) purposes. At 30 September 2020 the net VAT payable balance of those subsidiaries was £376,000 (2019: £251,000).

At the year end, one of the Group's Middle East subsidiaries had outstanding letters of guarantee totalling £110,000 (2019: £95,000). 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 has contractual commitments totalling £nil (2019: £40,000) per annum in respect of software maintenance plans, which expired in December 2019. The total future commitments arising under these contracts as at the balance sheet date amount to £nil (2019: £40,000).

The Group has contractual commitments totalling £3,000 (2019: 3,000) per annum in respect of an IT hardware plan, expiring in December 2021. The total future commitments arising under this contract as at the balance sheet date amount to £4,000 (2019: £7,000).

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## 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	2020 £'000	2019 £'000
Short term employee benefits	1,221	1,349
Post employment benefits	109	120
Total	1,330	1,469

The key management personnel of the Company comprises its Directors.

Company	2020 £'000	2019 £'000
Short term employee benefits	585	589
Post employment benefits	42	58
Total	627	647

### 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 £47,000 (2019: £48,000). Aukett + Heese Frankfurt GmbH charged the Group £nil (2019: £nil) for architectural services. Dividends of £106,000 (2019: £86,000) 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 (2019: £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 £63,000 (2019: £64,000). Dividends of £105,000 (2019: £100,000) were received from Aukett + Heese GmbH during the year. The amount owed to the Group by Aukett + Heese GmbH at 30 September 2020 was £nil (2019: £nil).

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

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 £14,000 (2019: £5,000) were made to Aukett sro in respect of these services. The Group was also charged £nil (2019: £2,000) for architectural services provided by Aukett sro during the year, of which £nil (2019: £nil) was owed by the Group at the balance sheet date. Separately, Aukett sro owed the Group and the Company £40,000 as at 30 September 2020 (2019: £37,000) relating to previously declared but not yet paid dividends, management fees 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 £971,000 (2019: £1,164,000) and paid charges to its subsidiaries for office accommodation and other related services of £95,000 (2019: £90,000).

## Aukett Swanke Group Plc

At 30 September 2020 the Company was owed £1,830,000 (2019: £2,045,000) by its subsidiaries and owed £2,156,000 (2019: £2,389,000) to its subsidiaries. These balances arose through various past transactions including working capital advances, treasury management and management charges. The amounts owed at the year-end are non interest bearing and repayable on demand.

Under IFRS 9, the Company has recorded no allowance for expected credit losses, as all subsidiaries owing funds to the Company are in a position to repay the amounts owed in line with the payment terms stipulated by the Company.

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

### 34 Changes in accounting policies

This note explains the impact of the adoption of IFRS 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.

#### 34(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)
	<hr/> 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
	<hr/>
<b>Lease liability recognised as at 1 October 2019</b>	<b>3,555</b>
Of which are:	
Current lease liabilities	211
Non-current lease liabilities	3,344
	<hr/> <b>3,555</b>

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.

## Aukett Swanke Group Plc

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
<b>Total right-of-use assets</b>	<b>2,929</b>	<b>3,269</b>

### 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
<b>Total non current assets</b>	<b>4,945</b>	<b>-</b>	<b>-</b>	<b>2,803</b>	<b>7,748</b>
<b>Current Assets</b>					
Trade and other receivables	4,904	-	-	(60)	4,844
<b>Total current assets</b>	<b>6,712</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>6,652</b>
<b>Total assets</b>	<b>11,657</b>	<b>-</b>	<b>-</b>	<b>2,743</b>	<b>14,400</b>
<b>Current liabilities</b>					
Trade and other payables	(4,528)	-	-	533	(3,995)
Borrowings	(331)	71	-	-	(260)
Lease liabilities	-	(71)	-	(140)	(211)
<b>Total current liabilities</b>	<b>(5,695)</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>(5,302)</b>
<b>Non current liabilities</b>					
Borrowings	(272)	207	-	-	(65)
Lease liabilities	-	(207)	-	(3,137)	(3,344)
Provisions	(1,123)	-	-	-	(1,123)
<b>Total non current liabilities</b>	<b>(1,448)</b>	<b>-</b>	<b>-</b>	<b>(3,137)</b>	<b>(4,585)</b>
<b>Total liabilities</b>	<b>(7,143)</b>	<b>-</b>	<b>-</b>	<b>(2,744)</b>	<b>(9,887)</b>
<b>Net assets</b>	<b>4,514</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>4,513</b>
<b>Retained Earnings</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>36</b>
Total equity attributable to equity holders of the Company	4,381	-	-	(1)	4,380
<b>Total equity</b>	<b>4,514</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>4,513</b>

# Aukett Swanke Group Plc

## 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.

## 34(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.

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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.

### **35 Corporate information**

General corporate information regarding the Company is shown on page 2. The addresses of the Group's principal operations are shown on page 97. A description of the Group's operations and principal activities is given within the Strategic Report.



# Aukett Swanke Group Plc

## Shareholder information

### Listing information

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

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

### Share price

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

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

### Registrars

Enquiries relating to matters such as loss of a share certificate, dividend payments or notification of a change of address should be directed to Equiniti who are the Company's Registrars at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA - 0371 384 2030 (lines are open 9.00am to 5.00pm, Monday to Friday excluding public holidays in England and Wales). Callers from outside the UK should dial +44 (0)121 415 7047. The website is [www.equiniti.com](http://www.equiniti.com).

Equiniti also provides a website which enables shareholders to view up to date information about their shareholding in the Company at [www.shareview.co.uk](http://www.shareview.co.uk).

### Investor relations

In accordance with AIM Rule 26 regarding company information disclosure, various investor orientated information is available on our web site at [www.aukettswankeplc.com](http://www.aukettswankeplc.com).

The Company Secretary can be contacted by email at [cosec@aukettswanke.com](mailto:cosec@aukettswanke.com).

### Donate your shares

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

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

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

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

# Aukett Swanke Group Plc

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