

Aukett Swanke Group Plc

("Aukett Swanke", the "Company", or, together with its subsidiaries, the "Group")

Final audited results for the year ended 30 September 2023

Notice of Annual General Meeting ("AGM")

Aukett Swanke (AIM: AUK), the group providing Smart Buildings, Architectural and Design Services, announces its final audited results for the year ended 30 September 2023 and Notice of AGM.

Highlights

Period under review

- Revenue less sub consultant costs (from continuing operations) up 101% to £14.103m (2022: £7.127m) primarily due to the acquisition of Torpedo Factory Group during the year
- Return to a trading profit before tax (from continuing operations), of £28k (2022: loss £72k)
- Post tax profit £92k (2022: loss £2.282m)
- Earnings per share 0.04p (2022: loss per share 1.38p)
- Net assets up 741% to £3.373m (2022: £401k)

Strategic

- One year into the new twin architecture / smart buildings strategy
- New board in place to take the Group forward
- Significant increase in employee shareholders
- Management and staff committed to greater share ownership through new Share Schemes

Architecture

- Markets reflect the uncertainty in the UK economy
- However, both core UK architecture business performed better than the previous year
- Architect capacity increased with targeted recruitment – now 102 UK architects
- International architect network restructured to focus on profitable participants
- Successful German investments continue to be high yielding

Smart buildings

- 4 Smart Buildings acquisitions completed in the past 12 months
- Group now has extensive Smart Building Consultancy and Master Systems Integration experience and expertise
- Developed software products acquired with small but established client bases
- Software revenues expected to grow strongly

Current Year

- Current year expected to repeat last year's pattern of a first half loss and second half profit
- Cash at close of business 26 March 2024 £659k plus available overdraft of £250k
- Current cash balance includes £275,000 from share subscription announced 21 March 2024, with a further £150,000 anticipated from directors and management following announcement of these results
- Cash position continues to be carefully monitored
- Proposed sale of surplus freehold property is slower than hoped but expected to eliminate net debt

Clive Carver, Chairman, said:

“The management team have made a strong start in implementing our twin strategy approach of developing both the core architecture businesses and in building a presence in the Smart Buildings space.”

Nick Clark, Chief Executive, said:

“The board has recognised the need for a new approach. We plan to build on the four completed Smart Buildings acquisitions to take advantage of what we believe is a growing need to automate and integrate the systems of new and existing buildings. This area is not well served presently and we see a sizable market opportunity. Our recent acquisitions give us the expertise to capitalise on that opportunity. Success in this area will significantly extend the period of a building’s lifetime during which the Group earns revenues, without the need to continually increase costs as a growing component of the Group’s revenue is earned from software licences and associated smart building services.”

Copies of the 2023 audited accounts and Notice of AGM will be available today on the investor section of the Company’s website (www.aukettswankeplc.com) and are being posted to shareholders who have elected to receive a printed version imminently. The AGM will be held at the Company’s registered office, 10 Bonhill Street, London EC2A 4PE, on Friday 26 April 2024 at 10:00am.

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About Aukett Swanke Group plc

Aukett Swanke Group has a strong foundation in architectural services and is on a transformative journey to become a London-listed provider of Smart Buildings and related services. ASG are uniquely positioned to ensure the technical systems that run modern premises are designed as an integral part of the structure, from the outset.

For more information go to <https://www.aukettswankeplc.com>

Chairman's statement

Introduction

It is now 12 months since we embarked on our strategy to expand both our traditional core architecture businesses and also to become a significant force in the provision of smart building services.

In these financial statements we are pleased to set out our progress.

Strategy

Architecture

Aukett Swanke and Veretec are well respected names in their respective architectural design and executive architecture markets. We are looking to grow each of these businesses both organically through the recruitment of additional architects and by the acquisition of existing architecture practices.

In particular we are looking to use our status as the UK's only listed architecture group to provide owners of suitable architecture practices with the opportunity to exit.

Smart buildings

We are also looking to become a leading provider of smart buildings services. Success here would significantly extend the period during which the Group generates income over the life of a building without the upfront investment required in staff and support services that are required in our traditional architecture businesses.

In particular we are looking to introduce SaaS revenues from the provision of services delivered by smart systems rather than just billing for staff on an hourly or project rate.

In the past 12 months as set out in greater detail in the Chief Executive's report we have completed four smart buildings related acquisitions, the most recent of which, completed in March 2024, adds 13 staff and developed software providing SaaS revenues.

We have also joined a consortium led by a university spin-out company alongside industrial partners and a number of UK university research teams, to work on an Innovate UK funded project developing the use of Responsible Artificial Intelligence (AI) in building energy management.

One year in and it is clear to us from the reaction from our market that we are on the right track in seeking to expand the use of technology to the delivery of building related services.

Corporate actions

Over the past two years we have also taken steps to increase the Group's profitability. Long standing investments in overseas offices in the Middle East, Turkey and Prague where we did not have the critical mass to make a difference, have been sold or closed. We have also been able to cease all links with our former Russian activities, which were sold in 2019.

Our international investments are now limited to the Berlin and Frankfurt offices which continue to thrive.

Board appointments

Over the past 12 months we have put in place a board to take the Group forward to its next stage.

Management team.

Nick Clark, who founded Torpedo Factory Group Limited (“TFG”) acquired in March 2023, was appointed Chief Executive in April 2023. Freddie Jenner, who was the Finance Director at TFG, was appointed Group Chief Operating Officer in June 2023. Jason Brameld, Technical Director at TFG, serves as the Group’s Chief Technical Officer in a non-board role. Nick, Freddie and Jason join Antony Barkwith, the Group’s long standing Group Finance Director, to form the core senior executive team.

Non-executive directors

In April 2023 Tandeep Minhas was appointed to the board. She is a vastly experienced corporate lawyer, being head of corporate finance at Taylor Wessing.

I am also pleased to report that Robert Fry, a noted architect and a long standing executive director who served as Interim CEO until Nick Clark’s appointment when he became Deputy Chairman has agreed to become a non-executive director following the completion of the 2024 AGM.

Trading

As set out more fully in the Chief Executive’s report and the Financial Review, the Group, for the year ended 30 September 2023, before exceptional items returned to an overall profit with each of the continuing business units making a contribution to central costs.

Stock Market conditions

As shareholders will be well aware, for some time now the market in smaller and growth companies has failed to operate at anywhere near the levels seen in previous periods with reduced liquidity generally, evidenced by low company valuations and an absence of new IPOs.

While we cannot choose the market conditions in which we seek to grow the Group’s value we do recognise that at the current share price meaningful dilution to finance acquisitions would only be justifiable for exceptional opportunities such as the Vanti acquisition completed in March 2024.

Groupwide share schemes

Shortly after the year end, the Group introduced a number of innovative employee share and option schemes designed to encourage all staff to become shareholders. Interest from staff has been encouraging with approximately 40% now signed up to make regular share purchases.

Outlook

The accompanying Chief Executive’s report and financial review provide details on trading in the period under review and subsequently.

While the market for our traditional architecture businesses inevitably mirrors the uncertain UK economy with potential financially related pauses on new developments, our leading brands and the quality of our architecture stands us in good stead for these businesses continuing to make a positive financial contribution to the Group as a whole.

The market however for smart buildings services looks more promising as competition is less developed and once a building is up it needs to be managed.

We look forward to updating shareholders with our progress in the coming months.

Clive Carver
Chairman
27 March 2024

Chief Executive's Report

Introduction

I became Chief Executive in April 2023 and am pleased to present my first annual report, which comes after twelve months of significant change in the scale and nature of the Group's activities, encompassing four acquisitions and two disposals.

In the first six months of the period under review the Group's focus was on its core architecture businesses and completing the acquisition of Torpedo Factory Group. In the second six months and subsequently, we have been implementing our new strategy.

With the new management team now firmly bedded in and four completed acquisitions we have made an encouraging start.

Our plan

Architecture

In the UK we have two established architecture businesses, Aukett Swanke, a traditional full design business with roots going back to 1906, and Veretec, an executive architecture business working with designers from other firms.

These businesses are well established in their chosen markets and our plan is to grow them organically by the recruitment of additional architects, and by acquisition.

As the UK's only listed architecture group we have a unique advantage in being able to use our shares to fund the acquisition of successful architecture practices where the traditional exit for owners of selling out to the next generation typically no longer exists.

Smart buildings

By contrast we are a new entrant in the provision of smart building services, but acquisitions allow us to bring in new technology, proprietary software, relevant case studies and the staff whose expertise delivered those case studies. In this manner we are able to demonstrate our credentials in this new area, using the existing contacts of the architecture businesses to accelerate our progress.

Our plan here is to become a leading provider of Smart Building services. Breaking this down we plan to become:

- Smart Building Systems Designers
- Smart Building Systems Integrators
- Smart Building Systems Operators

We will do this via a buy and build strategy - but having completed four acquisitions our short term focus will be getting our businesses sharing skills, resources, and technologies. We hope the stock market will reward us for progress in this area, allowing us to consider further acquisitions on better terms for our investors.

Commercial rationale for Smart Buildings

In contrast to a traditional architecture business, which has high fixed costs and where once the project is completed there is no further income, under a Smart Buildings business model, there is more scope for revenues that contractually recur over the lifetime of a building. Technology is used to its utmost; rapid growth is achievable without the often time consuming and expensive recruitment of additional staff; and short term fluctuations in economic activity do not dictate customer buying decisions.

Smart buildings integrate advanced technologies, data analytics, and automation to create vibrant ecosystems. They optimise energy consumption, streamline operations, and personalise experiences for occupants. By leveraging the Internet of Things (IoT) and artificial intelligence (AI), smart buildings offer real-time monitoring, energy savings, improved comfort, proactive maintenance, and cost reduction.

The challenge of both the architecture and system integration business models is that revenue is project based. We need to continually sell new products just to stand still and typically need to add more people and more working capital in order to grow. By contrast under a SaaS business model customers sign up for long-term contracts, and typically renew when those contracts expire.

Such revenues do however take time to build – because today's order is only recognised as revenue over many years. When a SaaS business makes a new sale, however, the run rate of revenues increases. They have as a result become highly prized and valued by investors.

We believe our strong architecture market presence will be a great help in building meaningful SaaS revenues from smart building software.

Acquisitions

Torpedo Factory Group Limited

In March 2023 we acquired Torpedo Factory Group Limited (“TFG”) an audio, visual and stage technology systems integrator to organisations in the UK and Europe by way of a share for share exchange, under which the shareholders of TFG were issued 110,142,286 shares then representing 40% of the enlarged Group. The enlarged Group has also issued 8,400,000 options to two TFG staff exercisable at a price of 1p per share to replace TFG options that were cancelled as part of the transaction. I know the TFG business well, having founded it in 1997, and I joined your Group's board on completion of the acquisition.

TFG is a technology systems integrator and services business operating in the UK and continental Europe in two principal areas:

- Intelligent Environments, which designs, installs and maintains integrated audio-visual systems for corporate and public sector clients, primarily working directly with commercial property occupiers but also with main contractors on construction fit-out projects;
- Stage Technology, which creates and maintains technologically powerful systems for a wide range of performance spaces – typically theatres, and drama spaces in education settings.

It also included a Live Events business, which was sold to its management, as it was not core to the new strategy.

Anders + Kern U.K. Limited

In July 2023 we acquired Anders + Kern U.K. Limited (“A+K”), a business that we have known for some time, from SmartSpace Software PLC for a cash consideration of approximately £515,000.

A+K distributes smart workplace systems. Its revenues are principally derived from the provision of hardware, software, and installation services for room and desk booking systems, and the provision of Internet of Things (“IoT”) sensors to monitor environmental and occupancy data. The data created can be analysed using Artificial Intelligence (AI) to get meaningful actionable insights to improve occupier experience within the built environment.

A+K retains its status as a distributor of SpaceConnect, SmartSpace Software's workspace optimisation SaaS product.

For the year ended 31 January 2023 SmartSpace reported A+K revenues of £2.09 million and a trading loss before tax of £169,000. During that period it employed an average of 11 people, though by the time of acquisition this had been reduced to 7.

ecoDriver Ltd

In October 2023 we acquired TR Control Solutions Limited (TRCS), a developer of energy management software and provider of energy efficiency services. On acquisition TRCS changed its name to ecoDriver Ltd (“ecoDriver”).

ecoDriver’s revenues are derived from the provision of its proprietary energy monitoring software, energy efficiency consultancy services, and the provision of IoT sensors, meters and other hardware to monitor environmental and energy usage data.

ecoDriver operates in a high growth business segment, which we believe should grow rapidly as part of the Group, by accessing the Group’s wide customer base and contacts, and utilising the Group’s operational delivery capabilities.

The acquisition gives us scope to develop the use of Artificial Intelligence (AI) in building management by using AI to deliver scalable decision-making around energy usage in the built environment.

The consideration was £360,450, comprising the issue to the vendors of 17,800,000 shares at 1.525p per share and £89,000 in cash, half of which was paid on completion with the remaining half due 12 months later. The consideration shares are subject to a 12-month lock-in, followed by an orderly market arrangement for a further 12 months.

In the few months since its acquisition ecoDriver has secured in excess of £300,000 of new orders. This is equivalent to approximately 60% of its prior year revenue and confirms our belief in its prospects as part of the wider Group.

Vanti

On 20 March 2024 we acquired the assets of Vanti, a widely respected smart building consultancy, master systems integrator, and smart building software developer. 13 previous Vanti staff have joined us and their client base has been hugely supportive. Vanti was previously an audio visual systems integrator and their visionary approach saw them make an early transition to the role of Master Systems Integrator (“MSI”). Their experience and their expertise will help accelerate TFG’s journey, making the same transition but on a larger scale. The profits from their MSI activities were used to develop two software products. One, Kahu, is a workplace technology platform of the kind A+K distribute.

The second, Smart Core, is potentially transformational for our Group. Smart Core is a Building Operating System. This controls a building’s systems, and provides for the appropriate sharing of data between landlord, tenants, and users through APIs. Smart Core is in the early stages of development, but has been deployed across several buildings in a number of different countries. It is primarily used as an open source Community Edition, but an Enterprise Edition has been developed and is ready to be marketed.

Smart Core can be sold either as a SaaS model, where the customer pays monthly or annually over the long term, or a Capex licence model, where a one-off licence sale is made, with a lower annual maintenance fee to cover support and upgrades. We see attractions in both areas – Capex sales lend themselves well to the existing model of procuring and delivering a new building, where a main contractor manages a sizeable capital outlay, and the building owner wants to keep a competitively low service charge. The SaaS model works well for the retrofit market (where ecoDriver specialises), and where a Building Operating System can more than pay for itself through savings from running the building better, and from improved reporting across an entire portfolio of properties, which may be running a wide variety of Building Management Systems from a number of different legacy providers.

Synergies

The ecoDriver software provides our architects with a solution to their client's needs. Also of note is that much of TFG Stage Technology's installed client base is in the education sector, a key target for ecoDriver's products.

The Vanti acquisition multiplies the number of synergies. ecoDriver can potentially be used to share information with Kahu to provide a richer tenant experience, and Kahu could provide information to ecoDriver to offer insight into required energy usage. Our AI efforts can help Smart Core with its building management. The smart building consultants employed alongside the Vanti acquisition broaden the range of services our architects can provide, while our architects ensure that smart building considerations are higher priority than has been the case hitherto.

The trading year in review

Basis of inclusion

The year to 30 September 2023 includes a full year of trading from our architecture businesses, but only six months from the Torpedo Factory Group businesses, and less than three months from Anders+Kern.

In July 2023 we were pleased to note that The Architects' Journal recognised our UK Architecture activities at 48th place in their AJ100 list of UK architects by practice size, up from 70th place in 2022.

Aukett Swanke Limited – traditional full service architecture

Aukett Swanke worked on a number of notable projects during the year:

- Orchard Wharf is a River Thames fed 80,000 square feet logistics building with additional residential and public realm targeting planning submission in April 2024.
- SafeStore is an agile new generation 15,000 square feet warehouse just south of London Bridge targeting planning submission in May 2024.
- We have created a 18.2 hectare multi-level and multi-use intensification masterplan for Network Rail in South London.
- As part of the Kings Cross Knowledge Quarter, we have designed a mixed use 230,000 square feet hybrid scheme of life sciences, light industrial, public realm and with the potential for residential due for planning in 2024.
- We are further developing our highly sustainable 100 year chassis design approach for a 1m square feet riverside scheme that can accommodate a vast array of uses with multi century potential.

Veretec Limited – executive architecture

Veretec, our executive architecture business completed the 15,000 square meter n2 Nova building in Victoria in June 2023 for Landsec, working with Mace and Lynch Architects.

Projects in progress include:

- Holloway Park, the site of the former women's prison, a residential development for Peabody / London Square with AHMM; and
- London Dock for St George / The Berkeley Group with Patel Taylor.

Heritage projects under way include:

- Grade II listed 84 Moorgate for City of London with Osborne and Ben Adams;
- 41 Lothbury for Pembroke RE with Stiff +Trevillion, also Grade II listed;
- Greycoat Place in Westminster for Victoria Spaces with SPPAR; and
- West King Street Renewal Project (Hammersmith Town Hall) with Ardmore and RSHP Architects.

84 Moorgate, 41 Lothbury and Greycoat Place are all due for completion in H1 2024.

German investments

Our German investments continued to perform strongly.

We own a 25% interest in Aukett + Heese GmbH, a Berlin architecture practice, and have a joint venture in Aukett + Heese Frankfurt GmbH, in which we own 50%. Collectively these assets are valued in our accounts at £1,071,000 at 30 September 2023, reflecting our share of the underlying balance sheets. We received management fees and dividends during the year of £382,000 more than justifying the current accounting carrying value.

Torpedo Factory Group – Systems Integration

TFG's results are only consolidated from the date of acquisition in March 2023.

The Intelligent Environments business, which during the period developed a particular niche in London offices for international law firms, performed strongly from the date of acquisition.

The Stage Technology business also performed well from its acquisition, in part as it has a seasonal bias with its best months over the summer when schools and colleges are closed and in part as the result of a £2 million project to deliver the technical infrastructure of a new entertainment venue in Manchester.

The TFG businesses also bedded in the new ERP system implemented in the previous year, which is designed to make the business more scalable.

Anders + Kern

We acquired Anders+Kern two and a half months before the year end, and include its results from that date.

The operational highlights included the migration of the A+K business to the Group's ERP systems and reshaping the sales team and product line-up, with the benefits expected to accrue in future periods.

Employee Share Schemes

Before the TFG acquisition, a majority of the company's shares were held by around two dozen former directors of the Group and its architecture businesses, with almost no ownership by the existing management and staff. Ownership is normal in professional services firms, and while there was an eagerness from management to participate, there was no clear structure for it to happen.

Following the year end, we have therefore implemented three routes to increase employee ownership across the Group, as follows:

First, in November 2023, we implemented AESOP, a Share Incentive Plan. This is a tax efficient method for all employees to build a base level of ownership from their monthly salary. I am delighted to report that around 40% of the Group's employees have chosen to become shareholders. We now have around 70 current director/employee shareholders, up from 10 a few months ago.

Second, we are implementing MSOP, our Management Share Ownership Plan. Under this, the directors of the Group's businesses have been asked to commit to invest sums equivalent to at least 5% of their gross salary in purchasing the Group's shares on the open market. Purchases are expected to be made approximately quarterly. The executive directors on the plc board will invest 8% of their gross salary, and a small number of senior management just below subsidiary director level have been asked to invest 2.5% of their gross salary. The commitment becomes optional once the director in question owns at least 0.5% of the Group's share capital (0.25% for non directors). Participation has been strong, with 32 members of the management team making commitments, out of 34 members who were invited.

Third, a Company Share Option Plan allows for the grant of share options in a tax efficient manner. Our intention is that option grants will be made annually, but only to those employees who make the commitment under the MSOP to invest in the business. This will build into a portfolio of options, acting as an employee retention tool, as at any point those granted within the past three years cannot ordinarily be exercised.

Collectively I expect these employee share schemes will provide a natural and persistent demand for our shares to the benefit of the staff concerned aligning their interests with those of shareholders. More importantly they are already changing the culture of the Group, as staff become owners. It enables so many people who are key to our future start to build meaningful ownership stakes. I believe they also give us the best employee ownership package in the market, and I am confident we can use this to attract and retain the best talent available.

Current Trading & Outlook

It is difficult to predict with confidence how the current year will unfold. We have a strong pipeline of projects but more so than in previous years the starting point for these projects, and the dates from which we can charge, are at risk of delay.

As was the case in the year under review there is likely to be a loss in the first half of the year with the position improving in the second half.

The combination of pressure on cashflow from continuing to pay down the Coronavirus Business Interruption Loan Scheme loans, project delays, and the freehold property mortgage expiring in February 2025 leads the Board to give careful consideration in the assessment of going concern. The material uncertainty, the measures taken by the Board, and other mitigating options which could be taken are discussed at length in the Financial Review, the Directors' Report and note 1. This only serves to underline the need to balance the nature of the Group's revenue streams.

Aukett Swanke Ltd designed the world's first Smartscore accredited smart building in 2021, and the recent acquisition of Vanti allows the Group to expand its smart building consultancy work.

It is too early in the Group's Smart Buildings operations to speak of the likely outcome for the current year with confidence. However, TFG was already starting to deliver Master Systems Integration activities and the recent Vanti acquisition will accelerate this.

Smart buildings will clearly require artificial intelligence to take decisions on how sites should best be run. We announced on 19 February 2024 that we are participating in a consortium between 6 industrial and 3 research university partners to develop AI for energy saving. This project is backed by an Innovate UK grant. Our staff have completed AI courses at Oxford University and we are exploring opportunities to further develop our AI capabilities.

While our smart building activities are at an early stage we seem to be on the right track with growth expected across all our smart buildings offerings.

Our team

December 2023 saw the retirement of Keith Morgan, Veretec chairman, after 39 years with the Group. We are grateful for all he did to help Veretec become one of the best respected and successful firms in its specialist field. In connection with its acquisition by ASG, TFG also lost two longstanding directors – Keith McCullagh, who retired as its non-executive chairman at acquisition, and John-David Papworth, who departed with the disposal of the Live Events business. I have worked with both of them since the 1990s and wish them well.

There are however many new faces to welcome as we begin what I hope will be a phase of rapid growth, to create a larger UK architecture business that operates as part of a successful smart buildings group.

Rapid growth means rapid change, and change is often unsettling. I am delighted at how well our people have responded to the changes so far, and would like to thank all of them for their support. They make our business what it is, and more importantly, they shape what it will become.

We have an exciting year ahead and I look forward to reporting on our progress.

Nicholas Clark
Chief Executive
27 March 2024

Financial review

The headline financial results of the Group were:

	2023 £'000	2022 £'000
Total revenues under management ¹	32,460	24,033
Continuing operations		
Revenue	14,335	8,645
Revenue less sub consultant costs ¹	14,103	7,127
Cost of sales	(2,627)	-
Net operating expenses	(11,869)	(7,757)
Other operating income	326	326
Net finance costs	(246)	(95)
Share of results of associate and joint ventures	341	327
Trading profit/(loss) from continuing operations	28	(72)
Acquisition costs	(379)	-
Goodwill impairment	-	(1,752)
Loss before tax from continuing operations	(351)	(1,824)
Tax credit	433	45
Profit/(loss) from continuing operations	82	(1,779)
Profit/(loss) from discontinued operations	10	(503)
Profit/(loss) for the year	92	(2,282)

¹Alternative performance measures, refer to pages 19-20 for definition

The result for the year is split between continuing operations and the discontinued Middle East operations.

The Group reported a small trading profit of £28k (2022: loss £72k) with a significant contribution from TFG and A+K post-acquisition, and an improvement in the result of the United Kingdom architecture operation, partially offset by higher central Group costs.

The result of the discontinued Middle East operations was a nominal profit before tax of £10k (2022: loss £0.50m) with nominal activity.

Revenues for the year from continuing operations were £14.34m, an increase of 65.8% on the previous year (2022: 8.65m). Revenues less sub consultants increased by 97.9% to £14.10m (2022: £7.13m), with subconsultant costs falling by 84.7% to £0.23m (2022: £1.52m), due to growth in the UK hub combined with revenue from the Torpedo Factory Group and Anders + Kern acquisitions.

UK architectural hub, revenue less sub consultant costs increased 24.6% to £8.69m (2022: £6.98m), their highest level in over 6 years, as the UK operations further recovered following the lows experienced during the COVID-19 pandemic.

In Continental Europe, another strong performance from the Berlin associate and Frankfurt joint venture producing a combined share of profits of £0.34m (2022: £0.33m), however performance in Turkey was below expectations as the operation struggled with ongoing high inflation and stop start workloads. The Turkey operation was sold to one of the local directors post year end.

Operating expenses in the year increased by £4.11m due to the operating costs of TFG and A+K post-acquisition, combined with higher personnel related costs in UK architecture as the group recruited to meet staffing needs for new projects won.

Other operating income was unchanged from the prior year at £326k, due to post acquisition sub-let rental income from TFG's London office, being offset by lower property rental income from the London Bonhill Street office as the subtenant occupied less space with the growth in UK architectural technical staff headcount taking up the available space.

The Group increased technical staff numbers (UK net revenue per FTE technical staff was down marginally at £102k, whilst the UK average FTE technical staff increased by 18 to 85).

The Group incurred significant one-off acquisition costs totalling £379k relating to the TFG and A+K acquisitions turning the small trading profit into a loss before tax. Tax Credits then bring the post tax position back into profit.

The profit after tax at £92k gives an EPS of 0.04 pence per share (2022: loss 1.38 pence per share),

United Kingdom

	2023 £'000	2022 £'000
Revenue	8,858	8,465
Revenue less sub consultant costs ¹	8,692	6,975
FTE technical staff ¹	85	67
Net revenue per FTE technical staff ¹	102	104
Profit/(loss) before tax (excluding Group management charges) ¹	201	211
Loss before tax (including Group management charges)	(93)	(329)

¹Alternative performance measures, refer to pages 19-20 for definition

The UK's revenue increased 4.6%, however stripping on pass through subconsultant costs revenue increased 24.6% year on year to its highest level in over 6 years. The prior year revenue included projects that Veretec executive architecture acted on as the lead consultant, as these progressed into later stages sub consultant expertise reduced to nominal levels.

The first half of the year saw 11.4% growth in the UK business compared to the prior year second half, with revenue less subconsultant costs of £4.09m (2022: H2: £3.67m) as the business continued to win new work and rebound post the lows of the COVID affected years.

Veretec was awarded and commenced £5.85m of new orders being a mixture of residential and commercial projects, providing significant revenue growth through H2 and a stronger order book leading into the year commencing 1 October 2023.

With the higher workload, recruitment enabled staff numbers (FTE technical staff) being 77 in October 2022 to grow month on month through the year to 94 FTE's by 30 September 2023.

Net revenue per FTE was £102k for the full year a touch down on the £104k in the prior year primarily due to the timing of project pauses.

The improvement in revenue particularly in H2, was partially offset by inflationary pressures on staffing, utility and IT costs and the one off costs of recruitment fees, whilst our net revenue per FTE was marginally lower. This translated into the year on year segmental result being static compared to the prior year, with the hub recording a profit before tax (excluding Group management charges) of £0.20m. This represented a year of transition with the hub positioned with a larger order book and stronger staff offering to be able to improve margins in the coming year.

Continental Europe

The principal components of the Continental Europe hub are the two German investments, for which under the prevailing accounting rules we do not show revenue and costs but only report our share of profits.

	2023	2022
	£'000	£'000
Revenue	194	180
Revenue less sub consultant costs ¹	128	152
FTE technical staff ¹	6	7
Net revenue per FTE technical staff ¹	21	22
Profit before tax (excluding Group management charges) ¹	423	422
Profit before tax (including Group management charges)	277	275
Including 100% of associate & joint ventures		
Total revenues under management ¹	18,317	14,025
Revenue less sub consultant costs ¹	12,491	10,594
FTE technical staff ¹	121	108
Net revenue per FTE technical staff ¹	103	98

¹Alternative performance measures, refer to pages 19-20 for definition

The hub result before tax (including Group management charges), including the joint venture and associate in Germany, was a profit of £277k (2022: £275k).

Continental Europe's result is materially dominated by the associate Berlin and joint venture in Frankfurt. The year to September 2023 represented another profitable year. They together contributed £341k (2022: £328k) profit (including Group management charges) to the Continental Europe result.

Reported revenues, comprise the Turkish subsidiary. Turkey reported revenues for the year of £194k (2022: £180k), with revenue less subconsultant costs decreasing to £128k (2022: £152k). The reduction in earnings was due to a further devaluation of the Turkish Lira across the period, with the average TRY to GBP rate in the year at 26.29 (2022: 18.44). However, whilst the year on year revenue increased modestly in local currency, clients pausing projects led to sub optimal efficiency of staff time with large gaps in workloads, and the very high levels of inflation in Turkey increased operating costs of the company whilst the rates on existing projects were not able to fully absorb the increased costs that followed. As a result, Turkey recorded another year of local losses (including Group management charges) of £64k (2022: £52k) and loss (excluding Group management charges) of £53k (2022: £36k).

With ongoing high inflation and uncertainty in the Turkish economy and no clear path to turn the losses around, management commenced a process to sell the operation to the local directors which was completed after the year end (note 28).

Total revenues under management increased 30.6%, whilst revenue less sub consultant costs increased 17.9%. Staff numbers increased to 121 FTE's (2022: 108), due to growth in the Berlin office. The growth in Germany also led to an increase in net revenue per FTE technical staff to £103k (2022: £98k) and with it slightly improved profitability.

Middle East – discontinued operation

	2023	2022
	£'000	£'000
Revenue	2	1,543
Revenue less sub consultant costs ¹	-	1,256
FTE technical staff ¹	-	18
Net revenue per FTE technical staff ¹	N/A	68
Profit/(loss) before tax (excluding Group management charges) ¹	10	(399)
Profit/(loss) before tax (including Group management charges)	10	(503)

¹Alternative performance measures, refer to pages 19-20 for definition

Following the disposal of JRHP in April 2022, and management's decision to take on no new projects and transition to cease activities in the region, revenue and costs were nominal in the year. Minor gains on costs settled below the levels of prior year accruals and a small gain on the movement of IFRS 9 loss allowance provisions enabled the hub to record a profit before tax of £10k.

The Middle East hub continues to be treated as a discontinued operation.

Torpedo Factory Group

	2023	2022
	£'000	£'000
Revenue	4,816	-
Gross Profit	2,503	-
FTE technical staff ¹	14	-
Net revenue per FTE technical staff ¹	344	-
Profit before tax (excluding Group management charges) ¹	467	-
Profit before tax (including Group management charges)	401	-

¹Alternative performance measures, refer to pages 19-20 for definition

The results shown above relate only to the performance from the date of acquisition on 20 March 2023, when its results were consolidated into the Group, to the new year end on 30 September 2023. TFG performed strongly delivering revenues and profit in excess of its own internal budgets. The profits are delivered by its two trading subsidiaries - at an entity level Torpedo Factory Group Ltd continued to make losses while it holds on to its freehold property and associated mortgage. The footprint of the building means it is no longer a strategic fit for the underlying business after the disposal of Torpedo Factory Ltd.'s Live Events business announced in April 2023, and the property is being marketed for sale.

The subsidiary TFG Stage Technology Ltd contributed the majority of the TFG profit with an excellent performance in its projects department, internal teams utilised the relatively new ERP system to help deliver its largest ever project which contributed revenues in excess of £2m.

While Torpedo Factory Ltd did not perform as strongly as the Stage Technology business it still delivered small profits after internal management charges. Recurring revenue within the service department has continued to increase making the company less reliant on projects wins although this is still the majority of the revenue within the entity.

Anders + Kern

	2023 £'000	2022 £'000
Revenue	467	-
Gross Profit	153	-
FTE technical staff ¹	1	-
Net revenue per FTE technical staff ¹	467	-
Profit before tax (excluding Group management charges) ¹	62	-
Profit before tax (including Group management charges)	62	-

¹Alternative performance measures, refer to pages 19-20 for definition

Anders + Kern U.K. Ltd performed marginally ahead of internal budgets for the period from acquisition on 17 July 2023 to the year end, and results for that brief period are shown above. The company transitioned well to new premises with a more streamlined team to deliver its revenues and planned the changes that have been implemented following the year end.

Financing

The net deficit (see note 25) at the year end was significantly higher than the prior year as a result of the mortgage and secure bank Coronavirus Business Interruption Loan Scheme ("CBILS") loans consolidated into the Group on acquisition of TFG in the year. This gave a deficit of £2,140k (2022: £621k), comprising cash of £522k (2022: £28k), cash included in assets held for sale (see note 28) of £30k (2022: £nil), a net overdraft of £122k (2022: £232k), the Coutts CBILS loan which reduced to £167k (2022: £417k), a NatWest CBILS loan of £992k, and a mortgage of £1,411k both consolidated into the Group from the acquisition with TFG.

The Group's £250k overdraft facility from its bankers Coutts & Co and was renewed in December 2022.

In December 2023, Coutts & Co confirmed the renewal of the £250k overdraft facility for an initial period to 31 March 2024, and subsequently has agreed to extend this renewal to 30 September 2024, continuing to provide working capital flexibility and to support the UK business. This is discussed further in note 1.

The Coutts CBILS loan set out in note 24 was arranged with Coutts & Co in response to the challenges impacting trade incurring losses during the COVID pandemic. The loan is repayable over 3 years with the first instalment made in June 2022, to be paid back in 24 monthly instalments through to May 2024. As at 30 September 2023, the first 16 instalments had been made on time as planned, as have all subsequent scheduled payments.

The mortgage and the NatWest CBILS bank loan set out in note 24 were arranged by National Westminster Bank plc (NatWest) and are secured by way of a first legal charge over The Old Torpedo Factory freehold property, a debenture and cross guarantee from Torpedo Factory Group Limited, Torpedo Factory Limited and TFG Stage Technology Limited. The bank loan initially drawn at £1.75m is being repaid at £29k per month. The loan is at a fixed rate of interest of 3.66%pa.

The mortgage that subsisted during the year was initially drawn in 2018 at £1.73m with a duration of 5 years and was extended for a year during the pandemic, so was due to expire in February 2024, and is therefore wholly shown due for settlement within 12 months. The mortgage carried interest at base rate + 1.93%. The mortgage has recently been renewed for a further 12 month period to February 2025 carrying a higher interest rate of base rate + 5.00%pa pending a disposal of the associated freehold property.

The Group had four leases taken out by Aukett Swanke Limited (“ASL”) to fund the purchase of fit-out costs of the London office in June & November 2018 on 5 year terms, which are capitalised as right of use assets and lease liabilities. The lease liability (see note 16) as at 30 September 2023 was down to £1k (2022: £55k), and has been fully paid off post year end.

The Group recognises 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 lease liability as at 30 September 2023 was £1,961k (2022: £2,364k).

With the acquisition of TFG, the Group now recognises right of use assets and lease liabilities on two further buildings and a number of motor vehicles. The aggregate lease liability of these assets as at 30 September 2023 was £275k.

There are no office leases remaining in the UAE. The office lease in Turkey is short term and responsibility for it left us as part of the disposal.

Throughout the year there has continued to be a very strong focus on cash management, liquidity forecasts and covenant compliance. Whilst covenants may have been removed from the Coutts & Co facility during the prior year, management continue to review monthly management account measurements indicating whether the former covenants would be adhered to if they had been in force.

The overdraft was utilised throughout the year. The acquisition of TFG on 20 March 2023 improved short term available cash, which was partly (£515k) utilised in the consideration for the acquisition of A+K in July 2023.

The Plc continues to act as the Group’s central banker, and it continued to seek 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.

Going Concern

Excluding the freehold property held for sale, net current liabilities as at 30 September 2023 were approximately £3.0 million, and in the period following the year end so far, project billing and cash collection has been lower than we originally budgeted resulting in an overdue quarterly VAT balance due in February 2024 and an overdue balance of PAYE due to HMRC. As such the assessment of going concern needs careful consideration. The Board has therefore produced cash flow forecasts for a period of at least 12 months from the approval of the financial statements, which comprise detailed income statements, statements of the financial position and cash flow statements for each of the Group’s operations. The Board has also considered the risks and uncertainties associated with the principal operations and the funding position in general, including the consideration of a number of differing scenarios based on varying trading performance across the Group.

The Group’s forecasts are prepared using information on secure contracted work and potential work which is deemed to have a greater than 50% chance of being undertaken, with the income figures suitably discounted, and on new work based on historical experience.

As part of this review the Directors note that for the year ended 30 September 2023 both the core UK architecture businesses reported stronger performance than in the previous financial year with each making an improved contribution to central costs. The Directors also note the continued strong performance and cash contribution from the Group’s German investments but more importantly that the Group has now successfully exited from all its unprofitable and cash consuming overseas investments.

In the financial year ended 30 September 2023, the net cash position of the Group, largely as the result of the TFG acquisition, improved by more than £500,000. The Group has continued to invest in growth, most notably with the acquisition of Anders+Kern in July 2023 which had a cash cost before expenses of £515,057. Since the end of the financial year the Group acquired TR Control Solutions Limited (later renamed ecoDriver Limited) with an initial cash cost of £44,500 (with a further £44,500 deferred for a year) and some working capital support paid into the company.

With the ever increasing costs associated with being a quoted company, which the Board estimates to be currently in excess of £1 million annually, there is no point in staying as we are. The Board's stated intention is to achieve a leading presence in the provision of smart buildings services through a combination of organic growth and targeted acquisitions. Inevitably this requires an element of cash, as part of the purchase consideration and for the associated professional fees.

To date, including the acquisition of TFG, the Group has made four Smart Building related acquisitions and plans to make others in the coming months and years. In connection with this assessment of going concern the Directors note that each such acquisition is a discretionary event as is the proportion of the consideration paid in cash. The Board's plan is to avoid placing undue stress on the Group's cashflows from expanding at a pace faster than can be sensibly funded.

Whilst we continue to pay down the mortgage and CBILS loans, lower than originally budgeted project billings and cash collection in the period after the year end so far due to a combination of project instruction delays and cash to invest in strengthening staffing in the recent acquisitions which will take time to convert into generating higher revenues, has resulted in the Group delaying payment on the UK architecture quarterly VAT balance due in February 2024 and an overdue balance of PAYE due to HMRC. The Group's forecasts, indicate that this shortfall is a temporary position which will improve during the 12-month period following the approval of the financial statements, and we are actively engaging in communications with HMRC and will seek to agree a short term repayment plan if required.

A prime issue when considering the Group's cashflows over the next 12 months is that the mortgage on the freehold property (balance of £1.39m as at Jan 2024) is due to be renewed before the end of the 12 month assessment period in February 2025. Although it is the Board's intention to sell the underlying property and repay the mortgage well before renewal is due, there is no certainty this will be the case or that if required the mortgage would be renewed.

Additionally, given the Group's current cash balances and the nature of the Group's activities, which remain largely project based with the inherent risks that projects are not won; are won at too low a fee; do not start on time; stall; or that the client fails to pay on time or at all, the Directors consider that there is a material uncertainty over the going concern assessment, which may cause significant doubt on the Group's and 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 Group has recently agreed with Coutts to extend the £250,000 overdraft through to 30 September 2024, announced it is raising £425,000 through the issue of new equity (see note 39), and Torpedo Factory Limited has received a fully approved offer for a £500,000 loan which can be drawn down whenever needed, subject only to the approval of the proposed guarantors (Nick Clark and Freddie Jenner).

Should either the cash generation from the Group's existing business units further decline and / or the push for growth in the smart buildings arena lead to a prolonged shortfall in cash the Board has the following funding or mitigating options beyond the typical cost cutting in the face of declining activities:

- The Group continues to seek a buyer for the freehold property acquired as part of the TFG acquisition in March 2023. The Board believes the commercial value of the building very comfortably exceeds its commercial mortgage of £1.41 million as at 30 September 2023. Additionally, the Group's property agent has confirmed that it is reasonable to expect offers well in excess of the mortgage liability.
- The Board believes the commercial value of its German investments is substantial in relation to the Group as a whole and if necessary could be realised by a sale for in excess of book value.
- The Board also believes that in the event of the introduction of invoice discounting the Group, which typically has in excess of £3.0 million tied up in trade debtors at each month end, could release a significant proportion of this amount. In this regard, Torpedo Factory Limited has received updated indicative terms from a leading provider of sales ledger finance of an invoice discounting line to the value of 50% of eligible debtors or £600,000, whichever is lower. Formal approval of this facility would be subject to an audit of the Torpedo Factory Limited systems by the lender. For 18 years from 2003-2021 Torpedo Factory Limited had an invoice discounting facility so is fully familiar with the processes.
- The Group is currently paying off its liabilities in respect of state funding provided during the Covid pandemic. The balance of the CBILS drawn by the Group in May 2021 will be fully repaid in May 2024. The CBILS loan drawn by TFG will be fully repaid by July 2026. By replacing this debt with a new facility repayable over a longer period the annual cash costs associated with this debt would fall.
- As a company with shares listed on the London Stock Exchange there is the option to seek additional equity investment from the issue of new shares, as was demonstrated by the recent share subscription in connection with the Vanti transaction.

The recently announced proposal to sell the Old Torpedo Factory freehold would pay off the remaining balance on the mortgage, prepay a portion of the NatWest CBILS loan, and provide a significant balance of cash to the Group eliminating the net deficit. Other funding and mitigating options available to the board are also discussed in note 1.

Notwithstanding the material uncertainty described above, after making enquiries and assessing the progress against the forecast, projections and the feasibility of the mitigating actions referred to above, which if not achieved may cause significant doubt on the Group's and 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 Directors have a reasonable expectation that the Group and the Parent Company will continue in operation and meet its commitments as they fall due over the going concern period.

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis.

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

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.

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 venture in Frankfurt and associate in Berlin. This is used as a measurement of the overall size and reach of the Group and is disclosed on pages 12 and 14. 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 14. Consolidated Group revenue can be reconciled to total revenues under management by adding i) the revenue of the associate disclosed in note 18; and ii) double the share of revenue in joint ventures disclosed in note 19;
- 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 12 to 16;
- 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 13 to 16;
- Result before taxation (excluding Group management charges), and result before taxation (including Group management charges), which are further assessed on pages 13 to 16;
- 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 8 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 numbers, which differs from the method of calculating the average number of employees for the year under the Companies Act 2006 as disclosed in note 8. Full time equivalent technical members of staff are given for each hub on pages 13 to 16.

Antony Barkwith
Group Finance Director
27 March 2024

Strategic report

The Directors present their Strategic Report for the Group for the year ended 30 September 2023.

Strategy

For most of the Group's existence we have been a professional services group that principally provides architectural design services along with specialisms in master planning, interior design, executive architecture; audio visual and stage technology; smart workplace systems and energy management software.

Our strategic objective is to become a leading provider of Smart Building services as Smart Building Systems designers, integrators and operators, while maintaining our status as leading architects in the UK.

We aim to create shareholder value over the longer term by increasing profits and at the same time provide an attractive and rewarding working environment for our staff.

Business Model

Architecture

Our architecture and interior design businesses operate in the UK and Germany. Our operation in Turkey was sold to local management post year end, and along with other locations will continue to operate through licence based arrangements where the responsibility for profit rests with local management and owners.

The United Kingdom hub comprises two 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.

Additionally, we have equity interest in leading architecture practices in Berlin and Frankfurt and brand licence arrangements in the UAE and Turkey.

Our architecture business model is to charge on a time or project basis for the work of our professional staff.

Smart Buildings

We are looking to establish a leading presence in the delivery of smart buildings services in the UK building on the experience from the Torpedo Factory Group's operations, the three subsequent acquisitions, and by future targeted acquisitions and organic development.

As this side of the Group's activities develops and as we come to own our own systems, we will look to charge on a SaaS basis for the services provided. In so doing this element of the Group's business will be far more scalable than the traditional architecture model where growth generally requires the recruitment of additional staff and once a project is completed there is no further revenue.

As a Group, we now have a total average full time equivalent ("FTE") staff contingent of 303 (2022: 223) throughout our organisation which includes both wholly owned and joint venture operations. We are ranked by professional staff in the 2024 World Architecture 100 at number 60 (2023 WA100 number 61).

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. Due to lack of information in the relevant market places, 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.

The Ukraine conflict and global inflationary pressure and interest rate rises have affected business sentiment and is likely to continue to do so until the conflict ends.

Share price volatility

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

Operational gearing and funding

In common with other professional services businesses, the Group has a relatively high level of operational gearing, through staffing, 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.

UK architecture continues to maintain a balance in the mix of permanent vs. contract and agency staff to give flexibility to respond to fluctuation in revenue as has been experienced in recent years.

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

- Aukett Swanke Limited and Veretec: 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 contracts assets (and consequentially higher levels of contract liabilities);
- Torpedo Factory Ltd, TFG Stage Technology Ltd, Anders + Kern U.K. Ltd: Standard payment terms for all companies are 30 days for smaller works completed. It is usual on larger projects to agree in advance with the client at the start of the project a monthly billing schedule which generally leads to relatively low levels of contracts assets (and consequentially higher levels of contract liabilities). These larger projects tend to be 30 days although certain JCT contracts may extend to 60 day terms. Service Contracts as standard are billed annually in advance for a 12 month period.

The losses sustained in the prior three years during the COVID-19 pandemic and in the recovery period since, tightened the free cash available within the Group. However, the acquisition of TFG in March 2023 provided a significant boost to the net assets and cash balance of the Group, but adding further CBILS loan and a mortgage liability.

The month end timing of UK architecture debtor receipts in September 2023 meant that the Group was in a position of utilising part of its overdraft facility at the year end, though having net cash in the accounts of other Group subsidiaries.

Dividends were received from the Berlin associate during the year, however the Berlin associate only remits dividends on the basis of local GAAP accounting, which restricts the recognition of profits until the final completion of individual projects, and as such there is a lag between recognising distributable reserves vs IFRS profits.

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, monthly forecasting and cash flow, and weekly and daily cash reporting processes in order to react immediately to a required change with maximum flexibility.

The Group's principal bankers remain supportive and in December 2023 renewed the Group's overdraft facility for an initial period until 31 March 2024, and subsequently have agreed to extend this renewal to 30 September 2024 at the existing £250k level.

The mortgage on the Old Torpedo Factory freehold has been extended for another year to February 2025, while the Group are actively marketing it for sale.

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 an attractive 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 architecture 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, undertakes annual quality control assessments.

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

Contract pricing

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

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

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

Under performing 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.

Future developments

An indication of likely future developments in the business of the Group is contained in the Chief Executive's Report on page 10.

The Strategic Report was approved by the Board on 27 March 2024 and signed on its behalf by

Nicholas Clark
Chief Executive

Board of Directors

Clive Carver (Non-Executive Chairman)

FCA FCT Aged 63

Clive became Chairman in December 2022 having joined the board in May 2019 as a non-executive director.

He has been the Chairman of AIM listed Caspian Sunrise PLC since 2006, and over the past decade has served on the boards of 8 companies listed on the London Stock Exchange, often in the role of Chairman.

He 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.

Clive chairs the Audit committee and is a member of the Remuneration and Risk Committees.

Robert Fry (Deputy Chairman)

BA(Hons) DipArch MA RIBA Aged 67

Robert was appointed interim CEO of Aukett Swanke Group Plc in January 2023 having joined the Board in March 2018 as Executive Director and Managing Director – International.

Following his graduation from Sheffield University he spent his formative years at Milton Keynes Development Corporation. In 1987 Robert became a founding member of Swanke Hayden Connell's London office, joining its Board in 2002 and becoming Managing Director of the UK and Europe group in 2005.

Following Nick Clark's appointment as Group Chief Executive in April 2023 Robert became a part time executive director and Deputy Chairman with responsibility for the Group's UK architecture and international operations. Robert will become a non-executive director following the conclusion of the 2024 AGM, which is expected to take place at the end of April 2024.

Robert is Chairman of the board's Risk committee and following the 2024 AGM will become a member of both the Remuneration and Audit Committees.

Nick Clark (Chief Executive)

BSc(Hons), MPhil Aged 49

Nick was appointed as an executive director of the Group in March 2023 following the acquisition of TFG and became Chief Executive in April 2023.

He founded the TFG business in 1997 and has grown it through a combination of acquisitions and organic growth. Nick is also a non-executive director at Acuity RM Group plc, the AIM-listed provider of risk management software.

Prior to starting TFG Nick studied physics at Imperial College, followed by an MPhil in Microelectronic Engineering and Semiconductor Physics at the University of Cambridge.

Nick is a member of the Remuneration Committee.

Antony Barkwith (Group Finance Director)

FCA MPhys (Hons) Aged 43

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 in 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.

Freddie Jenner (Group Chief Operating Officer)

FCCA BSc(Hons) Aged 40

Freddie was appointed to the Board in June 2023 as Chief Operating Officer.

Freddie joined the finance team at what is now Torpedo Factory Ltd in 2007, becoming Finance Director of the parent company Torpedo Factory Group Limited when he qualified as a chartered certified accountant in 2012. He was instrumental in driving growth in value of TFG through acquisitions and upgrading systems and processes over the following decade, prior to the acquisition of TFG by the Group in March 2023.

Tandeep Minhas (Non-executive director)

LLB (Hons), LPC, CF (Aged 53)

Tandeep was appointed to the board as a non-executive director in April 2023.

Tandeep is a partner in international law firm Taylor Wessing LLP, where she heads the Corporate Finance practice. She advises on all aspects of corporate finance M&A work, including public takeovers, fundraisings and IPOs, company and business acquisitions and disposals, joint ventures and reorganisations.

She has specialist knowledge of the public markets in the UK and has advised on numerous flotations and secondary fundraisings on both the Main Market and AIM, acting for both companies and corporate finance/broking houses, nomads and sponsors.

She has particular experience in advising international companies across a wide variety of sectors and is lead corporate partner in Taylor Wessing's India Business Group. She also sits on the Board of the Corporate Finance Faculty of the Institute of Chartered Accountants in England & Wales.

Tandeep chairs the Remuneration Committee and is a member of the Audit and Risk Committees.

Board committees

The board has the following committees

- Audit Committee
- Remuneration Committee
- Risk Committee

Directors' report

The Directors present their report for the year ended 30 September 2023.

Corporate governance

In accordance with AIM Rule 26 the Company is required to apply a recognised corporate code. The Board continues 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 in 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.

PRINCIPLE 1

Strategy and business model

The current strategy and business model for the Group is set out in the Strategic Report on page 21.

Our strategic objective is to improve the performance of our architecture activities and create shareholder value over the longer term by developing the group into a quoted holding company for an ecosystem of smart buildings businesses. The cyclical nature of the markets in which we currently operate gives rise to peaks and troughs in our financial performance. Management is cognisant that our business model needs to reflect this variable factor in both our decision making and expectation of future performance. We will reduce this effect by developing business streams that have a high degree of contractually recurring long term revenues, which can be scaled without a proportionate scaling of costs.

We operate a structure covering the United Kingdom with sites in London, Manchester, and East Anglia; Continental Europe with significant investments in Berlin and Frankfurt; along with a Licensee operation in Istanbul and a Marketing Agreement with an operation in the Middle East with an office in Dubai.

The UK Architecture hub comprises two principal service offerings: comprehensive architectural design including master planning, interior design and fit-out capability under the 'Aukett Swanke' brand, and an executive architectural delivery service operating under the 'Veretec' brand.

Our Continental European Architecture operations provide services offered that are consistent with those of the UK Architecture operation.

Our Licence Agreement is marketed under the 'Aukett Swanke' brand. The service offers within the regions they operate within include architectural and interior design, post contract delivery services including architect of record and project execution stage services.

PRINCIPLE 2

Share capital and shareholders

Information about the Company's shares, listing information, significant shareholders; Directors' shareholdings and share donations are set out within the Investor relations section of the Company's website and in the annual report.

The Executive Directors understand the importance of shareholder dialogue and regularly seek to engage with shareholders at the time of results announcements, at the AGM or as requested. In addition, there is a separate mailbox plcenquiries@aukettswanke.com

The Directors also appreciate the value of a dividend policy and they endeavour to ensure that the Company's policy is clear.

The primary contact for investors is Nick Clark, Chief Executive.

PRINCIPLE 3

Corporate Social Responsibility & Stakeholder Engagement

The About section of the Company's website sets out our vision and explains how we engage with our clientele and related stakeholders. This also provides the contact and separate website details of each entity within the Group.

Our employees recognise that the professional services we offer have a significant impact on not just our direct clientele but also on the public realm, society and the environment as a whole, and this is recognized in the websites for each entity in the Awards sections of each website.

Client and stakeholder engagement and feedback are an integral and iterative part of the design process undertaken on projects, as expressed in the Awards sections of the websites.

Alongside the contribution made to our clientele and others through the execution of our services we actively participate as thought and practice leaders in initiatives and events in the property and proptech industries. We also undertake on occasion voluntary and charitable endeavours that are featured in the News sections of the Company and subsidiaries websites, internal Intranet sites and social media platforms.

PRINCIPLE 4

Risk Management

The Group's risk management objective is to identify, document and monitor those factors that represent risks to the Group in fulfilling its strategic objectives and to manage those risks consistent with agreed risk tolerances.

The Business Risk Review (BRR) is the principal tool by which the Group carries out this process and allows the Board to assess the business risks in the context of best practice consistent with any codes of corporate governance. This tool sets out the level of risk incurred and its probability of occurrence to establish a level of tolerance applicable to the business.

The BBR is structured to allow monthly reporting from all local businesses and elevated monthly to the Plc Board with any significant risks given a 'Red Flag'. These Red Flag items reflect the key Risks and Uncertainties as set out in the Report and Accounts.

PRINCIPLE 5

Board structure and composition

The Board comprises two Non-Executive Directors (NED's) and four Executive directors. The Board believes that the optimal structure is balanced between NEDs and Executives such that equal weighting is given to oversight and governance, and strategic development and operational performance in order to promote the company.

Committees

These are set out in the Directors' Report on pages 33 to 34.

Additionally, each year the relevant sub Committee produces its own Business Plan for inclusion in the Group Business Plan setting out any changes to its Terms of Reference and the principal activities it is to undertake in the forthcoming financial period. External surveys and internal analysis of implementation is provided to the relevant committee.

PRINCIPLE 6

Directors' experience and capabilities

The biographies of each current board member can be found on pages 25-26.

Other roles

Board members are encouraged to take on other roles that do not conflict with their membership of the Board or are seen as supportive of their current role.

Nick Clark (Chief Executive) is a non-executive director of an AIM-quoted SaaS business, Antony Barkwith (Group Finance Director) is a member of the Architect's Financial Management Group (AFMG), Clive Carver (Chairman and NED) holds also chairs another AIM company, and Robert Fry (Deputy Chairman) is a member of the RIBA and is a regular contributor and awards judge for World Architecture News (WAN). Tandeep Minhas (NED) is head of Corporate Finance at a leading law firm.

Group management structure

The ultimate management of the Group is by the Board and its committees. The role, remits and reports of the committees are set out in the Directors report. Implicit within all remits is the obligation of the Board under The Companies Act 2006 to promote the success of the company.

Day to day and operational management is delegated to the Chief Executive, Group Finance Director, Chief Operating Officer, Chief Technical Officer and the subsidiary directors. Each business in the group has its own management team and its own board. At least two of the Chief Executive, COO, CTO and GFD are represented on all boards.

Delegated responsibility is defined at each level and there are authority matrices which set out limits of responsibility at specific levels and for specific actions and activities. Each individual board meets formally at least quarterly, and informally more frequently. The Directors and senior members of staff review, mentor and develop colleagues on an ongoing basis in a coaching and advisory capacity.

All members of the Board endeavour to keep up-to-date and attend seminars and training courses as appropriate. Directors are required to complete CPD in accordance with their professional qualification where relevant.

PRINCIPLE 7

Evaluation of the Board

The Nomination Sub Committee of the Board reviews the skills of each board member on an annual basis using a matrix grid of core requirements and level of each attribute achieved.

The Skills matrix covers 14 key skills identified as relevant to the operations of the listed company and its key activities. Each skill is given a weighting factor of 1 to 3 and graded by level of knowledge and experience on a scale of 1 to 4. This then provides a weighted ranking of the skills provided by the current board and each member in relation to that ranking.

Following completion of the annual review the Nomination Committee makes recommendations to the Board on further training or mentoring requirements as necessary.

The Chairman carries out appraisals of each board member on an annual basis. The NEDs appraise the Chairman. As a result of these meetings, any mentoring and training needs are established.

Board attendance & Effectiveness

Microsoft Teams or similar online meeting technologies are used consistently to permit Board members to reduce travel in the Post-Covid 19 era. This has resulted in the high attendance record. The Board meets formally on a bi-monthly basis.

The attendance record for the year is included in the Directors' Report on page 35.

Board remit

The Board is a balanced team of executives and non-executives with the remit to ensure good, appropriate, safe governance and compliance with the Group and to manage the staff and assets, monitoring performance and developing and implementing strategy to deliver the best possible results for the shareholders.

The principal matters reserved for the Board are set out within the Investor Relations section of the Company's website.

Succession planning

The Remuneration Committee is responsible for managing the succession plan of the Board. This is carried out by maintaining a succession planning matrix. This matrix contains information on: the Role, Job Holder, Sub Committee membership, term and notice period, AGM re-election dates, and alternatives for either temporary or permanent replacement.

NEDs hold office for no more than three successive terms of three years - in line with industry norms.

Executives are on contracts of six months' notice duration.

PRINCIPLE 8

Corporate Governance – External

Key corporate governance statements relating to the company and its operations are set out within the Investor Relations section of the Company's website.

Our strategic health & safety statement acknowledging our duties and responsibilities is signed by the Chief Executive. Two Plc Board members form a part of the H&S Steering Committee which meets quarterly and reports into the Plc Board meetings.

Data Privacy (GDPR)

A data privacy notice outlines our policy and procedures covering how information is collected and used whether via our website or by visiting our sites, an individual's rights and the measures to be adopted for reporting any breaches.

Corporate Governance – Internal

Our external statements are supported by other policy and procedural documents located on our intranet site and in a Studio Handbook (UK) for the benefit of our employees.

The company's intranet site provides details of our Group and internal management structure, design culture, employment, sustainability, health & safety, data privacy, anti-corruption & bribery, social media, whistle blowing, equality & diversity, share dealing and modern slavery policies.

The Studio Handbook is a separate printable document available on the intranet site which contains more detailed operational information and requirements pertaining to the activities of employees. It includes various sections covering Practice Profile, Studio wellbeing, health & safety, fire evacuation, IT protocols, CPD, mentoring, training and office administration.

The Project Handbook is a separate section of the intranet site that covers the range of policy, procedures, guidelines and templates for the application of our professional skills on the projects we design and deliver for our clients. It includes project execution, drawing and Revit/BIM protocols, guides and templates, a design review methodology and data management tools.

Our business operation in the practice of architecture, master planning and interior design in the UK is underpinned by accreditation and certification by the British Standards Institute for our Environmental Management System ISO 14001:2015 and our Quality Management System ISO 9001:2016. These standards are emulated in our overseas operations where relevant and in relation to local standards and license requirements.

In addition, we have an extensive track record of peer recognition and reward through award winning projects meeting exacting design, delivery and environmental performance requirements such as the RIBA, British Council for Offices, BREEAM, LEED, SKA, Estidama and DGNB.

Performance and rewards

The Remuneration Committee is responsible for assessing the Board on a performance and rewards basis. The Committee uses industry available material to assess remuneration levels and has undertaken external reviews of the level of reward for both executive and non-executive directors. The most recent external review was undertaken in 2017 by UHY Hacker Young and the most recent AIM survey information was provided by BDO in 2018.

PRINCIPLE 9

Roles

Chairman – leads the Board at its regular meetings, sets the Agenda, oversees the governance aspects of the internal control process and monitors and challenges the strategic direction of the company.

Chief Executive – provides guidance and information to inform the strategic direction of the company and its operations. Along with the senior management team the Chief Executive leads the delivery of the strategy.

Non-Executive Directors – act as independent voices on the Board and attend a maximum of 24 to 48 days per annum under their contracts.

PRINCIPLE 10

Corporate information

The following documents are held on the Company's website:

- Annual Report and Accounts
- Interim Announcements
- General Meeting notices (where separately issued and not contained in the Report and Accounts).
- Trading updates
- Memorandum and Articles of Association

Non-Compliance with Rule 26

The following requirements of the QCA code are not covered by our website or Report and Accounts

- 8.3 Rewards reflecting company values
- 8.5 Rewarding ethical behaviour

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 four Executive Directors and two independent Non-Executive Directors who bring a wide range of experience and skills to the Company.

The Board considers Clive Carver and Tandeep Minhas 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 by 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 and Tandeep Minhas, and they report to the Board on matters discussed at the Committee meetings.

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

Remuneration Committee

The Remuneration Committee convenes not less than twice a year, ordinarily on a six monthly basis, and during the year it met on three occasions. The Committee currently comprises Tandeep Minhas, as Chair and Clive Carver. 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 comparable market remuneration, 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.

Risk Committee

The Risk 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 Risk Committee currently comprises Robert Fry, as Chairman, Clive Carver and Tandeep Minhas plus other members with specialist knowledge drawn from the Group's staff.

Directors

Antony Barkwith, Clive Carver, and Robert Fry all served as Directors of the Company throughout the year ended 30 September 2023.

On 31 December 2022 Nicholas Thompson resigned as a Director of the Company.

On 20 March 2023 Nick Clark was appointed as a Director of the Company.

On 21 April 2023 Raúl Curiel resigned as a Director of the Company.

On 24 April 2023 Tandeep Minhas was appointed as a Director of the Company.

On 26 June 2023 Freddie Jenner was appointed as a Director of the Company.

Biographical details of the current Directors are set out on pages 25 and 26.

The Company maintains directors' and officers' liability insurance.

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

	Number of meetings while in office	Number of meetings attended
Executive Directors		
Nicholas Thompson	3	3
Robert Fry	14	13
Antony Barkwith	14	14
Nick Clark	8	8
Freddie Jenner	4	4
Non-executive Directors		
Raúl Curiel	8	8
Clive Carver	14	14
Tandeep Minhas	6	6

Directors' interests

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

Number of ordinary shares	30 September 2023	30 September 2022
Nicholas Thompson	16,802,411	16,802,411
Raúl Curiel	9,240,018	9,240,018
Nick Clark	40,531,539	-
Freddie Jenner	6,064,817	-
Tandeep Minhas	-	-
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 had a rolling service contract with the Company which was subject to twelve months' notice of termination by either party, however since serving notice this expired on 31 December 2022. Antony Barkwith, Robert Fry, Nick Clark and Freddie Jenner 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.

Substantial shareholdings

At 27 March 2024 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
* Keith McCullagh	Former chairman of TFG	41,339,142	12.89%
* Nick Clark	Director of the Company	40,531,539	12.64%
Braveheart Investment Group Plc	Institutional Investor	28,782,351	8.98%
Nicholas Thompson	Former Director of the Company	21,129,111	6.59%
Philip J Milton & Company Plc	Institutional Investor	20,832,048	6.50%
John-David Papworth	Former employee of the Group	16,274,624	5.08%
Jeremy Blake	Former employee of the Group	13,030,638	4.06%

* Keith McCullagh and Nick Clark's shares are included within a Concert Party holding a total of 89,159,484 shares representing 27.81% of the number of ordinary shares.

Share price

The mid-market closing price of the shares of the Company at 30 September 2023 was 1.825 pence and the range of mid-market closing prices of the shares during the year was between 1.80 pence and 2.80 pence.

Streamlined energy and carbon reporting ("SECR")

Under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the 2013 Regulations') and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('the 2018 Regulations'), quoted companies and large unquoted companies are required under part 13 of the companies Act 2006 to disclose information relating to their energy usage and Greenhouse Gas ("GHG") emissions.

For these purposes, quoted companies defined as those whose equity share capital is officially listed on the main market of the London Stock Exchange ("LSE"); or is officially listed in an European Economic Area State; or is admitted to dealing on either the New York Stock Exchange or NASDAQ.

The Company is not large, and whilst the Company's shares are traded on AIM, the Company is not listed or traded on the main market of the LSE. The company is therefore not required to disclose energy and carbon information.

Statement by the Directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Board is mindful of the duties of directors under S.172 of the Companies Act 2006 to have regard to the following six factors:

- a) the likely consequences of any decisions in the long-term;
- b) the interests of the Group's employees;
- c) the need to foster the Group's business relationships with suppliers, customers and others;
- d) the impact of the Group's operations on the community and environment;
- e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between shareholders of the Group.

Directors act in a way they consider, in good faith, to be most likely to promote the success of the Group for the benefit of its shareholders. In doing so, they each have regard to a range of matters when making decisions for the long term success of the Group.

Our culture is that of treating everyone fairly and with respect and this extends to all our principal stakeholders. Through engaging formally and informally with our key stakeholders, we have been able to develop an understanding of their needs, assess their perspectives and monitor their impact on our strategic ambition.

As part of the Board's decision-making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Group's operations on the community and environment, responsible business practices and the likely consequences of decisions on the long term.

Our objective is to act in a way that meets the long term needs of all our main stakeholder groups. However, in so doing we pay particular regard to the longer term needs of shareholders.

We engage with investors on our financial performance, strategy and business model. Our Annual General Meeting provided an opportunity for investors to meet and engage with members of the Board.

The Board continues to encourage senior management to engage with staff, suppliers, customers and the community in order to assist the Board in discharging its obligations.

Further details of how the Directors have had regard to the issues, factors and stakeholders considered relevant in complying with s172 (1) (a)-(f), the methods used to engage with stakeholders and the effect on the Group's decisions during the year can be found throughout this report and in particular in the Chairman's statement on pages 3-4 (in relation to decision-making), in the Strategic report on pages 21-24 (where the Group's strategy, objectives and business model are addressed), the following Employees statement (in relation to employees), and the following Environmental Policy (in relation to social and environmental matters).

We seek to attract and retain staff by acting as a responsible employer. The health and safety of our employees is important to the Company and is a standing item at all Group board meetings.

We continue to provide support to communities and governments through the provision of employment, and high quality sustainable design.

We have established long-term partnerships that complement our in-house expertise and have built a network of specialised partners within the industry and beyond.

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 80 'Excellent' or 'Very Good' BREEAM (Building Research Establishment Environmental Assessment Method) ratings awarded to buildings designed or carried out 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.

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.

Independent Auditors

The auditors, Moore Kingston Smith LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Financial instruments

Information concerning the use of financial instruments by the Group is given in notes 32 to 36 of the financial statements.

Dividends

The Board does not intend to pay a dividend in the forthcoming year.

Going Concern

Measures taken around the world to restrict the spread of the COVID-19 virus, followed by the macro-economic implications of rising energy prices and inflation globally have had a significant impact on the Company and the Group for the past 3 & 1/2 years of trading.

During the year, the Group has consolidated its architectural operations to focus on the larger and more profitable key markets in the UK and Germany, significantly increased the total equity of the Group, acquired TFG, A+K, and post year end ecoDriver, diversifying its income streams into new markets and enabling the start of the Group's strategy to build its Smart Buildings offering.

The Group reports a small trading profit of £28k for the year, and a trading profit in the second half of the year of £315k (compared to the unaudited interim results to 31 March 23 half year trading loss of £287k).

The Group continued to operate within its banking limits, and has paid each of the monthly instalments on the Coutts CBILS loan and the NatWest CBILS loan and mortgage consolidated into the Group with the TFG acquisition on time.

More details of the actions taken, and the results of forecasting performed by the Group (upon which the going concern assessment of the Company is dependent) in response to the global macro-economic environment 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.

Whilst we continue to pay down the mortgage and CBILS loans, lower than originally budgeted project billings and cash collection in the period after the year end so far due to a combination of project instruction delays and cash to invest in strengthening staffing in the recent acquisitions which will take time to convert into generating higher revenues, has resulted in the Group delaying payment on the UK architecture quarterly VAT balance due in February 2024 and an overdue balance of PAYE due to HMRC. The Group's forecasts, indicate that this shortfall is a temporary position which will improve during the 12-month period following the approval of the financial statements, and we are actively engaging in communications with HMRC and will seek to agree a short term repayment plan if required.

The Group has recently agreed with Coutts to extend the £250,000 overdraft through to 30 September 2024, announced it is raising £425,000 through the issue of new equity (see note 39), and Torpedo Factory Limited has received a fully approved offer for a £500,000 loan which can be drawn down whenever needed, subject only to the approval of the proposed guarantors (Nick Clark and Freddie Jenner).

The recently announced proposal to sell The Old Torpedo Factory freehold would pay off the remaining balance on the mortgage, prepay a portion of the NatWest CBILS loan, and provide a significant balance of cash to the Group eliminating the net deficit. Other funding and mitigating options available to the board are discussed in note 1.

Notwithstanding the material uncertainty described above, after making enquiries and assessing the progress against the forecast, projections and the feasibility of the mitigating actions referred to above, which if not achieved may cause significant doubt on the Group's and 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 Directors have a reasonable expectation that the Group and the Parent Company will continue in operation and meet its commitments as they fall due over the going concern period.

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis.

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, which is expected to be held on 26 April 2024, will be issued alongside this report and accounts and posted to shareholders contemporaneously.

The Directors' report was approved by the Board on 27 March 2024 and signed on its behalf by

Antony Barkwith
Company Secretary
Aukett Swanke Group Plc
Registered number 02155571

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 UK adopted 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 UK adopted 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 Group 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.

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 2023 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 notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group and parent Company financial statements is applicable law and UK adopted International Accounting Standards 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 of 30 September 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent Company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards 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 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 that the Directors have assumed that the overdraft of £250,000 will be renewed in October 2024 whilst making their assessment of the Group's and parent Company's going concern status. Whilst there are no indications that the overdraft will not be renewed, it is not guaranteed. The Directors have also assumed that a debt factoring facility can be put in place over its Trade Receivables and that the loan facility of £500,000 will be available when required to fund a short-term cash deficit. The Directors have given clear indication that they are actively willing to sell the property currently held in current assets as an asset held for sale if required to realise cash to meet its liabilities as they fall due.

The renewal of the £1.36m mortgage will only be reviewed later in 2024, and as such there is a possibility that if the mortgage is not renewed then the Group would need to repay the full balance of the mortgage within 12 months of the signing date of these accounts. In this case the Group may need to raise cash through alternative borrowing facilities, asset sales or fund raising which are not wholly within the Group's control.

As stated in Note 1, these conditions and the economic uncertainty which exists, along with other matters as set out in Note 1, indicate that a material uncertainty exists that may cause 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.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the parent Company's ability to continue to adopt the going concern basis of accounting has been highlighted as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

Our evaluation of the Directors' assessment of the Group and the parent Company's ability to adopt the going concern basis of accounting and our response to the key audit matter include:

- A critical assessment of the detailed cash flow projections prepared by the Directors, which are based on future revenue pipelines and newly won contracts, we also evaluated the sensitivities that the Directors performed against this forecast.
- We evaluated the key assumptions in the forecast, which were consistent with our knowledge of the business and considered whether these were supported by the evidence we obtained. We have factored the ongoing impact of unpaid HMRC liabilities into our analysis of the risks affecting the ability of the Group and parent Company to continue to trade and meet its liabilities as they fall due for at least twelve months from the date of approval of the Group and parent Company financial statements.
- We have enquired about revenue pipeline, and status of outstanding bids. We have agreed submitted proposal documents and newly won contracts where appropriate.
- We have examined current year actual results against the budget for the year to determine the accuracy of the budgeting and forecasting by management.
- We examined the disclosures relating to the going concern basis of preparation and found that these provided an explanation of the Directors' assessment that was consistent with the evidence we obtained.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. 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.

The components of the Group were evaluated by the Group audit team based on a measure of materiality, considering each component as a percentage of the Group's net assets, gross revenue and results before tax, which allowed the Group audit team to assess the significance of each component and determine the planned audit response. We determined there to be seven significant components to the Group, which were Aukett Swanke Group Plc, Aukett Swanke Limited, Veretec Limited, Shankland Cox Limited, Torpedo Factory Group Limited, Torpedo Factory Limited and TFG Stage Technology Limited. They were all subjected to full scope audits.

Also, we have performed full scope audit on Aukett Fitzroy Robinson International Limited, Swanke Hayden Connell International Limited, Swanke Hayden Connell Europe Limited and Anders + Kern Limited for the purpose of coverage and to cover specific identified risk. All full-scope audits were conducted by the group audit engagement team.

For significant components requiring a full scope approach, we evaluated controls by performing walkthroughs over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process, and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances.

We have overall coverage of 100% of group profit before tax, 100% of Group revenue and 100% of Group total assets.

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 for 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

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 audit report.

Key Audit Matters	How our scope addressed this matter
<p>Going Concern</p> <p>The Group has recognised a loss before tax of £0.3 Million (2022: £2.3 Million). The Group has continued to incur further losses subsequent to the year end. Discussion with management and review of the post year end cashflow forecasts indicates a material uncertainty on going concern.</p> <p>Given the performance in the year, including the matters explained in Note 1 and the 'Material uncertainty related to going concern section of our audit report' going concern was considered to be a key audit matter.</p>	<p>Our audit work and conclusion in respect of going concern has been detailed in the 'Material uncertainty related to going concern' section of our audit report.</p>
<p>Revenue recognition, including valuation and cut-off of contract assets and liabilities:</p> <p><i>Refer to the accounting policies in Note 1 on pages 67 to 68 and Note 4 in the Group financial statements.</i></p> <p>The measurement of revenue earned on architectural services contracts with</p>	<p>Our audit work included, but was not restricted to the following procedures:</p> <p>We evaluated the operating effectiveness of certain key controls identified in relation to revenue.</p> <p>We evaluated the Group's accounting policy in respect of revenue recognition to ensure it is compliant with IFRS 15.</p>

customers is determined by reference to the stage of completion of those contracts at the Statement of Financial Position date. It is a function of the cost (fee earners and subcontractors) incurred on the contract compared to the total costs expected at the culmination of the contract as a proportion of agreed-upon contract revenue less any invoices raised to date.

As 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. The significant judgement arising in the formulation of these estimates could vary materially over time and is dependent on customer activity. We therefore considered this to be a key audit matter.

As at 30 September 2023 the group has recognised contract assets of £0.8 Million (2022: £1.1 Million) and contract liabilities of £ 1.4 Million (2022: £1.2 Million).

We selected a sample of contracts and the substantive testing procedures included the following:

- Confirming revenue from the revenue recognition model to the underlying contract and where relevant, contract variations were agreed between the Group and its customers.
- Comparing historical margins achieved on projects against the estimated margins expected on comparable on-going projects to confirm the accuracy of management's estimation of total project costs. Also discussed with management if there were material variances in this estimate. Further, subsequent invoices raised post the Statement of Financial Position date and collections were tested to compare the estimated margins to actuals.
- Verifying the chargeable time costs incurred to date for the selected projects to a report generated from Timemaster, a time recording system. A sample of individual costs from the reports were agreed through to supporting timecards and charge rate agreed to group's charge rates to test the accuracy of the recorded time.
- Confirming a sample of invoices recorded in the accounting system to the supporting contract, a copy of physical sales invoice raised, and cash received.
- Assessed and challenged the key stage of completion judgments made by the Directors. This involved testing 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.
- Reviewing material credit notes, invoices and receipts post year end.

Key observations:

Based on the procedures performed, we consider that the assumptions made by management in recognising revenue on part completed contracts with customers at the Statement of Financial Position date to be appropriate and did not identify any material misstatements in revenue recognition.

<p>Annual impairment review of goodwill</p> <p><i>Refer to the accounting policies in note 1 on page 64 and Notes 13 and 14 for key judgements in the Group financial statements.</i></p> <p>In the financial statements goodwill arising from current year acquisitions is valued at £1.5 Million. Acquisitions in the year comprise of Torpedo Factory Group Cash Generating Unit (CGU) in March 2023 giving rise to Goodwill of £1.24 Million (at acquisition £1.46 Million and subsequent impairment of £0.22 Million, and the acquisition of Anders + Kern UK Limited (CGU) in July 2023 giving rise to Goodwill of £0.26 Million.</p> <p>The process for assessing whether impairment exists under International Accounting Standard IAS 36 'Impairment of Assets' is complex. The process of determining the value in use, through forecasting cash flows (primarily revenue less subcontract costs) and the determination of the appropriate discount rate and other assumptions to be applied, is highly judgemental and can significantly impact the results of the impairment review.</p> <p>There is significant management judgement and estimation uncertainty involved in the preparation of value in use models under applicable accounting standards for the group and as a result we consider this to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to the following procedures:</p> <ul style="list-style-type: none"> • Obtained management's assessment of the Group CGU's and critically assessed Value In Use (VIU) model for each CGU to test compliance with the requirement of applicable accounting standards and mathematical accuracy of the model. • The weighted average cost of capital (WACC) of the models was re-computed with reference to external data to test the accuracy of computation. • Challenging the revenue cash flows within the model. Future revenue was checked to secure pipeline via contract verification. Potential wins were assessed for progress in bids by verification of correspondence. Future earnings were assessed by verification of historic conversion of new work. • Critically assessed the cost base for potential omissions or unrealistic targets based on actual and potential future changes in the business. We challenged management where this fell outside our expectation and checked that these were accurately stated, reasonable and achievable in the light of the economic environment and future pipeline of work. • Obtaining the sensitivity analysis performed by management to assess the impact of the movement in key variables in the model which would lead to an impairment. We tested this sensitivity analysis and concluded on whether such scenarios were likely to occur. <p>Key observation: Based on the procedures performed and considering the assumptions and methodology used by management in preparing the VIU model, the calculations are appropriate.</p>
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Our application of materiality

The scope and focus of our audit were influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing, and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

Based on our professional judgement we determined materiality for the 2023 financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent company financial statements
Materiality	£215,000	£163,000
Basis for determining materiality	1.5% of gross revenue	3% of net assets before adjusting for intercompany balances.
Rationale for the benchmark applied	The gross revenue has been used as a primary measure of performance which is a measure of demand for its services and the different sectors in which it operates. The “sub-consultants” i.e., the specialists’ costs are agreed in the bid and included as part of the fees that is marked up to the client as Group’s revenue. The professional indemnity insurance covers the gross fees chargeable to the customers which includes the subconsultants costs. The Group is responsible for the entire contract with their customer. Based on the above factors the Gross revenue i.e., including sub-consultant costs are to be considered as most relevant benchmark to check the performance of the company rather than Net Revenue.	Due to the nature of the parent company, we considered net assets to be the focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality.
Performance materiality	£107,500	£81,500
Basis for determining performance materiality	50% of Group materiality	50% of Parent company materiality

Performance materiality:

The performance materiality benchmark has been selected based of the following considerations:

- cumulative identification of errors noted in the previous years that has been posted by management
- our risk assessment, together with our assessment of the overall control environment

Component materiality:

We set materiality for each component of the Group based on a percentage of Group materiality dependent on the size and our assessment of risk of material misstatements of that component. Component materiality, other than the parent Company's, ranged from £90,700 to £17,600. In the audit of each component, we further applied performance materiality levels of 50% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Trivial:

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,750 for the Group and £8,150 for the parent Company. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

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

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

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 is available on the FRC's website at <https://www.frc.org.uk/auditors/auditor-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>

This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK adopted international accounting standards, the rules of the Alternative Investment Market, and UK taxation legislation.
- We obtained an understanding of how the Group and parent Company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

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

Mital Shah (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

Chartered Accountants
Statutory Auditor
6th Floor
9 Appold Street
London
EC2A 2AP

27 March 2024

Consolidated income statement

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Continuing operations			
Revenue	4	14,335	8,645
Sub consultant costs		(232)	(1,518)
Revenue less sub consultant costs	4	14,103	7,127
Cost of sales		(2,627)	-
Gross profit		11,476	7,127
Personnel related costs		(9,031)	(6,237)
Property related costs		(1,322)	(1,037)
Other operating expenses		(1,375)	(483)
Distribution costs		(141)	-
Other operating income	5	326	326
Operating loss		(67)	(304)
Finance income		9	-
Finance costs	6	(255)	(95)
Loss after finance costs		(313)	(399)
Share of results of associate and joint ventures		341	327
Trading profit/(loss) from continuing operations		28	(72)
Acquisition costs		(379)	-
Goodwill impairment	13	-	(1,752)
Loss before tax from continuing operations		(351)	(1,824)
Tax credit	10	433	45
Profit/(loss) from continuing operations		82	(1,779)
Profit/(loss) from discontinued operations	12	10	(503)
Profit/(loss) for the year		92	(2,282)
Profit/(loss) attributable to:			
Owners of Aukett Swanke Group Plc		92	(2,282)
Non-controlling interests		-	-
		92	(2,282)
Basic and diluted earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
From continuing operations		0.04p	(1.08p)
From discontinued operations		0.00p	(0.30p)
Total profit/(loss) per share	11	0.04p	(1.38p)

Consolidated statement of comprehensive income

For the year ended 30 September 2023

	2023 £'000	2022 £'000
Profit/(loss) for the year	92	(2,282)
Revaluation of freehold property	60	-
Deferred tax movement on revaluation	(15)	-
Goodwill impairment on fair value adjustment of share options (notes 13 and 30)	(222)	-
Currency translation differences	26	(7)
Currency translation differences on disposal recycled to gain on disposal of discontinued operation (note 12)	-	(209)
Currency translation differences on translation of discontinued operations (note 12)	-	(168)
Other comprehensive loss for the year	(151)	(384)
Total comprehensive loss for the year	(59)	(2,666)
Total comprehensive loss for the year is attributable to:		
Owners of Aukett Swanke Group Plc	(59)	(2,666)
Non-controlling interests	-	-
Total comprehensive loss for the year	(59)	(2,666)
Total comprehensive profit/(loss) attributable to the owners of Aukett Swanke Group Plc arises from:		
Continuing operations	(69)	(1,786)
Discontinued operations	10	(880)
	(59)	(2,666)

Consolidated statement of financial position

At 30 September 2023		2023	2022
	Note	£'000	£'000
Non current assets			
Goodwill	13	1,502	-
Other intangible assets	14	404	210
Property, plant and equipment	15	238	69
Right-of-use assets	16	2,132	2,184
Investment in associate	18	786	760
Investments in joint ventures	19	285	247
Loans and other financial assets	20	89	-
Trade and other receivables	22	100	184
Deferred tax	26	625	281
Total non current assets		6,161	3,935
Current assets			
Inventories	21	372	-
Trade and other receivables	22	3,847	3,109
Contract assets	4	790	1,119
Cash at bank and in hand		522	28
		5,531	4,256
Assets in disposal groups classified as held for sale	28	3,208	-
Total current assets		8,739	4,256
Total assets		14,900	8,191
Current liabilities			
Trade and other payables	23	(4,589)	(3,169)
Contract liabilities	4	(1,398)	(1,227)
Borrowings	24	(2,050)	(482)
Lease liabilities	16	(492)	(457)
		(8,529)	(5,335)
Liabilities directly associated with assets in Disposal groups classified as held for sale	28	(148)	-
Total current liabilities		(8,677)	(5,335)
Non current liabilities			
Trade and other payables	23	(87)	(44)
Borrowings	24	(642)	(167)
Lease liabilities	16	(1,750)	(1,962)
Deferred tax	26	(161)	(33)
Provisions	27	(210)	(249)
Total non current liabilities		(2,850)	(2,455)
Total liabilities		(11,527)	(7,790)
Net assets		3,373	401
Capital and reserves			
Share capital	29	2,754	1,652
Merger reserve		2,883	1,176
Revaluation reserve		45	-
Foreign currency translation reserve		(531)	(557)
Retained earnings		(3,272)	(3,364)
Other distributable reserve		1,494	1,494
Total equity attributable to equity holders of the Company		3,373	401

The financial statements on pages 51 to 124 were approved and authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Nicholas Clark
Chief Executive

Antony Barkwith
Group Financial Director

Company statement of financial position

At 30 September 2023

	Note	2023 £'000	2022 £'000
Non current assets			
Property, plant and equipment	15	1	7
Investments	17	5,406	2,089
Deferred tax	26	203	-
Trade and other receivables	22	100	184
Total non current assets		5,710	2,280
Current assets			
Trade and other receivables	22	168	250
Cash at bank and in hand		1	457
Total current assets		169	707
Total assets		5,879	2,987
Current liabilities			
Trade and other payables	23	(2,556)	(1,594)
Borrowings	24	(167)	(250)
Total current liabilities		(2,723)	(1,844)
Non current liabilities			
Trade and other payables	23	(87)	(44)
Deferred tax	26	-	(1)
Borrowings	24	-	(167)
Total non current liabilities		(87)	(212)
Total liabilities		(2,810)	(2,056)
Net assets		3,069	931
Capital and reserves			
Share capital	29	2,754	1,652
Retained earnings		(4,062)	(3,391)
Merger reserve		2,883	1,176
Other distributable reserve		1,494	1,494
Total equity attributable to equity holders of the Company		3,069	931

The result for the year contained within the parent company's income statement is a loss of £671k (2022: loss £783k).

The financial statements on pages 51 to 124 were approved and authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Nicholas Clark
Chief Executive

Antony Barkwith
Group Financial Director

Aukett Swanke Group Plc

Consolidated statement of cash flows

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Cash generated from/(expended by) operations	31	1,013	(1,104)
Income taxes received		196	99
Net cash inflow/(outflow) from operating activities		1,209	(1,005)
Cash flows from investing activities			
Purchase of property, plant and equipment		(154)	(48)
Sale of property, plant and equipment		-	-
Sale of investments		33	927
Net cash received on acquisition of subsidiaries		367	-
Dividends received from associates & joint ventures		262	140
Net cash received in investing activities		508	1,019
Net cash inflow before financing activities		1,717	14
Cash flows from financing activities			
Principal paid on lease liabilities		(496)	(470)
Interest paid on lease liabilities		(72)	(76)
Proceeds from bank loans		-	-
Repayment of bank loans		(459)	(83)
Interest paid		(93)	(19)
Net cash outflow from financing activities		(1,120)	(648)
Net change in cash and cash equivalents		597	(634)
Cash and cash equivalents at start of year		(204)	515
Currency translation differences		37	(85)
Cash and cash equivalents at end of year	25	430	(204)
<i>Cash and cash equivalents are comprised of:</i>			
Cash at bank and in hand		522	28
Net cash included in assets held for sale		30	-
Secured bank overdrafts		(122)	(232)
Cash and cash equivalents at end of year		430	(204)

Aukett Swanke Group Plc

Company statement of cash flows

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
<hr/>			
Cash flows from operating activities			
Cash generated from/(expended by) operations	31	52	(722)
Interest paid		(24)	(9)
Net cash inflow/(outflow) from operating activities		28	(731)
Cash flows from investing activities			
Purchase of investments		(515)	-
Sale of investments		33	927
Dividends received from associates & joint ventures		248	133
Net cash (expended by)/generated from investing activities		(234)	1,060
<hr/>			
Net cash (outflow)/inflow before financing activities		(206)	329
Cash flows from financing activities			
Repayment of bank loans		(250)	(83)
Net cash (outflow)/inflow from financing activities		(250)	(83)
<hr/>			
Net change in cash and cash equivalents		(456)	246
Cash and cash equivalents at start of year		457	211
Cash and cash equivalents at end of year		1	457
<hr/>			
<i>Cash and cash equivalents are comprised of:</i>			
Cash at bank and in hand		1	457
Cash and cash equivalents at end of year		1	457
<hr/>			

Aukett Swanke Group Plc

Consolidated statement of changes in equity

For the year ended 30 September 2023

	Share capital	Foreign currency translation reserve	Retained earnings	Other distributable reserve	Merger reserve	Revaluation reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2021	1,652	(173)	(1,082)	1,494	1,176	-	3,067
Loss for the year	-	-	(2,282)	-	-	-	(2,282)
Other comprehensive income	-	(384)	-	-	-	-	(384)
Total comprehensive income	-	(384)	(2,282)	-	-	-	(2,666)
At 30 September 2022	1,652	(557)	(3,364)	1,494	1,176	-	401
Profit for the year	-	-	92	-	-	-	92
Other comprehensive income	-	26	-	-	(222)	45	(151)
Total comprehensive income	-	26	92	-	(222)	45	(59)
Issue of ordinary shares in relation to business combination	1,102	-	-	-	1,707	-	2,809
Employee share schemes - Value issued in relation to business combination (note 3)	-	-	-	-	222	-	222
At 30 September 2023	2,754	(531)	(3,272)	1,494	2,883	45	3,373

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

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

This was then increased through a business combination in March 2023 representing the issue of 110,142,286 new ordinary shares at a price of 2.55 pence per share.

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Company statement of changes in equity

For the year ended 30 September 2023

	Share capital	Retained earnings	Other distributable reserve	Merger reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1 October 2021	1,652	(2,608)	1,494	1,176	1,714
Loss and total comprehensive income for the year	-	(783)	-	-	(783)
At 30 September 2022	1,652	(3,391)	1,494	1,176	931
Loss for the year	-	(671)	-	-	(671)
Other comprehensive income	-	-	-	(222)	(222)
Total comprehensive income	-	(671)	-	(222)	(893)
Issue of ordinary shares in relation to business combination	1,102	-	-	1,707	2,809
Employee share schemes - Value issued in relation to business combination (note 3)	-	-	-	222	222
At 30 September 2023	2,754	(4,062)	1,494	2,883	3,069

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.

This was then increased through a business combination in March 2023 representing the issue of 110,142,286 new ordinary shares at a price of 2.55 pence per share.

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Notes to the financial statements

1 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 Company have been prepared in accordance with UK adopted 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 2023, the Group has applied the following amendments for the first time:

- (i) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- (ii) Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- (iii) Annual Improvements to IFRS Standards 2018-2020, and
- (iv) Reference to the Conceptual Framework – Amendments to IFRS 3.

The group also elected to adopt the following amendments early:

- (i) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- (ii) Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New accounting standards, amendments and interpretations not yet applied

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 September 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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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 36. 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 for additional financial flexibility and foreign currency hedging purposes.

The Group £250k Coutts overdraft facility is renewed annually and was renewed for an initial 4 months in December 2023 through to 31 March 2024, and subsequently Coutts has agreed to extend this renewal to 30 September 2024. We have no reason not to expect that the overdraft facility would not be renewed again in October 2024, however this is not guaranteed.

The £500k CBILS drawn in May 2021 has a duration of three years with interest at 4.05% over the Coutts base rate (currently 5.25%) in years two and three. As at 30 September 2023 the balance on the loan was £167k with the final monthly repayment due in May 2024.

The March 2023 acquisition of TFG provided a significant boost to Group equity. TFG have interest bearing loans and borrowings being a CBILS loan and a mortgage with NatWest. The CBILS loan was drawn in 2021 at £1.75m, the 30 September 2023 balance being £0.99m, and being repaid at £29k per month. The loan is at a fixed rate of interest at 3.66%pa.

The Mortgage balance as at 30 September 2023 was £1.41m, with a variable interest at base rate + 1.93%pa. The mortgage is secured against TFG's freehold property in London. The mortgage has recently been extended for a further 12 month period to February 2025 with a variable rate of interest of base rate + 5.00%pa.

The Board's review of going concern takes into account the need to re-mortgage the property within 12 months of the signing date of the financial statements or to sell the property and repay the mortgage before February 2025.

Forecasts for the Group have been prepared for a period of at least 12 months following the approval of the financial statements, which comprise detailed income statements, statements of financial position and cash flow statements for each of the Group's operations.

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.

The risk of rising energy prices and inflation globally continue to have macro-economic implications, and continue to have significant impact on decision making. To date we have seen some clients in specific construction sectors pause decision making on commencing and committing to future stages of development, but many developers are continuing with projects and some sectors as yet do not appear to be materially affected. Delays in clients making financial investment decisions due to economic uncertainty may result in the net earnings and cash flows of the Group not being realised if sufficient alternative work is not secured to offset delays. However, the Group's order book for the current year is stronger than a year ago.

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Whilst we continue to pay down the mortgage and CBILS loans, lower than originally budgeted project billings and cash collection in the period after the year end so far due to a combination of project instruction delays and cash to invest in strengthening staffing in the recent acquisitions which will take time to convert into generating higher revenues, has resulted in the Group delaying payment on the UK architecture quarterly VAT balance due in February 2024 and an overdue balance of PAYE due to HMRC. The Group's forecasts indicate that this shortfall is a temporary position which will improve during the 12-month period following the approval of the financial statements, and we are actively engaging in communications with HMRC and will seek to agree a short term repayment plan if required.

This shortfall would also be mitigated by the sale of the freehold property. The Board believes the commercial value of the building very comfortably exceeds its commercial mortgage of £1.41 million as at 30 September 2023. Additionally the Group's property agent has confirmed that it is reasonable to expect offers well in excess of the mortgage liability.

The Group has recently agreed with Coutts to extend the £250,000 overdraft through to 30 September 2024, announced it is raising £425,000 through the issue of new equity (see note 39), and Torpedo Factory Limited has received a fully approved offer for a £500,000 loan which can be drawn down whenever needed, subject only to the approval of the proposed guarantors (Nick Clark and Freddie Jenner).

Other funding or mitigating options available to the Board beyond the typical cost cutting in the face of declining activities include:

- The Board believes the commercial value of its German investments is substantial in relation to the Group as a whole and if necessary could be realised by a sale for in excess of book value.
- The Board also believes that in the event of the introduction of invoice discounting the Group, which typically has in excess of £3.0m tied up in trade debtors at each month end, could release a significant proportion of this amount. In this regard, Torpedo Factory Limited has received updated indicative terms a a leading provider of sales ledger finance of an invoice discounting line to the value of 50% of eligible debtors or £600,000, whichever is lower. Formal approval of this facility would be subject to an audit of the Torpedo Factory Limited systems by the lender. For 18 years from 2003-2021 Torpedo Factory Limited had an invoice discounting facility so is fully familiar with the processes.
- The Group is currently paying off its liabilities in respect of state funding provided during the Covid pandemic. The balance of the CBILS drawn by the Group in May 2021 will be fully repaid in May 2024. The CBILS loan drawn by TFG will be fully repaid by July 2026. By replacing this debt with a new facility repayable over a longer period the annual cash costs associated with this debt would fall.
- As a company with shares listed on the London Stock Exchange there is the option to seek additional equity investment from the issue of new shares, as was demonstrated by the recent share subscription in connection with the Vanti transaction.

Notwithstanding the material uncertainty described above, after making enquiries and assessing the progress against the forecast, projections and the feasibility of the mitigating actions referred to above, which if not achieved may cause significant doubt on the Group's and 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 Directors have a reasonable expectation that the Group and the Parent Company will continue in operation and meet its commitments as they fall due over the going concern period.

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis.

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.

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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 statement of financial position 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 venture.

Associate

The associate in Berlin is an 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 venture

The Group has a joint venture in Frankfurt where ownership is contractual and the agreements require unanimous consent from all parties for relevant activities. The entity is considered a joint venture.

Joint ventures are accounted for under the equity method.

Borrowings

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

Cash and cash equivalents

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

Company income statement

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

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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.

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.

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Government Grants

Government grants are recognised when there is reasonable assurance that the entity will comply with grant conditions and that the grant will be received.

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 assessed as the higher of fair value less costs to sell and value in use, 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.

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.

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.

Inventories

Inventories are designated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Freehold property

The directors have considered the fair value of the freehold property of The Old Torpedo Factory, taking into account current rental yields and the market value of similar properties in the area they consider they consider that the fair value is materially different to the depreciated historical cost of the property. As a result of this they have adopted the accounting policy to value freehold property at the fair value.

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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.

The listed investments are traded in an active market, therefore the unadjusted quoted prices as at the period end date are used to determine the fair value of the investments.

Unlisted investments are carried at cost, as an approximation of the fair value, unless any indications exist to suggest a material difference in the value of the investments as at the reporting date.

Leases and asset finance arrangements

The majority of the Group's accounting policies for leases are set out in note 16.

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 have previously been based on the geographical areas in which its studios are located, as each reportable operating segment provided the same type of service to clients, namely integrated professional design services for the built environment. Internally the Group prepares discrete financial information for each of its geographical professional design service segments.

With the acquisitions of TFG and A+K in the year the Group now further divides its business by types of service, with reporting segments expanded as professional design service regions, TFG and A+K.

Other operating expenses

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

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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 either the straight line method or on a reducing balance and over the following number of years:

Leasehold improvements –	Unexpired term of lease	straight line method
Office furniture	4 years	straight line method
Office equipment	2-4 years	straight line method
Computer equipment	2-4 years	straight line method
Motor Vehicles	25%	reducing balance method

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 27).

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.

Rental Income

Rental income from sublet property is credited to the consolidated income statement in the year in which it accrues.

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Revenue recognition

Architectural Contracts

Revenue represents the value of services performed for customers under contracts (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.

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.

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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.

Audio Visual Systems

Revenue is recognised when the goods or services are provided, subject to the Group's specific revenue recognition policy for services rendered detailed below.

Maintenance contracts, consultancy and revenue arising from contracts for the design, supply and installation of audio visual systems to which there is a contractual commitment at the balance sheet date are treated as long term contracts. Profit on these contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Revenue is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Distribution and Installation of Workplace Technology

The Group derives revenue from the transfer of goods and services over time and at a point in time. Revenues from external customers come from the sale of hardware and systems integration. The Group has a number of different types of contractual arrangements and consequently applies a variety of methods of revenue recognition. The revenue and profit in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. In determining the amount of revenue and profits to record and related balance sheet items (such as trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of judgements and assumptions. Revenue is recognised when the performance obligation in a contract has been performed (so 'point in time' recognition) or over time as the performance obligation is transferred to the customer.

The transaction price, being the amount to which the Group expects to be entitled and has rights to under the contract, is allocated to the identified performance obligations. For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long-term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract. For each performance obligation to be recognised over time, the Company applies a revenue recognition method that faithfully depicts the Company's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts. If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time.

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Share based payments

The Group has issued share options to certain employees, in return for which the Group receives services from those employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense other than where management perceive the fair value to be immaterial.

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

The fair value of the options granted is estimated by management by utilising a Black-Scholes option pricing model with reference to expected volatility, vesting period, exercise price, and market share price at the time of grant.

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

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 22.

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

The Group monitors receipts from clients closely and undertakes a range of actions if there are indications a client is experiencing funding problems. The Group makes 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.

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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 design services, audio visual and stage technology, smart workplace systems, energy management software 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 5% (2022: 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 £0.16m, (2022: £0.20m) trade receivables provision primarily against historic 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 22 and 34.

Impairment of goodwill and other intangible assets

Details of the impairment reviews undertaken in respect of the carrying value of goodwill and other intangible assets are given in note 17.

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 17.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct labour costs. When an inventory check is carried out obsolete inventories identified are written off to cost of sales. The carrying value of inventories at the year end was £372k (2022: £nil). No provision for inventories has been included in the year end accounts as it was deemed that all inventories will realise in excess of its carrying value.

Freehold property

Freehold property is stated at fair value, on periodic valuations by external independent valuers, taking into account current rental yields and the market value of similar properties in the area.

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Useful lives of other intangible assets

The useful economic life of customer relationships acquired in the TFG business combination is estimated to be at least 7 years based on analysis of the retention rate of recurring maintenance contracts in recent years.

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 2023.

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 in May 2023, 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 Landlord's 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 a 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.

The lease of Torpedo Factory Limited's Farnham premises, includes a break clause after 3 years in July 2025, and expires on 1 July 2027. The lease includes a break penalty of £5k equivalent to 3 months rent.

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3 Business combinations

Torpedo Factory Group

On the 20 March 2023 the Group acquired 100% of the voting equity instruments in Torpedo Factory Group Limited, an audio visual and stage technology provider to organisations in the UK and Europe.

Consideration for the acquisition comprised:

- i) 110,142,286 Ordinary Shares in Aukett Swanke Group Plc at an issue price of 2.55p based on the closing price of Aukett Swanke Group Plc shares on 1 March 2023.
- ii) Up to 3,631,124 additional consideration shares proposed to be issued to participating TFG Option Holders, at an issue price of 2.55p.
- iii) 8,400,000 share options in Aukett Swanke Group Plc exercisable at 1p. Fair value calculated at 1.55p per share based on the closing price of Aukett Swanke Group Plc shares on 1 March 2023.

	£'000
Shares in Aukett Swanke Group Plc	2,809
Maximum number of additional consideration shares to be issued to the participating option holders	92
Share options in Aukett Swanke Group Plc	130
Total acquisition cost	3,031

The TFG option holders were granted a 6 month option period after completion to exercise the additional consideration shares. The options have not been exercised, and expired on 20 September 2023.

	20 Mar-23 £'000
Goodwill	1,464
Property, plant and equipment	3,222
Right-of-use assets	331
Other intangible assets	227
Loans and other financial assets	169
Inventories	326
Contract assets	-
Trade and other receivables	1,580
Net cash	799
Assets	8,118
Trade and other payables	1,709
Contract liabilities	286
Interest bearing loans and borrowings	2,626
Lease liabilities	314
Deferred tax liability	152
Liabilities	5,087
Total net assets	3,031

Property, Plant and Equipment included £3,020k net book value of freehold property, being the Old Torpedo Factory building in London, previously revalued in July 2021.

Acquisition related costs of £354k are disclosed as acquisition costs in the consolidated income statement.

Aukett Swanke Group Plc

Significant estimate: contingent consideration

The 3,631,124 additional consideration shares were measured at the fair value based on an issue price of 2.55p. This consideration was contingent on the participants exercising their options by 20 September 2023. The participants did not exercise their options, and the options expired. As at 30 September 2023 the contingent consideration has been derecognised resulting in an impairment of £92k to goodwill (note 13) recorded as a loss of £92k in other comprehensive income.

The 8,400,000 share options were measured at fair value of 1.55p per share being the difference between the 1p exercise price and the 2.55p closing price of Aukett Swanke Group Plc shares on 1 March 2023. The options (and therefore the consideration) are contingent on the holders remaining in employment with the Group on the second anniversary of the date of grant (being 20 March 2025), at which point they become exercisable. The options lapse on the sixth anniversary of the date of grant. As at 30 September 2023 the contingent consideration has been derecognised as explained in note 30 due to the reduction in the share Price of Aukett Swanke Group Plc following the acquisition, resulting in an impairment of £130k to goodwill (note 13) recorded as a loss of £130k in other comprehensive income.

Anders + Kern

On the 14 July 2023 the Group acquired 100% of the voting equity instruments in Anders + Kern U.K. Limited, a distributor of smart workplace systems.

Consideration for the acquisition comprised: £515,057 payable in cash.

	14 Jul-23 £'000
Goodwill	260
Property, plant and equipment	9
Deferred tax asset	147
Inventories	108
Contract assets	60
Trade and other receivables	220
Net cash	97
Assets	<u>901</u>
Trade and other payables	278
Contract liabilities	108
Liabilities	<u>386</u>
Total net assets	<u>515</u>

Acquisition related costs of £25k are disclosed as acquisition costs in the consolidated income statement.

Aukett Swanke Group Plc

4 Operating segments

The Group historically comprised a single business segment with separately reportable geographical segments (together with a Group costs segment). Geographical segments being based on the location of the operation undertaking each project.

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

As set out in note 28, the board concluded the sale of the Turkey subsidiary Aukett Swanke Mimarlik AS on 27 December 2023, and has classified the assets and liabilities of that subsidiary as assets held for sale as at 30 September 2023. The Group identifies geographical areas of operation aligned to its geographical segments. The Group retains its significant investments in its joint venture and associate in Germany and considers the subsidiary sold to have represented a small proportion of the geographical segment. Accordingly, Aukett Swanke Mimarlik AS has not been re-presented as a discontinued operation.

The Middle East segment has been re-presented as a discontinued operation and is set out in note 12.

With the acquisition of Torpedo Factory Group and Anders + Kern during the period, Torpedo Factory Group and Anders + Kern operations have been disclosed as additional separate business segments.

Income statement segment information

Segment revenue	2023 £'000	2022 £'000
United Kingdom	8,858	8,465
Torpedo Factory Group	4,816	-
Anders+Kern	467	-
Continental Europe	194	180
Revenue from continuing operations	14,335	8,645
Discontinued operations	2	1,543
Revenue	14,337	10,188

Segment revenue less sub consultant costs	2023 £'000	2022 £'000
United Kingdom	8,692	6,975
Torpedo Factory Group	4,816	-
Anders+Kern	467	-
Continental Europe	128	152
Revenue less sub consultant costs from continuing operations	14,103	7,127
Discontinued operations	-	1,256
Revenue less sub consultant costs	14,103	8,383

Most 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 22 are in respect of the Group's contracts with customers.

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Segment net finance expense		
	2023	2022
	£'000	£'000
Continuing operations		
United Kingdom	(77)	(86)
Torpedo Factory Group	(145)	-
Anders+Kern	-	-
Continental Europe	-	-
Group costs	(24)	(9)
Net finance expense	(246)	(95)
Segment depreciation	2023	2022
	£'000	£'000
United Kingdom	60	71
Torpedo Factory Group	24	-
Anders+Kern	1	-
Continental Europe	2	3
Group costs	5	3
Depreciation from continuing operations	92	77
Discontinued operations	-	20
Depreciation	92	97
Segment amortisation	2023	2022
	£'000	£'000
United Kingdom	403	398
Torpedo Factory Group	63	-
Anders+Kern	-	-
Continental Europe	-	-
Amortisation from continuing operations	466	398
Discontinued operations	-	15
Amortisation	466	413
Segment result before tax	2023	2022
	£'000	£'000
United Kingdom	(94)	(329)
Torpedo Factory Group [^]	401	-
Anders+Kern	62	-
Continental Europe	277	275
Group costs [*]	(997)	(18)
Goodwill impairment	-	(1,752)
Loss before tax from continuing operations	(351)	(1,824)
Profit/(loss) from discontinued operations	10	(503)
Total loss before tax	(341)	(2,327)

Aukett Swanke Group Plc

Segment result before tax (before reallocation of group management charges)	2023 £'000	2022 £'000
United Kingdom	202	211
Torpedo Factory Group * ^	467	-
Anders+Kern	62	-
Continental Europe	423	422
Group costs # *	(1,505)	(809)
Goodwill impairment	-	(1,752)
Subtotal	(351)	(1,928)
Group management charges charged to the Middle East discontinued operation	-	104
Loss before tax from continuing operations	(351)	(1,824)
Profit/(loss) from discontinued operations	10	(503)
Total loss before tax	(341)	(2,327)

Segmental results before tax include £25k of exceptional costs being transactional costs for the acquisition of Anders + Kern allocated within Group costs.

* Segmental results before tax include £260k of exceptional costs being transactional costs for the acquisitions of Torpedo Factory Group and Anders + Kern allocated as £210k within Group costs, and £50k within Torpedo Factory Group.

^ TFG segmental result before tax includes £94k of one-off costs relating to the settlement of TFG employees company share option costs and the loss on assets disposed of as part of the Live Events disposal.

The Group's share of results from associate and joint ventures included within the Continental Europe segment result are shown in notes 18 and 19.

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:

	2023 £'000	2022 £'000
Current contract assets relating to professional services contracts	790	1,200
Loss allowance	-	(1)
Total contract assets	790	1,199
Contract liabilities relating to professional services contracts	1,398	1,227
Total contract liabilities	1,398	1,227

Significant changes in contract asset and liabilities

Contract assets have decreased as the Group provided lower amounts of services ahead of invoicing. Most of the contract assets are derived from the TFG and A+K businesses acquired in the year, combining to £614k. However, for UK architecture, the balance of contract assets decreased significantly to £176k (September 2022: £1,012k). The prior year balance included a project which had been paused as at September 2022 with a balance of WIP for UK architecture and sub-consultants of £773k. Following the resumption of this project the WIP balance fell significantly.

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Contract liabilities have increased as the Group has invoiced for higher amounts ahead of providing services. The increase is primarily due to the TFG and A+K acquisitions in the year, combining to £299k of contract liabilities as at September 2023. The remaining balance of contract liabilities derive primarily from contracts in the UK architecture operating segment.

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 2022	(1,227)
Revenue recognised that was included in the contract liability balance at the beginning of the period	1,217
Credits issued relating to the contract liability balance at the beginning of the year, previously invoiced but not recognised as revenue.	2
Cash received in advance of performance and not recognised as revenue in the period	(1,390)
Total contract liabilities as at 30 September 2023	(1,398)

Statement of financial position segment information

Segment assets	2023 £'000	2022 £'000
United Kingdom	1,890	2,915
Torpedo Factory Group	1,444	-
Anders+Kern	339	-
Middle East	5	430
Continental Europe	50	90
Trade receivables and contract assets	3,728	3,435
Other current assets	5,111	1,005
Non current assets*	6,061	3,751
Total assets	14,900	8,191

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

Segment liabilities	2023 £'000	2022 £'000
United Kingdom	2,637	3,114
Torpedo Factory Group	1,602	-
Anders+Kern	346	-
Middle East	198	598
Continental Europe	72	68
Trade payables, contract liabilities and accruals	4,855	3,780
Other current liabilities	3,822	1,555
Non current liabilities	2,850	2,455
Total liabilities	11,527	7,790

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Geographical areas

Revenue	2023 £'000	2022 £'000
United Kingdom	14,141	8,465
Country of domicile	14,141	8,465
Turkey	194	180
United Arab Emirates	2	1,543
Foreign countries	196	1,723
Revenue	14,337	10,188
Non current assets	2023 £'000	2022 £'000
United Kingdom	4,376	2,453
Country of domicile	4,376	2,453
Czech Republic	-	-
Germany	1,071	1,007
Turkey	-	10
United Arab Emirates	-	-
Foreign countries	1,071	1,017
Non current assets excluding deferred tax	5,447	3,470
Deferred tax	625	281
Non current assets	6,072	3,751

Major clients

During the year ended 30 September 2023, the Group derived 10% or more of its revenues from one client (2022: one client).

	2023 £'000	2022 £'000
Largest client revenues	1,636	2,009

The largest client revenues for 2023 relate to the United Kingdom operating segment (2022: United Kingdom operating segment).

Revenue by project site

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

	2023 £'000	2022 £'000
United Kingdom	13,831	7,804
Middle East	2	1,543
Continental Europe	479	696
Rest of the world	25	145
Revenue	14,337	10,188

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5 Other operating income

	2023 £'000	2022 £'000
Property rental income	163	147
Management charges to joint ventures and associates	134	131
Other sundry income	29	48
Total other operating income from continuing operations	326	326
Discontinued operations	-	-
Total other operating income	326	326

6 Finance costs

Continuing operations	2023 £'000	2022 £'000
Fair value movement on investments	80	-
Payable on bank loans and overdrafts	89	19
Finance lease interest payable	74	76
Other interest payable	12	-
Total finance costs	255	95

7 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, and to the Company's previous auditor:

	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts for the year ended September 2023	135	59
Additional fees paid to the Company's previous auditor for the audit of the Company's annual accounts for the year ended September 2022	-	33
Fees payable to the Company's auditor and its associates for other services		
Audit of the Company's subsidiaries pursuant to legislation	124	71

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.

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8 Employee information

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

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
Technical	97	83	-	-
Administrative	35	23	6	6
Total	132	106	6	6

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 153 persons (2022: 137 persons).

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	6,471	5,200	550	574
Social security costs	703	468	67	56
Contributions to defined contribution pension arrangements	331	262	47	43
Total	7,505	5,930	664	673

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.

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9 Directors' emoluments

2023	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Nicholas Thompson	39	3	42	-	42
Robert Fry	90	15	105	-	105
Clive Carver	77	-	77	-	77
Raúl Curiel	20	-	20	-	20
Tandeep Minhas	14	-	14	-	14
Nick Clark	73	9	82	-	82
Freddie Jenner	34	4	38	-	38
Antony Barkwith	138	17	155	-	155
Total	485	48	533	-	533

2022	Aggregate emoluments £'000	Pension contributions £'000	Total received £'000	Waived £'000	Total entitlement £'000
Nicholas Thompson	209	10	219	-	219
Robert Fry	123	15	138	-	138
Clive Carver	30	-	30	-	30
Raúl Curiel	30	-	30	-	30
Antony Barkwith	163	18	181	-	181
Total	555	43	598	-	598

Benefits were accruing to five Directors (2022: three Directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid Director were £138,000 (2022: £209,000) together with pension contributions of £17,000 (2022: £10,000).

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10 Tax charge

	2023 £'000	2022 £'000
Current tax	-	-
Adjustment in respect of previous years	(196)	-
Total current tax	(196)	-
Origination and reversal of temporary differences	(79)	(45)
Adjustment in respect of previous years	(56)	-
Changes in tax rates	(102)	-
Total deferred tax (note 26)	(237)	(45)
Total tax credit	(433)	(45)

The standard rate of corporation tax in the United Kingdom that is applicable for the financial year was 22% (2022: 19%).

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

	2023 £'000	2022 £'000
Loss before tax	(330)	(2,327)
Loss before tax multiplied by the standard rate of corporation tax in the United Kingdom of 22% (2022: 19%)	(73)	(442)
Effects of:		
Other non tax deductible expenses	66	279
Associate and joint ventures reported net of tax	(75)	(62)
Tax losses not recognised	7	104
Impact on deferred tax of change in UK tax rate	(102)	-
Current tax adjustment in respect of previous years	(196)	4
Deferred tax adjustment in respect of previous years	(56)	2
(Losses)/Income not taxable	(4)	70
Total tax credit	(433)	(45)

11 Earnings per share

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

Earnings	2023 £'000	2022 £'000
Continuing operations	82	(1,779)
Discontinued operations	10	(503)
Profit/(loss) for the year	92	(2,282)

Number of shares	2023 Number	2022 Number
Weighted average of ordinary shares in issue	223,915,859	165,213,652
Effect of dilutive options	-	-
Diluted weighted average of ordinary shares in issue	223,915,859	165,213,652

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As explained in note 29 the Company has granted options over 10,400,000 of its ordinary shares. These have not been included above as i) the average share price on 1,000,000 of the options was below the exercise price in 2023 and they therefore do not have a dilutive effect, and ii) the average share price on the other 1,000,000 options was slightly above the exercise price in 2023 but to the extent that the dilutive effect would be trivial. The remaining 8,400,000 options granted in the year are not exercisable until March 2025.

12 Discontinued operations

12 (a) Description

In April 2022, the Group sold assets, as part of the Group's disposal of JRHP constituting its John R Harris & Partners Limited (Cyprus) subsidiary and John R Harris & Partners (Dubai) entity, for a cash consideration of AED 5,000,000, comprising AED 4,250,000 cash upfront and a further AED 750,000 deferred consideration paid over a 5 year period. This marked the sale of the main trading operations in the Group's Middle East segment. With closure costs incurred in the period relating to the planned termination of a number of trading licenses in the Middle East operations, the Middle East segment is presented as a discontinued operation in the current period, and the comparative period represented accordingly.

The post-tax gain on disposal of the JRHP operation was determined as follows:

	2023 £'000	2022 £'000
Cash consideration received	33	927
Deferred cash consideration	(33)	163
Total consideration received	-	1,090
Sale costs	-	(9)
Cash disposed of	-	(112)
Net cash inflow on disposal of discontinued operation	-	969
Net assets disposed (other than cash)		
- Property, plant and equipment	-	37
- Intangibles	-	736
- Trade and other receivables	-	641
- Contract assets	-	361
- Trade and other payables	-	(954)
	-	821
Currency translation differences recycled on disposal	-	(209)
	-	612
Pre-tax gain on disposal of discontinued operation	-	357
Related tax expenses	-	-
Gain on disposal of discontinued operation	-	357

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12 (b) Financial performance and cash flow information

Result of discontinued operations

	2023 £'000	2022 £'000
Revenue	2	1,543
Sub consultant costs	(2)	(287)
Revenue less sub consultant costs	-	1,256
Personnel related costs	-	(1,233)
Property related costs	(2)	(109)
Expenses	12	(635)
Group management charges	-	(104)
Finance expenses	-	-
Depreciation	-	(20)
Amortisation	-	(15)
Other operating income	-	-
Gain on disposal of subsidiary	-	357
Impairment of intangibles	-	-
Profit/(loss) before tax	10	(503)
Tax credit / (charge)	-	-
Profit/(loss) from discontinued operations	10	(503)
Exchange differences on disposal recycled to gain on disposal of subsidiary	-	(209)
Exchange differences on translation of discontinued operation	-	(168)
Other comprehensive profit/(loss) from discontinued operations	10	(880)

Earnings per share from discontinued operations

	2023 £'000	2022 £'000
Basic and diluted profit/(loss) per share	0.00p	(0.30p)

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	2023 £'000	2022 £'000
Net cash outflow from operating activities	-	(53)
Net cash inflow from investing activities	-	35
Foreign exchange movements	-	(204)
Net cash from discontinued operations	-	(222)

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13 Goodwill

Group	£'000
Cost	
At 1 October 2021	2,370
Addition	-
Disposal	(608)
Exchange differences	(10)
At 30 September 2022	1,752
Additions	1,724
Disposal	-
Exchange differences	-
At 30 September 2023	3,476
Impairment	
At 1 October 2021	-
Impairment	1,752
Disposal	-
Exchange differences	-
At 30 September 2022	1,752
Impairment	222
Disposal	-
Exchange differences	-
At 30 September 2023	1,974
Net book value	
At 30 September 2023	1,502
At 30 September 2022	-
At 1 October 2021	2,370

The disposal recorded in the prior year related to goodwill on JRHP which was sold during the prior year. The gain on disposal of the goodwill is included within the loss from discontinued operations on the Consolidated Income Statement and the gain on disposal of subsidiary in the result of discontinued operations in note 12 (b).

Goodwill from the United Kingdom operation arose as £1,244k from the April 2005 acquisition of Fitzroy Robinson Limited and £496k from the December 2013 acquisition of Swanke Hayden Connell Europe Limited. In the years that have passed the UK operations have been merged into the Aukett Swanke Limited and Veretec Limited companies. Swanke Hayden Connell Europe Limited serves as a holding company for Swanke Hayden Connell International Limited which no longer employs staff or engages in architectural work but in turn remains a holding company for the Turkey subsidiary.

Management believe that the Goodwill arising at the time of these acquisitions is no longer reflective of the current business, and it is impractical to be able to determine what proportion of cash flow projections of the United Kingdom operations relates to the historic acquisitions. In the prior year, Management therefore took the decision to write off the full £1,740k balance of Goodwill for the United Kingdom operations in the prior year.

Additions in the current year comprise the acquisition of TFG in March 2023 giving rise to Goodwill of £1,464k, and the acquisition of Anders + Kern in July 2023 giving rise to Goodwill of £260k as detailed in note 3.

As explained in note 3, £92k of the TFG goodwill relates to additional consideration shares, which were not exercised and expired on 20 September 2023. Management have made an impairment to goodwill matching this amount.

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As explained in note 3, £130k of the TFG goodwill relates to the fair value of share options issued as part of the acquisition consideration of the business combination. For the reasons detailed note 30, Management has taken the decision to impair the goodwill associated with the fair value acquisition cost represented by these share options.

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

	Torpedo Factory Group	Anders + Kern £'000	United Kingdom £'000	Turkey £'000	Middle East £'000	Total £'000
At 1 October 2021	-	-	1,740	22	608	2,370
Disposal	-	-	-	-	(608)	(608)
Impairment	-	-	(1,740)	(12)	-	(1,752)
Exchange differences	-	-	-	(10)	-	(10)
At 30 September 2022	-	-	-	-	-	-
Additions	1,464	260	-	-	-	1,724
Disposal	-	-	-	-	-	-
Impairment	(222)	-	-	-	-	(222)
Exchange differences	-	-	-	-	-	-
At 30 September 2023	1,242	260	-	-	-	1,502

An annual impairment test is performed over the cash generating units ('CGUs') of the Group where goodwill and intangible assets are allocable to those CGUs. The net book values are supported by the value in use calculations detailed further in note 17.

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14 Other intangible assets

Group	Trade name £'000	Customer relationships £'000	IT assets £'000	Trade licence £'000	Total £'000
Cost					
At 1 October 2021	655	354	-	73	1,082
Disposal	(21)	(183)	-	(73)	(277)
Exchange differences	56	(11)	-	-	45
At 30 September 2022	690	160	-	-	850
Acquired through business combinations	-	152	75	-	227
Exchange differences	(36)	(12)	-	-	(48)
At 30 September 2023	654	300	75	-	1,029
Amortisation					
At 1 October 2021	427	285	-	46	758
Disposal	(21)	(125)	-	(50)	(196)
Charge	13	11	-	4	28
Exchange differences	61	(11)	-	-	50
At 30 September 2022	480	160	-	-	640
Disposal	-	-	-	-	-
Impairment	-	-	-	-	-
Charge	13	11	7	-	31
Exchange differences	(34)	(12)	-	-	(46)
At 30 September 2023	459	159	7	-	625
Net book value					
At 30 September 2023	195	141	68	-	404
At 30 September 2022	210	-	-	-	210
At 1 October 2021	228	69	-	27	324

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

Disposal

The disposal in the prior year related to the sale of JRHP in April 2022.

Impairment

An annual impairment test is performed over the cash generating units ('CGUs') of the Group where goodwill and intangible assets are allocable to those CGUs. The net book values are supported by the value in use calculations detailed further in note 17.

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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. The SHC trade name has a remaining amortisation period of 16 years.

Customer relationships

Customer relationships were acquired as part of the acquisition of SHC in December 2013, on the acquisition of JRHP in June 2015. 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 were amortised over a 7 year period which ended in December 2020. The customer relationships acquired in June 2015 were disposed of in the prior year with the sale of JRHP.

In the year to 30 September 2023, the assets acquired were part of the acquisition of Torpedo Factory Group in March 2023 (note 3). This represents the value attributed to clients who provided repeat business to the Group on the strength of these relationships. The fair value was ascertained by analysing the net present value of recurring maintenance contracts adjusted for retention rates based on historical customer retention data. The customer relationships are being amortised on a straight line basis over a 7 year period from the acquisition date.

Trade licence

The trade licence was acquired as part of the acquisition of JRHP in June 2015. This represented 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. The residual balance was disposed of in the prior year with the sale of JRHP.

IT assets

The IT assets were acquired as part of the acquisition of Torpedo Factory Group in March 2023 (note 3) and consist of domain names, computer software and website development costs.

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15 Property, plant & equipment

Group	Freehold Property £'000	Leasehold improvements £'000	Furniture & equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2021	-	11	733	-	744
Additions	-	-	48	-	48
Disposals	-	-	(244)	-	(244)
Exchange differences	-	(5)	(5)	-	(10)
At 30 September 2022	-	6	532	-	538
Acquired through business combinations	3,020	41	110	60	3,231
Additions	-	-	102	-	102
Disposals	-	(5)	(60)	(8)	(73)
Revaluation	60	-	-	-	60
Assets classified as held for sale	(3,080)	-	-	-	(3,080)
Exchange differences	-	-	(9)	-	(9)
At 30 September 2023	-	42	675	52	769
Depreciation					
At 1 October 2021	-	11	578	-	589
Charge	-	-	97	-	97
Disposals	-	-	(207)	-	(207)
Exchange differences	-	(5)	(5)	-	(10)
At 30 September 2022	-	6	463	-	469
Charge	-	3	80	9	92
Disposals	-	(5)	(9)	(7)	(21)
Exchange differences	-	(1)	(8)	-	(9)
At 30 September 2023	-	3	526	2	531
Net book value					
At 30 September 2023	-	39	149	50	238
At 30 September 2022	-	-	69	-	69
At 1 October 2021	-	-	155	-	155

Company	Furniture & equipment £'000	Total £'000
Cost		
At 1 October 2022	17	17
Additions	-	-
Disposals	(10)	(10)
At 30 September 2023	7	7
Depreciation		
At 1 October 2022	10	10
Charge	5	5
Disposals	(9)	(9)
At 30 September 2023	6	6
Net book value		
At 30 September 2023	1	1
At 1 October 2022	7	7

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16 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.

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 27).

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 re-assesses 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 2023, the lease of Torpedo Factory Limited's Farnham premises, includes a break clause after 3 years in July 2025, and expires on 1 July 2027. The lease includes a break penalty of £5k equivalent to 3 months rent.

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Right-of-use Assets

	Land and buildings £'000	Restoration costs £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
At 1 October 2021	2,154	144	248	-	2,546
Additions	-	-	23	-	23
Amortisation	(324)	(22)	(39)	-	(385)
At 30 September 2022	1,830	122	232	-	2,184
Acquired through business combinations	214	-	-	117	331
Additions	-	-	52	-	52
Amortisation	(351)	(22)	(44)	(18)	(435)
At 30 September 2023	1,693	100	240	99	2,132

Lease liabilities

	Land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
At 1 October 2021	2,756	133	-	2,889
Additions	-	-	-	-
Interest expense	72	4	-	76
Lease payments	(464)	(82)	-	(546)
At 30 September 2022	2,364	55	-	2,419
Acquired through business combinations	213	-	106	319
Additions	-	-	-	-
Interest expense	67	1	4	72
Lease payments	(494)	(55)	(19)	(568)
At 30 September 2023	2,150	1	91	2,242

£'000

Short-term lease expense	37
Low value lease expense	20
Expense relating to variable lease payments not included in the measurement of lease liabilities	-
Aggregate undiscounted commitments for short-term leases	33

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

Lease liabilities	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
At 30 September 2023	122	370	508	1,242	-
At 30 September 2022	118	339	415	1,316	231

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

	2023 £'000	2022 £'000
Not later than one year	71	44
Later than one year and not later than five years	16	-
Later than five years	-	-
Total	87	44

17 Investments

Company	Subsidiaries £'000	Joint ventures £'000	Associate £'000	Total £'000
Cost				
At 1 October 2021	10,200	21	12	10,233
Disposal	(1,021)	-	-	(1,021)
At 30 September 2022	9,179	21	12	9,212
Additions	3,546	-	-	3,546
At 30 September 2023	12,725	21	12	12,758
Provisions				
At 1 October 2021	6,943	-	-	6,943
Charge	180	-	-	180
At 30 September 2022	7,123	-	-	7,123
Charge	229	-	-	229
At 30 September 2023	7,352	-	-	7,352
Net book value				
At 1 October 2021	3,257	21	12	3,290
At 30 September 2022	2,056	21	12	2,089
At 30 September 2023	5,373	21	12	5,406

The increase in cost of £3,546k during the year related to the acquisitions of a Torpedo Factory Group Limited (£3,031k) and Anders + Kern U.K. Limited (£515k), see note 3.

The disposal in the prior year related to the disposal of the investment in JRHP (note 12).

A provision for impairment of £222k has been made to reduce the Company's investment in Torpedo Factory Group Limited. As explained in note 3, £92k of the TFG investment relates to additional consideration shares, which were not exercised and expired on 20 September 2023. Management have made an impairment to investments matching this amount. £130k of the TFG investment relates to the fair value of share options issued as part of the acquisition consideration of the business combination. For the reasons detailed note 30, Management has taken the decision to impair the investment associated with the fair value acquisition cost represented by these share options.

A provision for impairment of £7k (2022: £180k) was made during the year to reduce the Company's investment in Swanke Hayden Connell Europe Limited down to the net book value of its balance sheet.

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The current net book values of the investments in subsidiaries is £5,373k (2022: £2,056k) after charges made in the current year, which is larger than the net assets of the consolidated statement of financial position of £3,373k (2022: £401k). This is primarily due to the Company's cost of investment in the UK operations (Aukett Swanke Limited and Veretec Limited) being higher than the Group's carrying value of Goodwill and other intangible assets in these entities.

The net book values are supported by the value in use calculations.

An annual impairment test is performed over cash generating units ('CGUs') of the Group. The UK architectural operations (Aukett Swanke Limited and Veretec Limited) are considered to be one CGU. Torpedo Factory Group Limited along with its subsidiaries Torpedo Factory Limited and TFG Stage Technology Limited are considered to be one CGU.

The recoverable amount of a CGU 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 in the discounted cash flow projections for the United Kingdom architectural operation are:

- the future level of revenue, set at a compound growth rate of 8.12% (2022: 11.30%) over the next five years – which is based on two years of budgeted revenue targets, with following years assuming annualised inflation of earnings (and costs) using a CPI assumption of 4.20% based on the Nov-23 annualise UK CPI index.
- long term growth rate - which has been assumed to be 1.7% (2022: 1.5%) 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 18.13% (2022: 18.32%).

Based on the discounted cash flow projections, the recoverable amount of the UK CGU is estimated to exceed carrying values by £6,498k (437%). An 8.4% 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 86%, would result in carrying amounts exceeding their recoverable amount. A decrease in the effective compound growth rate of revenue to 5.98% instead of the 8.12% 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 the investment remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

The same assumptions on CPI, the long term growth rate and the discount rate were also applied for the reviews of the TFG and A+K operations.

- For Anders + Kern the future level of revenue, set at a compound growth rate of 9.49% (2022: N/A) over the next five years – is based on two years of budgeted revenue targets, with following years assuming annualised inflation of earnings (and costs) using a CPI assumption of 4.20% based on the Nov-23 annualised UK CPI index.

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Based on the discounted cash flow projections, the recoverable amount of the A+K CGU is estimated to exceed carrying values by £1,253k (243%). A 17.3% 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 A+K CGU, or an increase in the discount rate to over 50%, would result in carrying amounts exceeding their recoverable amount. A decrease in the effective compound growth rate of revenue to 5.42% instead of the 9.49% noted above, without a corresponding reduction in costs in the A+K CGU, would result in carrying amounts exceeding their recoverable amount. Management believes that the carrying value of the investment remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

- For Torpedo Factory Group the future level of revenue, set at a compound growth rate of 4.51% (2022: N/A%) over the next five years – is based on two years of budgeted revenue targets, with following years assuming annualised inflation of earnings (and costs) using a CPI assumption of 4.20% based on the Nov-23 annualise UK CPI index.

Based on the discounted cash flow projections, the recoverable amount of the TFG CGU is estimated to exceed carrying values by £2,832k (101%). A 13.0% 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 TFG CGU would result in carrying amounts exceeding their recoverable amount. The base model is largely insensitive to discount rates as it assumes the CGU is profitable, with an assumption of a sale of the freehold property at the balance sheet carrying value which covers the investment carrying value. A decrease in the effective compound growth rate of revenue to 1.64% instead of the 4.51% noted above, without a corresponding reduction in costs in the TFG CGU, would result in carrying amounts exceeding their recoverable amount. Management believes that the carrying value of the investment remains recoverable despite this sensitivity given the conservative nature of the underlying forecasts prepared.

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Subsidiary operations

The following are the subsidiary undertakings at 30 September 2023:

Name	Country of incorporation and registered office address (see table below)	Proportion of ordinary equity held		Nature of business
		2023	2022	
Subsidiaries				
Aukett Swanke Limited	(A)	100%	100%	Architecture & design
Aukett Fitzroy Robinson International Limited	(A)	100%	100%	Architecture & design
Veretec Limited	(A)	100%	100%	Architecture & design
Swanke Hayden Connell International Limited	(A)	100%	100%	Architecture & design
Aukett Swanke Mimarlik AS (formerly Swanke Hayden Connell Mimarlik AS)	(B)	100%	100%	Architecture & design
Shankland Cox Limited	(A)	100%	100%	Architecture & Engineering
Aukett Swanke Architectural Design Limited	(A)	100%	100%	Architecture & design
Anders + Kern U.K. Limited	(A)	100%	0%	Distribution and installation of workplace technology
Torpedo Factory Group Limited	(C)	100%	0%	Holding company
Torpedo Factory Limited	(C)	100%	0%	Design, supply and installation of audio visual systems
TFG Stage Technology Limited	(C)	100%	0%	Design, supply and installation of stage technology, stage engineering and associated audio visual systems
Swanke Hayden Connell Europe Limited	(A)	100%	100%	Non-trading
Fitzroy Robinson Limited	(A)	100%	100%	Dormant
Swanke 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
Foresight Audio Visual Limited	(C)	100%	0%	Dormant
Pinnerton Video Systems Limited	(C)	100%	0%	Dormant
Orion Audio Visual Limited	(C)	100%	0%	Dormant

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 engaged through Aukett Swanke Architectural Design Limited.

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Aukett Swanke Architectural Design Limited is incorporated in England & Wales, but operates principally in the United Arab Emirates. The trade licence expired in March 2021 and the operation is no longer undertaking new work.

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, and Al Ain. These licenses expired in January and April 2022, with ongoing projects being reassigned to JRHP prior to the sale of JRHP.

The UAE domiciled branches are consolidated into 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 2023. 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
		2023	2022		
Aukett + Heese Frankfurt GmbH	(D)	50%	50%	Joint venture	Equity
Aukett + Heese GmbH	(E)	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)	Turkey	Alkaranfil Sk. No:8 Levent, 34330, Istanbul, Turkey
(C)	England & Wales	The Old Torpedo Factory, St Leonard's Road, London, NW10 6ST, United Kingdom
(D)	Germany	Gutleutstrasse 163, 60327 Frankfurt am Main, Germany
(E)	Germany	Budapester Strasse 43, 10787 Berlin, Germany

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18 Investment in associate

As disclosed in note 17, 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	2023	2022
	£'000	£'000
Assets		
Non current assets	213	278
Current assets	7,883	6,229
Total assets	8,096	6,507
Liabilities		
Current liabilities	(4,953)	(3,465)
Total liabilities	(4,953)	(3,465)
Net assets	3,143	3,042

Reconciliation to carrying amounts:

	2023	2022
	£'000	£'000
Opening net assets at 1 October	3,041	2,347
Profit for the period	1,194	1,139
Other comprehensive income	(46)	86
Dividends paid	(1,046)	(531)
Closing net assets	3,143	3,041
Group's share in %	25%	25%
Group's share in £'000	786	760
Carrying amount	786	760

Summarised statement of comprehensive income	2023	2022
	£'000	£'000
Revenue	16,460	12,198
Sub consultant costs	(5,216)	(2,861)
Revenue less sub consultant costs	11,244	9,337
Operating costs	(9,521)	(7,708)
Profit before tax	1,723	1,629
Taxation	(529)	(490)
Profit for the period from continuing operations	1,194	1,139
Other comprehensive income	(46)	86
Total comprehensive income	1,148	1,225

The Group received dividends of £248,000 after deduction of German withholding taxes (2022: £126,000) 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.

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19 Investments in joint ventures

Frankfurt

As disclosed in note 17, the Group owns 50% of Aukett + Heese Frankfurt GmbH which is based in Frankfurt, Germany.

	£'000
At 1 October 2021	201
Share of profits	40
Dividends paid	-
Exchange differences	6
At 30 September 2022	247
Share of profits	42
Dividends paid	-
Exchange differences	(4)
At 30 September 2023	285

The Group received dividends of £nil after deduction of German withholding taxes (2022: £nil) 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.

	2023 £'000	2022 £'000
Assets		
Non current assets	4	11
Current assets	371	369
Total assets	375	380
Liabilities		
Current liabilities	(90)	(133)
Total liabilities	(90)	(133)
Net assets	285	247
	2023 £'000	2022 £'000
Revenue	832	824
Sub consultant costs	(272)	(271)
Revenue less sub consultant costs	560	553
Operating costs	(498)	(494)
Profit before tax	62	59
Taxation	(20)	(19)
Profit after tax	42	40

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

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Prague

The Group owned 50% of Aukett sro which is based in Prague, Czech Republic. The final liquidation of this entity was completed during the prior year and a final distribution received.

	£'000
At 1 October 2021	8
Share of losses	(1)
Liquidation dividend distribution paid	(7)
Exchange differences	-
At 30 September 2022 and at 30 September 2023	-

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

	2023 £'000	2022 £'000
Assets		
Current assets	-	-
Total assets	-	-
Liabilities		
Current liabilities	-	-
Total liabilities	-	-
Net assets	-	-

	2023 £'000	2022 £'000
Revenue	-	-
Sub consultant costs	-	-
Revenue less sub consultant costs	-	-
Operating costs	-	(1)
Loss before tax	-	(1)
Taxation	-	-
Loss after tax	-	(1)

20 Loans and other financial assets

Group

	Listed investments £'000	Unlisted investments £'000	Total £'000
Cost or valuation			
At 1 October 2022	-	-	-
Acquisition of subsidiary (note 3)	119	50	169
Additions	-	-	-
Disposals	-	-	-
Revaluations	(30)	(50)	(80)
At 30 September 2023	89	-	89

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21 Inventories

Group	2023 £'000	2022 £'000
Goods for resale	372	-

The cost of inventories recognised as an expense within cost of sales amounted to £nil (2022: £nil) in relation to obsolete stock.

22 Trade and other receivables

Group	2023 £'000	2022 £'000
<i>Amounts due after more than one year</i>		
Other financial assets at amortised cost	100	184
Total amounts due after more than one year	100	184
<i>Amounts due within one year</i>		
Gross trade receivables	3,053	2,514
Impairment allowances	(167)	(199)
Net trade receivables	2,886	2,315
Other financial assets at amortised cost	289	316
Amounts owed by associates and joint ventures	-	-
Corporate tax receivable	-	-
Other current assets	672	478
Total amounts due within one year	3,847	3,109
Total	3,947	3,293

Company	2023 £'000	2022 £'000
<i>Amounts due after more than one year</i>		
Other financial assets at amortised cost	100	184
Total amounts due after more than one year	100	184
<i>Amounts due within one year</i>		
Trade receivables	11	24
Amounts owed by subsidiaries	111	163
Amounts owed by associate and joint ventures	-	-
Other financial assets at amortised cost	34	46
Other current assets	12	17
Total amounts due within one year	168	250
Total	268	434

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.

During the year, the Company made provisions totalling £13k (2022: £298k) against amounts owed by subsidiaries. These are amounts owed by Aukett Fitzroy Robinson International Limited, Aukett Swanke Architectural Design Limited and SCL. Following the Group's decision to restructure the UAE business either freezing or allowing trade licenses in these companies to expire, Management took the decision to make a provision against amounts owed by these companies to the Group.

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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 architecture and Turkey have been immaterial in the historical period reviewed in order to establish the expected loss rate at 30 September 2023. 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.

For Torpedo Factory Ltd, TFG Stage Technology Ltd and A+K, provisions on bad and doubtful debts have been immaterial in the period post acquisition, and in the historical pre-acquisition period reviewed. Standard payment terms for all companies are 30 days for smaller works completed. It is usual on larger projects to agree in advance with the client at the start of the project a monthly billing schedule which generally leads to relatively low levels of contracts assets (and consequentially higher levels of contract liabilities). These larger projects tend to be 30 days although certain JCT contracts may extend to 60 day terms. Service Contracts as standard are billed annually in advance for a 12 month period. No loss allowance provision has been made for trade receivables and contracts assets owed to these Group entities.

Amounts due for contract work in the Middle East segment have been material in prior years, with contracts in the Middle East often billed in arrears. However, the Middle East operations of the Group are currently not undertaking new work and are not expected to trade in the future. No loss allowance has been made as at 30 September 2023. The balance of contract assets as at 30 September 2023 was AED Nil, and the closing balance of trade receivables balance comprised 1 outstanding immaterial debtor.

The total impairment allowance is down £32k compared to the prior year, primarily due to the write-off of old provisions and low amounts of new provisions required in the year. Impairment allowances as a percentage of gross trade receivables has therefore decreased to 5.0% (2022: 7.9%).

The comparative loss allowance for the Middle East operating segment as at 30 September 2022 was:

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30 September 2022	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 (%)	2%	2%	4%	9%	12%	
Gross carrying amount (£'000)	27	-	-	-	34	61
Loss allowance (£'000) through CSOFP	-	-	-	-	4	4

The loss allowance for the Middle East operating segment as at 30 September 2023 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 £nil arises which is taken through the foreign currency translation reserve.

	Contract assets £'000	Trade receivables £'000
Opening loss allowance provision as at 1 October 2022	-	4
Loss allowance provision	-	(4)
Amounts restated through opening Foreign Currency translation reserve	-	-
Loss allowance calculated based on ECL loss matrices	-	-
Additional provisions identified on a case by case basis	-	167
Total loss allowance as at 30 September 2023 - calculated under IFRS 9	-	167

The loss allowances decreased by £4k to nil for trade receivables and remained unchanged at £nil for contract assets during the year to 30 September 2023.

A further allowance for impairment of trade receivables and contract assets is established on a case-by-case basis amounting to £167k at 30 September 2023 and £195k at 30 September 2022 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.

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

	£'000
At 1 October 2021	272
Loss allowance provision	(38)
Disposal of JRHP	(32)
Charged to the income statement based on additional case by case provisions	133
Allowance utilised	(162)
Exchange differences	26
At 30 September 2022	199
Loss allowance provision	(4)
Charged to the income statement based on additional case by case provisions	14
Allowance written-off	(29)
Exchange differences	(13)
At 30 September 2023	167

23 Trade and other payables

Group	2023 £'000	2022 £'000
<i>Amounts due after more than one year</i>		
Amounts owed to associate and joint venture	87	44
Total amounts due after more than one year	87	44
<i>Amounts due within one year</i>		
Trade payables	1,808	1,354
Other taxation and social security	1,086	515
Other payables	118	101
Accruals	1,577	1,199
Total amounts due within one year	4,589	3,169
Total	4,676	3,213
Company		
	2023 £'000	2022 £'000
<i>Amounts due after more than one year</i>		
Amounts owed to associate and joint venture	87	44
Total amounts due after more than one year	87	44
<i>Amounts due within one year</i>		
Trade payables	117	58
Amounts owed to subsidiaries	2,082	1,212
Other taxation and social security	45	4
Other payables	19	28
Accruals	293	292
Total amounts due within one year	2,556	1,594
Total	2,643	1,638

See note 38 for further details of the amounts due to subsidiaries.

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24 Borrowings

Group	2023 £'000	2022 £'000
Secured bank overdrafts	122	232
Mortgage	1,411	-
Secured bank loan (NatWest)	992	-
Secured bank loan (Coutts)	167	417
Total borrowings	2,692	649

Amounts due for settlement within 12 months	2,050	482
Current liability	2,050	482

Amounts due for settlement between one and two years	350	167
Amounts due for settlement between two and five years	292	-
Non current liability	642	167

Total borrowings	2,692	649
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Company	2023 £'000	2022 £'000
Secured bank loan	167	417
Total borrowings	167	417

Instalments due within 12 months	167	250
Current liability	167	250

Instalments due between one and two years	-	167
Instalments due between two and five years	-	-
Non current liability	167	167

Total borrowings	167	417
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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 4.05% (loan) and 3% (overdraft) above the Coutts Base rate for the relevant currency.

The mortgage and the bank loan (NatWest) are secured by way of a first legal charge over freehold property, a debenture and cross guarantee from Torpedo Factory Group Limited, Torpedo Factory Limited and TFG Stage Technology Limited. The bank loan initially drawn at £1.75m is being repaid at £29k per month. The loan is at a fixed rate of interest of 3.66%pa.

The mortgage initially drawn in 2018 at £1.73m with a duration of 5 years was previously extended for a year, and after the year end expired in February 2024, and is therefore wholly shown due for settlement within 12 months. The mortgage carried interest at base rate + 1.93%pa. The mortgage has recently been extended for a further 12 month period to February 2025 with a variable rate of interest of base rate + 5.00%pa.

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25 Analysis of net deficit

Group	2023 £'000	2022 £'000
Cash at bank and in hand	522	28
Secured bank overdrafts (note 24)	(122)	(232)
Net cash included in assets held for sale (note 28)	30	-
Cash and cash equivalents	430	(204)
Mortgage (note 24)	(1,411)	-
Secured bank loan (note 24)	(992)	-
Secured bank loan (note 24)	(167)	(417)
Net deficit	(2,140)	(621)

26 Deferred tax

Group	Freehold property revaluation	Tax depreciation on plant and equipment £'000	Trading losses £'000	Other temporary differences £'000	Total £'000
At 1 October 2021	-	33	230	(62)	201
Income statement	-	4	42	(1)	45
Exchange differences	-	1	1	-	2
At 30 September 2022	-	38	273	(63)	248
Acquired through business combinations	(157)	(10)	144	18	(5)
Income statement	-	6	198	33	237
Revaluation reserve	(15)	-	-	-	(15)
Exchange differences	-	-	-	(1)	(1)
At 30 September 2023	(172)	34	615	(13)	464

Company	Tax depreciation on plant and equipment £'000	Trading losses £'000	Other temporary differences £'000	Total £'000
At 1 October 2021	(2)	-	-	(2)
Income statement	1	-	-	1
At 30 September 2022	(1)	-	-	(1)
Income statement	-	204	-	204
At 30 September 2023	(1)	204	-	203

Group	2023 £'000	2022 £'000
Deferred tax assets	625	281
Deferred tax liabilities	(161)	(33)
Net deferred tax balance	464	248

Company	2023 £'000	2022 £'000
Deferred tax assets	203	-
Deferred tax liabilities	-	(1)
Net deferred tax balance	203	(1)

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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.

27 Provisions

Group	Property lease provision £'000	Employee benefit obligations £'000	Total £'000
At 1 October 2021	210	622	832
Utilised	-	(296)	(296)
Charged to the income statement	-	78	78
On disposal of subsidiary	-	(368)	(368)
Exchange differences	-	3	3
At 30 September 2022	210	39	249
Utilised	-	(12)	(12)
Charged to the income statement	-	2	2
Reclassified as Liabilities directly associated with assets in Disposal groups classified as held for sale	-	(17)	(17)
Exchange differences	-	(12)	(12)
At 30 September 2023	210	-	210

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 four 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.

As at 30 September 2022 and 30 September 2023 the Group no longer employed any staff within its Middle East subsidiaries. The Employee benefit obligation provision relating to Middle East subsidiaries as at 30 September 2023 is therefore £nil (2022: £nil).

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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.

28 Assets and liabilities classified as held for sale

	2023 £'000
Non-current assets held for sale (i)	3,080
Current assets held for sale (ii)	128
Liabilities held for sale (ii)	(148)
Total assets held for sale	<u>3,060</u>

(i) Freehold Property

Prior to the year end, the board decided to market the freehold property of The Old Torpedo Factory in West London as the property is larger than is needed for the Group. Commercial property agents were instructed in October 2023 and the property was valued in July 2023 by a third party firm of surveyors at £3.08m.

(ii) Aukett Swanke Mimarlik AS (formerly Swanke Hayden Connell Mimarlik AS)

Prior to the year end, the board began discussions with the directors of Aukett Swanke Mimarlik AS regarding a sale of the subsidiary to local management. The sale was concluded on 27 December 2023 for a nominal sum.

The following major classes of assets and liabilities relating to Aukett Swanke Mimarlik AS have been classified as held for sale in the consolidated statement of financial position as at 30 September 2023:

	2023 £'000
Trade and other receivables	65
Contract assets	33
Net cash	30
Assets held for sale	<u>128</u>
Trade and other payables	(100)
Contract liabilities	(31)
Provisions	(17)
Liabilities held for sale	<u>(148)</u>
Total net liabilities	<u>(20)</u>

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29 Share capital

Group and Company	2023	2022
	£'000	£'000
Allocated, called up and fully paid		
275,355,938 (2022: 165,213,652) ordinary shares of 1p each	2,754	1,652

	Number
At 1 October 2021	165,213,652
No changes	-
At 30 September 2022	165,213,652
Issue for acquisition of subsidiary (note 3)	110,142,286
At 30 September 2023	275,355,938

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.

After the year end, the acquisition of TR Control Solutions Limited resulted in an increase in the share capital of 17,800,000 new ordinary shares of 1p, as disclosed in note 39.

After the year end, in March 2024, the Group announced a share subscription raising an aggregate up to £425,000 through the issue and allotment of a total of up to 42,500,000 new ordinary shares of 1p, as disclosed in note 39.

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30 Share options

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

	At 1 October 2022	Granted Number	Lapsed Number	At 30 September 2023	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
29 Jun 2021	1,000,000	-	-	1,000,000	1.60	29 Jun 2023	29 Jun 2027
20 Mar 2023	-	8,400,000	-	8,400,000	1.00	20 Mar 2025	20 Mar 2029
Total	2,500,000	8,400,000	(500,000)	10,400,000			

The 500,000 share options granted on 6 March 2017 related to Beverley Wright, a former Director of the Company, lapsed on 6 March 2023.

The 1,000,000 share options granted on 24 August 2020, and the 1,000,000 share options granted on 29 June 2021 relate to Antony Barkwith, a current Director of the Company. These share options vested 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.

The 8,400,000 share options granted on 20 March 2023 as part consideration for the acquisition of Torpedo Factory Group (note 3) are i) 3,700,000 to Freddie Jenner, a current Director of the Company; ii) 4,700,000 to Jason Brameld a current employee of the Company. These share options vest after 2 years' service and are exercisable between 2 and 6 years after grant.

The 8,400,000 options were initially valued at £130k based on a fair value of 1.55p per share using the closing price of Aukett Swanke Group Plc shares on 1 March 2023 being 2.55p, and recognised in the total acquisition cost of the business combination (note 3). As at the 30 September 2023 the closing share price of Aukett Swanke Group Plc was 1.825p, and following a subsequent reduction in share price post year end Management took the decision to impair the goodwill associated with the fair value acquisition cost represented by these share options.

In December 2023, all of the 10,400,000 share options were surrendered by the respective recipients, replaced by the new options under a Company Share Option Plan. This is further detailed in note 39.

Further details of transactions with related parties can be found in note 38.

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31 Cash generated from operations

Group	2023	2022
	£'000	£'000
Loss before tax	(341)	(2,327)
Finance income	(9)	-
Finance costs	255	95
Share of results of associate and joint ventures	(341)	(327)
Intangible amortisation	31	28
Intangible impairment	-	-
Depreciation	92	97
Goodwill impairment	-	1,752
Amortisation of right-of-use assets	435	385
Loss on disposal of property, plant & equipment	52	-
Decrease in trade and other receivables	1,405	594
Decrease in inventories	61	-
Decrease in trade and other payables	(617)	(815)
Change in provisions	(10)	(586)
Unrealised foreign exchange differences	-	-
Net cash generated from/(expended by) operations	1,013	(1,104)

Company	2023	2022
	£'000	£'000
Loss before income tax	(876)	(783)
Dividends receivable	(248)	(133)
Finance costs	24	9
Depreciation	5	4
Provision on investments	7	180
Loss on disposal of fixed assets	1	-
Loss on disposal of subsidiary	-	418
Write off of amounts owed by subsidiary on disposal	-	(479)
Deferred consideration on disposal	-	163
Decrease in trade and other receivables	134	20
Increased/(decrease) in trade and other payables	1,005	(112)
Unrealised foreign exchange differences	-	(9)
Net cash generated from/expended by operations	52	(722)

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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 2021	2,767	622	3,389
Cash flows			
- Repayment of borrowings	-	(83)	(83)
- Payment of interest	-	(9)	(9)
- Receipt of bank overdraft	-	232	232
- Payment of lease liabilities	-	(546)	(546)
Non-cash flows			
- Effects of foreign exchange	-	-	-
- Loans and borrowings classified as non-current at 30 September 2022	(638)	638	-
- Interest accrued in period	-	85	85
At 30 September 2022	2,129	939	3,068
Cash flows			
- Repayment of borrowings	-	(583)	(583)
- Payment of interest	-	(161)	(161)
- Receipt of bank overdraft	-	-	-
- Payment of lease liabilities	-	(496)	(496)
Non-cash flows			
- Amounts recognised on business combinations	1,044	1,901	2,945
- Effects of foreign exchange	-	-	-
- Loans and borrowings classified as non-current at 30 September 2023	(781)	781	-
- Interest accrued in period	-	161	161
At 30 September 2023	2,392	2,542	4,934

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Company	Non-current loans and borrowings £'000	Current loans and borrowings £'000	Total £'000
At 1 October 2021	417	83	500
Cash flows			
- Repayment of borrowings	-	(83)	(83)
- Payment of interest	-	(9)	(9)
- Receipt of bank loan	-	-	-
Non-cash flows			
- Effects of foreign exchange	-	-	-
- Loans and borrowings classified as non-current at 30 September 2022	(250)	250	-
- Interest accrued in period	-	9	9
At 30 September 2022	167	250	417
Cash flows			
- Repayment of borrowings	-	(250)	(250)
- Payment of interest	-	(24)	(24)
- Receipt of bank loan	-	-	-
Non-cash flows			
- Effects of foreign exchange	-	-	-
- Loans and borrowings classified as non-current at 30 September 2023	(167)	167	-
- Interest accrued in period	-	24	24
At 30 September 2023	-	167	167

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32 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

	2023	2022
Group	£'000	£'000
Net trade receivables	2,886	2,315
Contract assets	790	1,119
Other financial assets at amortised cost	389	500
Accrued income	-	23
Inventories	372	-
Cash at bank and in hand	522	28
Loans and receivables measured at amortised cost	4,959	3,985
Trade payables	(1,808)	(1,354)
Amount owed to associate and joint ventures	(87)	(44)
Other payables	(118)	(101)
Accruals	(1,577)	(1,199)
Lease liabilities	(2,242)	(2,419)
Secured bank loans and overdrafts	(2,692)	(649)
Financial liabilities measured at amortised cost	(8,524)	(5,766)
Net financial instruments	(3,565)	(1,781)
Company	2023	2022
	£'000	£'000
Net trade receivables	11	24
Amounts owed by subsidiaries	111	163
Accrued income	-	11
Other financial assets at amortised cost	134	230
Cash at bank and in hand	1	457
Loans and receivables measured at amortised cost	257	885
Trade payables	(117)	(58)
Amounts owed to subsidiaries	(2,082)	(1,212)
Amount owed to associate and joint ventures	(87)	(44)
Other payables	(19)	(28)
Accruals	(293)	(292)
Secured bank loan	(167)	(417)
Financial liabilities measured at amortised cost	(2,765)	(2,051)
Net financial instruments	(2,508)	(1,166)

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.

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Collateral

As disclosed in note 24 the Coutts bank loan and overdraft (£232k at 2022 and £122k at 2023 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:

	2023 £'000	2022 £'000
Group	1,900	2,641
Company	128	349

Other receivables in the consolidated statement of financial position include a £244k rent security deposit (2022: £238k) 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.

33 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	2023 £'000	2022 £'000
EU Euro	(155)	45
Turkish Lira	-	16
UAE Dirham	-	2,283
UK Sterling	-	(12)
US Dollar	51	54
Net financial instruments held in foreign currencies	(104)	2,386

Company	2023 £'000	2022 £'000
EU Euro	(86)	46
Turkish Lira	-	16
US Dollar	1	18
UAE Dirham	-	113
Net financial instruments held in foreign currencies	(85)	193

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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.

	2023		2022	
	Profit £'000	Equity £'000	Profit £'000	Equity £'000
Group	(10)	(64)	29	(29)
Company	(8)	-	18	-

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

	2023 £'000	2022 £'000
Group	(57)	258
Company	(46)	280

34 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 32.

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 2023 £'000	loss allowance £'000	Receivables post-allowance 2023 £'000
Not overdue	2,065	-	2,065
Between 0 and 30 days overdue	373	-	373
Between 30 and 60 days overdue	371	-	371
Greater than 60 days overdue	77	-	77
Total	2,886	-	2,886

	Receivables pre-allowance 2022 £'000	loss allowance £'000	Receivables post-allowance 2022 £'000
Not overdue	1,100	-	1,100
Between 0 and 30 days overdue	661	-	661
Between 30 and 60 days overdue	283	-	283
Greater than 60 days overdue	275	(4)	271
Total	2,319	(4)	2,315

The processes undertaken when considering whether a trade receivable may be impaired are set out in notes 2 and 22.

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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 22.

The concentration of counterparty risk within the £3,947k (2022: £3,434k) 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.

	2023 £'000	2022 £'000
Largest exposure	540	640
Second largest exposure	191	295
Third largest exposure	163	252

The Group's principal banker is Coutts & Co, a member of NatWest Group.

At 30 September 2023 the largest exposure to a single financial institution of the Group's cash and cash equivalents held by various Group entities was represented by a £372k (£374k cash less £2k overdrafts) with NatWest. (2022: the largest exposure to a single financial institution represented by a net overdrawn position of £229k held with Coutts & Co.).

Company

The Company only has £11k trade receivables (2022: £24k) and no 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 37.

35 Interest rate risk

Group	2023 £'000	2022 £'000
Rent deposit	278	278
Mortgage	(1,411)	
Secured bank loan (NatWest)	(992)	-
Secured bank loan (Coutts)	(167)	(417)
Secured bank overdrafts	(122)	(232)
Interest bearing financial instruments	(2,414)	(371)
Company	2023 £'000	2022 £'000
Secured bank loans	(167)	(417)
Interest bearing financial instruments	(167)	(417)

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

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Cash and cash equivalents are generally held in instant access current accounts and in practice currently not interest bearing, and therefore have not been included in interest bearing financial instruments disclosures.

The Coutts bank loan and overdraft carry interest at 4.05%pa (loan) and 3%pa (overdraft) above the Coutts Base rate for the relevant currency. The NatWest bank loan carries interest at a fixed rate of interest at 3.66%pa. The mortgage until expiry in February 2024 carried interest at base rate + 1.93%pa. In February 2024 a new 1 year mortgage extension was agreed carrying interest at base rate + 5%pa.

A 1% rise in 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 interest rates would have an equal but opposite effect.

	2023 £'000	2022 £'000
Group	(14)	(4)
Company	(2)	(4)

36 Liquidity risk

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

At 30 September 2023 the Group had £850,000 (2022: £850,000) of gross borrowing facility and £250,000 net borrowing facility (2022: £250,000) under its United Kingdom bank overdraft facility with Coutts & Co. In November 2023 and again in March 2024 Coutts & Co renewed the overdraft facility maintaining the net overdraft facility at £250,000. It is now next due for review in October 2024.

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
Timing of cashflows				
Within one year	503	522	2,654	3,679
Between one and two years	171	465	44	680
Between two and five years	-	1,393	-	1,393
Greater than five years	-	232	-	232
	674	2,612	2,698	5,984
Expected future charges through the income statement	(25)	(193)	-	(218)
Financial liabilities at 30 September 2022	649	2,419	2,698	5,766
Timing of cashflows				
Within one year	2,119	556	3,503	6,178
Between one and two years	368	556	87	1,011
Between two and five years	297	1,289	-	1,586
Greater than five years	-	-	-	-
	2,784	2,401	3,590	8,775
Expected future charges through the income statement	(92)	(159)	-	(251)
Financial liabilities at 30 September 2023	2,692	2,242	3,590	8,524

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Lease liabilities includes the finance lease on leasehold improvements and the land and buildings office lease (see note 16).

Company	Borrowings	Other financial liabilities	Total
Timing of cashflows	£'000	£'000	£'000
Within one year	271	1,590	1,861
Between one and two years	171	44	215
Between two and five years	-	-	-
	442	1,634	2,076
Expected future charges through the income statement	(25)	-	(25)
Financial liabilities at 30 September 2022	417	1,634	2,051

Company	Borrowings	Other financial liabilities	Total
Timing of cashflows	£'000	£'000	£'000
Within one year	172	2,511	2,683
Between one and two years	-	87	87
Between two and five years	-	-	-
	172	2,598	2,770
Expected future charges through the income statement	(5)	-	(5)
Financial liabilities at 30 September 2023	167	2,598	2,765

37 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 24. At 30 September 2023 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £124,000 (2022: £729,000).

The Company and certain of its United Kingdom subsidiaries are members of a group for Value Added Tax (VAT) purposes. At 30 September 2023 the net VAT payable balance of those subsidiaries was £406,000 (2022: £285,000).

At the year end, one of the Group's Middle East subsidiaries had outstanding letters of guarantee totalling £74,000 (2022: £74,000). 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.

Torpedo Factory Group Limited has provided an unlimited cross guarantee and debenture to National Westminster Bank plc, for liabilities arising in Torpedo Factory Limited and TFG Stage Technology Limited. The contingent liability at 30 September 2023 was £Nil.

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Prior to acquisition, Torpedo Factory Group Limited received a grant of £137k to assist in expanding its operations into the 'smart building infrastructure' sector. As at the year end, not all of the grant conditions had been satisfied and as such only £8k of the grant has been recognised in income. If the grant conditions are not met then the grant could be repayable. No provision has been made in the accounts as the directors consider that the grant conditions will be satisfied.

38 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	2023	2022
	£'000	£'000
Short term employee benefits	1,611	1,235
Post employment benefits	158	110
Total	1,769	1,345

The key management personnel of the Company comprises its Directors.

Company	2023	2022
	£'000	£'000
Short term employee benefits	543	613
Post employment benefits	49	43
Total	592	656

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 (2022: £46,000). Dividends of £nil (2022: £nil) 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 (2022: £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 £87,000 (2022: £85,000). Dividends of £248,000 (2022: £126,000) were received from Aukett + Heese GmbH during the year. The Group received a loan from Aukett + Heese GmbH amounting to £43,000 (2022: £44,000). The amount owed by the Group to Aukett + Heese GmbH at 30 September 2023 was £87,000 (2022: £44,000).

As disclosed in note 17, 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.

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 17.

The Company made management charges to its subsidiaries for management services of £373,000 (2022: £660,000) and paid charges to its subsidiaries for office accommodation and other related services of £96,000 (2022: £84,000).

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At 30 September 2023 the Company was owed £111,000 (2022: £163,000) by its subsidiaries and owed £2,082,000 (2022: £1,212,000) 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.

39 Post balance sheet events

Acquisition of ecoDriver

On 17 October 2023 the Group acquired 100% of the voting equity instruments in TR Control Solutions Limited ("TRCS"), a developer of energy management software and provider of energy efficiency services. Shortly after completing the acquisition Management changed the name of the company to ecoDriver Ltd ("ecoDriver").

The acquisition is a further step in the Group's strategy to become a leading provider of Smart Building technology.

The financial effects of this transaction have not been recognised at 30 September 2023. The operating results and assets and liabilities of the acquired company will be consolidated from 17 October 2023.

	Provisional 17 Oct-23 £'000
Goodwill	498
Trade and other receivables	52
Assets	<u>550</u>
Trade and other payables	77
Contract liabilities	54
Net overdraft	27
Interest bearing loans and borrowings	32
Liabilities	<u>190</u>
Total net assets	<u>360</u>

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

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Fair value of consideration paid

Consideration for the acquisition comprises:

- i) 17,800,000 Ordinary Shares in Aukett Swanke Group Plc at an issue price of 1.525p based on the closing price of Aukett Swanke Group Plc shares on 17 October 2023.
- ii) £89,000 in cash. Half the cash consideration was payable on completion, with the remaining £44,500 payable on the first anniversary of completion.

	£'000
Shares in Aukett Swanke Group Plc	271
Cash	89
Total acquisition cost	360

Whilst fair value adjustments will result in recognised goodwill of less than £498k, it is expected that some goodwill will be recognised. The goodwill represents items, such as the assembled workforce, which do not qualify as assets.

Acquisition of RTS Technology Solutions Limited

On 20 March 2024 Torpedo Factory Ltd, a wholly owned subsidiary of the Group, acquired certain assets from the liquidator of RTS Technology Solutions Limited which formerly traded as Vanti ("RTS"). RTS was a master systems integrator, and a developer of building operating system software and Kahu workplace technology software and hardware.

The acquisition is an important step in the Group's strategy to become a leading provider of Smart Building technology, and in particular to develop Torpedo Factory Group as a Master Systems Integrator, and for the Group to expand its range of smart building software.

The financial effects of this transaction have not been recognised at 30 September 2023. The acquisition will affect the assets, liabilities, and financial performance of Torpedo Factory Ltd from 20 March 2024.

	Provisional 20 Mar-24 £'000
Property, plant and equipment	20
Other intangible assets	66
Inventories	1
Assets	87
Total net assets	87

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

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Fair value of consideration paid

Consideration for the acquisition comprises £37,003 in cash which was payable on completion, and contingent deferred consideration of up to £50,000 in cash payable over a period of up to 18 months.

	£'000
Cash	37
Deferred consideration	50
Total expected acquisition cost	87

Whilst fair value assessments have not been completed, it is not expected that any goodwill will be recognised.

Share subscription

On 20 March 2024 the Group announced that it is raising in aggregate up to £425,000 through the issue of new equity, for the purposes of providing the Group with working capital for its increased scale. £275,000 was raised by way of direct subscriptions by certain existing and institutional investors (the "Investors"). In addition, certain directors and managers of the Group indicated their intention to subscribe for up to £150,000 on the same terms as the Investors (the "Subscription").

In aggregate the Subscription will result in the issue and allotment of a total of up to 42,500,000 new ordinary shares of 1 penny each in the Company (the "Subscription Shares") at an issue price of 1 penny. Subscribers will receive warrants, exercisable for 3 years, to be issued (subject to certain conditions) on the basis of one warrant for every one Subscription Share with an exercise price of 1 penny. The Subscription Shares are being issued under the Company's existing share authorities; the warrants will require a specific authority to be sought at the forthcoming annual general meeting.

Property Mortgage

The mortgage that subsisted during the year, with balance of £1,411k as at 30 September 2023, expired in February 2024. The mortgage carried interest at base rate + 1.93%pa.

In February 2024, the mortgage was renewed for a further 12 month period to February 2025 carrying a higher interest rate of base rate + 5.00%pa.

Company Share Option Plans

All Employee Share Option Plan

In November 2023 the Company implemented an All Employee Share Option Plan ("AESOP"). The AESOP entitles all eligible employees to invest between £10 and £150 per month in purchasing shares in the Group from their pre-tax salary. The Group will match this contribution pound-for-pound on the first £50 per month by purchasing matching shares for the relevant employee as a staff retention tool. These are ordinarily forfeit if the relevant employee leaves within 3 years.

Management Share Ownership Plan

In December 2023 the Company created a Management Share Ownership Plan ("MSOP"). The Company recognises that the management of the Group's businesses wish to build an ownership stake. Therefore, it invited 34 members of the senior management of the Company

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and UK subsidiaries to commit to purchasing shares. 32 of the 34 have made a contractual commitment to spend an amount equivalent to between 2.5% and 10% of their gross annual salary on the purchase of Company shares, until such time as each of them own a minimum of either 0.25% or 0.5% of the Company's issued share capital – though they are free to acquire larger stakes if they wish. Shares will be purchased on the open market subject to concert party considerations.

All who have expressed an intent have indicated they will be purchasing their shares within their pension plans, as their investments are intended to build long term stakes in the business.

Company Share Option Plan and surrender of existing EMI options

In December 2023 the Company created a Company Share Option Plan ("CSOP"). Pursuant to the CSOP, an aggregate 25,591,666 options have been granted to the 32 members of the senior management team of the company and UK subsidiaries who have made commitments under the MSOP. The CSOP options vest between the third and tenth anniversary of grant, and are exercisable at 1.0p, being the nominal value of each share and a 17.6% premium to the closing mid-market price on 22 December 2023 (save for 1,000,000 CSOP replacement options granted to Antony Barkwith, Director, as detailed below).

Additionally, the Company has agreed with option holders in the Company's existing EMI option scheme for the surrender of their options, comprising in aggregate 10.4m EMI options. These replacement options are included within the CSOP grants detailed above.

A total of 8.4m CSOP options are being granted at an exercise price of 1.0p per share to Freddie Jenner (Group COO) and Jason Brameld (Group CTO, a non-board PDMR) to replace 8.4m EMI options that were issued on the purchase of Torpedo Factory Group Ltd ("TFG"). The EMI options surrendered had an exercise price of 1p.

Antony Barkwith (Group Finance Director) has surrendered 1,000,000 EMI options with an exercise price of 1.6p which are being replaced with 1,000,000 CSOP options with an exercise price of 1.6p, and surrendered 1,000,000 EMI options with an exercise price of 3.6p which are not being replaced.

Freddie, Jason and Antony are also each receiving CSOP options in their capacity as parties who have made the MSOP commitment.

CSOP Options being granted to Directors/PDMRs are as follows:

Name	Number of CSOP options	Exercise Price	Notes
Nick Clark	2,000,000	1.0p	
Freddie Jenner	4,700,000	1.0p	Of which 3.7m replace EMI
Jason Brameld (PDMR)	5,700,000	1.0p	Of which 4.7m replace EMI
Tony Barkwith	1,000,000	1.0p	
	1,000,000	1.6p	Replacing EMI

The total 25,591,666 CSOP options now in issue represent 8.73% of the shares in issue. There are no EMI options outstanding.

40 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 126. A description of the Group's operations and principal activities is given within the Strategic Report.