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GROUP PLC

# Aukett Swanke Group Plc

## Annual Report

## For the year ended 30 September 2022

Registered number 02155571

# Aukett Swanke Group Plc

## Contents

# Aukett Swanke Group Plc

## Five year summary

| Years ending 30 September | 2022 £'000 | 2021 £'000 | 2020 £'000 | 2019 £'000 | 2018 £'000 |
|---|---|---|---|---|---|
| Total revenues under management[1] | 24,033 | 26,426 | 28,534 | 31,505 | 31,950 |
| Revenue (continuing operations) | 8,645 | 9,192 | 7,343 | 7,970 | 7,561 |
| Revenue less sub consultant costs[1] (continuing operations) | 7,127 | 6,305 | 7,214 | 7,811 | 7,242 |
| Trading loss from continuing operations | (72) | (595) | 426 | 361 | (1,336) |
| (Loss) / profit before tax | (2,327) | (1,531) | (46) | 292 | (2,544) |
| Basic earnings per share (p) | (1.38) | (0.69) | 0.00 | 0.21 | (1.42) |
| Net assets | 401 | 3,067 | 4,374 | 4,514 | 4,136 |
| Cash and cash equivalents[2] | (204) | 515 | 992 | 1,145 | 710 |
| Secured bank loans | (417) | (500) | (155) | (325) | (553) |
| Net (deficit)/funds[3] | (621) | 15 | 837 | 820 | 157 |

[1]Alternative performance measures, refer to page 18 for definition
[2]Cash and cash equivalents includes cash at bank and in hand less bank overdrafts
[3]Net (deficit)/funds includes cash at bank and in hand less bank loans and overdrafts (see note 22)

## Corporate information

**Company secretary**

Antony Barkwith
cosec@aukettswanke.com

**Registered office**

10 Bonhill Street
London
EC2A 4PE

**Registered number**

England & Wales 02155571

**Website**

www.aukettswankeplc.com

**Share registrars**

Equiniti
www.equiniti.com
0121 415 7047

**Nominated adviser**

Strand Hanson Limited
www.strandhanson.co.uk

**Auditors**

Moore Kingston Smith LLP
www.mooreks.co.uk

**Broker**

Zeus Capital Ltd
www.zeuscapital.co.uk

**Investor / Media enquiries**

Chris Steele  07979 604687

**Bankers**

Coutts & Co
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**Solicitors**

Fox Williams www.foxwilliams.com

# Chairman's statement

I am pleased to present the financial statements for the year ended 30 September 2022.

**Leadership changes**

***Nicholas Thompson***
After 28 years with the Group, of which the last 17 years were as Chief Executive, Nicholas Thompson retired at the end of December 2022.

Nicholas masterminded the 2005 merger between Aukett and Fitzroy Robinson and the 2013 merger between Aukett Fitzroy Robinson and Swanke Hayden Connell to form the current Aukett Swanke Group. He then led the integration of these businesses and was instrumental in the Group's international expansion.

In recent years he led the Group through difficult times, succeeding in preserving for shareholders what might otherwise have been a casualty to either the Global Financial Crisis or the Covid inspired downturn.

Nicholas will act as a consultant to the Group and continue to play a leading role at the WREN, the industry's leading professional indemnity insurer.

***Raul Curiel***
Raul joined the Group in 1978 retiring in 2015. He returned as Non-Executive Chairman in early 2019 until 8 December 2022, when he relinquished the Chairman role but continued as a Non-Executive Director.

Raul was one of the Group's most prominent and award winning architects and responsible for numerous notable buildings. More recently as Non-Executive Chairman he led the board in helping set and oversee the Group's strategic plans.

Raul has informed the board that he does not propose to seek re-election at the AGM scheduled for 21 April 2023 and will therefore leave the board at that time.

The acquisition of Torpedo Factory Group ("TFG") and the expansion of the Group's activities into Smart Buildings was conceived under the leadership of Nicholas and Raul and will be actively pursued by the current board.

**<u>The Investment Case</u>**

**Background**
The past few years have been difficult, and the board's focus was principally to preserve the Group as intact as possible to form the base for future growth.

As is set out more fully in the Chief Executive's Report, this now has largely been achieved, with the continuing businesses trading better than for some time and those businesses and offices not deemed to be long term either sold, closed, or being moved onto a licence basis where the responsibility for profit rests with the local office concerned rather than the Group.

**UK Businesses**
Aukett Swanke Limited ("ASL") (design and architecture) and Veretec Limited ("Veretec") (executive architecture) are core and key to the Group's future.

These businesses can trace their roots back to 1906 and currently employs over 80 FTE technical staff of which 54 are qualified architects or architects in training.

The Group has enjoyed notable success across a range of building types, including some of the most iconic in the UK. In recent years this success has continued for buildings in the commercial office, research and education, mixed use hybrid and hospitality sectors. A feature of these businesses is the number of repeat instructions from leading developers.

**German investments**
We also have meaningful investments in two successful German architecture businesses. These are a 25% interest in the Berlin based Aukett + Heese GmbH and a 50% interest in the Frankfurt based Aukett + Heese Frankfurt GmbH.

As we account for these investments under IFRS rules, which do not separately show revenues, shareholders may not fully realise the strength of these investments.

The Berlin business employed an average of 90 FTE technical staff with revenue of £12.20m in the year to 30 September 2022. The Frankfurt business employed an average of 11 FTE technical staff with revenue of £1.65m in the year to 30 September 2022. In aggregate, the dividends received in the past two financial years were £656,000.

These businesses are well positioned for further success.

**Discontinued Businesses**
In recent years we have exited by sale or closure from the international offices in which trading was difficult.

**Public Company Status**
We are the UK's only listed architecture business and with the costs involved in maintaining the listing this could be seen as an unnecessary burden. Alternatively, it could be seen as a differentiating feature that can help fuel further growth. We believe the latter is the case and are working hard to make use of the listing.

That said there is little benefit in operating as a public company with a market capitalisation below £4 million, as has been the case recently. We also have infrastructure in place that could handle operations significantly greater than at present. We therefore need to grow.

**Growth**
To increase the Group's share price, and hence market capitalisation, we need to be profitable and to grow that profit. Some improvement can be expected from actions already taken. In part from growth in the existing core businesses, which have the capacity to do better as markets improve, and in part from the savings related to no longer being involved in the discontinued businesses.

Growth in the architecture businesses is expected to come from further investment in the core business through additional staffing and from targeted mergers.

We recognise that growth from the core architecture businesses solely through additional staffing will take time. The UK businesses have been actively recruiting for the past 9 months which represents a significant upfront investment, the benefits of which will take time to be seen.

A characteristic of our industry is the changing nature of ownership. In previous decades successful architects in their thirties and forties would typically transition to ownership via the partnership structures in place at most firms, which was good for renewal and motivation but also provided an exit to older architects looking to sell.

The younger generation of architects seem now less inclined or less able to take on the large financial commitments required to become owners, leaving a growing number of firms without viable ownership succession plans. As the UK's only listed architecture business, we are able to offer our shares to the owners of such practices and will be looking to use this competitive advantage to our benefit.

We are also looking to broaden the Group's exposure to the property market by moving into closely allied fields but where the business model is more favourable than with a traditional architecture business and in particular with recurring revenues and where growth is not solely a function of staff numbers.

A traditional architecture business has high fixed costs (principally staff, office space, technology and insurance) and where each project has to be won in competition with others who may not be bidding at economic rates and where once the project is completed there is no further income until the next project is won.

This provides a high barrier to entry, which deters new entrants. However, as we already have these fixed costs, we propose to make the most of them by spreading them over a wider pool of architecture staff and in particular staff at the director / project leader level, which effectively determines how many projects can be worked on.

A different business model, but one still focused on the property sector, is one where revenues are generated monthly throughout the lifetime of a building; where technology is used to its utmost; where rapid growth is achievable without the often time consuming and expensive recruitment of additional staff; and where short-term fluctuations in economic activity do not dictate customer buying decisions.

We have therefore identified extending our property related activities via the deployment of new technologies. The first venture relates to developing a market presence in the provision of technical systems in buildings.

**Torpedo Factory Group**
The acquisition of TFG in March 2023 is the first step in broadening the Group's activities. Further details of the acquisition are detailed in the Post balance sheet event note 35.

In comparison with the traditional architecture business model, which has high fixed costs and where almost all of the income from a building is at the start of its life with little or no recurring income, smart buildings can generate predictable income over the lifetime of the building and is a business that is scalable without adding proportionately to staff numbers.

TFG has a foothold in the provision of smart buildings with further acquisition opportunities identified to extend the enlarged Group's smart buildings offering. As such we believe it to be an ideal complement to the traditional architecture business.

Additionally, having a significant portion of the Group revenues from recurring payments on longer term contracts is also expected to result in a re-rating of the enlarged Group's shares.

**New board**
While the extent of the senior management changes are greater in number than typical, these have been a combination of inter alia, long-term succession planning, making the current transition easier to manage, and the recent TFG acquisition.

The changes allow the board to be refreshed to not only assist in the direction of the Group but also to acknowledge prevailing corporate governance, as is appropriate for the Group, at its current stage.

***Chairman***
My first contact with the Group was in 2006 as the Group's nominated adviser and broker, since when I followed the Group's progress with great interest, becoming a Non-Executive Director in 2019.

***Executive management team***
Robert Fry, who is another of the Group's leading and longstanding architects, and who became Interim Chief Executive following the retirement of Nicholas Thompson, leads the management team.

Nick Clark, the founder and CEO of TFG joined the board on 20 March 2023 on completion of the TFG acquisition and will take the lead in developing the Group's presence in the smart building sector.

Nick founded the TFG business in 1997. Prior to that he studied physics at Imperial College followed by an MPhil in Microelectronic Engineering and Semiconductor Physics at the University of Cambridge.

Robert's appointment as interim CEO is scheduled to end at the conclusion of the annual general meeting, when it is proposed that Nick become permanent Group Chief Executive, with Robert becoming a part time Executive Director and Deputy Chairman with principal responsibility for the Group's architecture businesses.

Antony Barkwith, who has been Group Finance Director since 2019, continues in that role for the enlarged Group.

***Non-Executive directors***
As noted above Raul Curiel has informed the board that he does not propose to offer himself for re-election at the forthcoming Annual General Meeting.

We are in advanced stages on the appointment of a new independent Non-Executive Director and look forward to updating on this in due course.

Further biographical details of the board are set out on pages 7-8.

**Outlook**
The Group's UK architecture businesses and its German investments are high quality operations with strong brands and a history of delivering outstanding buildings.

The effective stewardship of the Group in recent years has provided the firm base for meaningful and scalable growth in the coming years. The acquisition of TFG is the first step on this path.

We will now look for further growth in the UK architecture business and work towards becoming a master systems integrator in the Smart Buildings arena, where scalability is not dependent solely on headcount.

Clive Carver
Chairman
27 March 2023

## Board of Directors

**Clive Carver (Non-Executive Chairman) *+ #**
FCA FCT Aged 62

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 been 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.

**Raúl Curiel (Non-Executive Director and former Non-Executive Chairman) *+ #**
BA(Hons) MArch Aged 76

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

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

In December 2022 Raúl passed the Group Chairman role to Clive Carver, and has since continued as a Non-Executive Director.

**Robert Fry (Chief Executive Officer) #**
BA(Hons) DipArch MA RIBA Int'l AIA Aged 66

Robert was appointed CEO of the Aukett Swanke Group Plc Board 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, becoming Managing Director of the UK and Europe group in 2005.

Robert works closely with the Chairman and Group Finance Director in the setting and development of the Group's overall strategy. His considerable property and construction experience has been used to allow the development of ASG's businesses.

Robert's appointment as interim CEO is scheduled to end when a permanent Group Chief Executive is appointed, at which point Robert will become a part time Executive Director and Deputy Chairman with principal responsibility for the Group's architecture businesses.

**Antony Barkwith (Group Finance Director & Company Secretary)**
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.

**Nick Clark (Executive Director)**
BSc(Hons), MPhil Aged 48

Nick was appointed as an executive director of the Group in March 2023 following the acquisition of TFG.

Nick is chief executive of TFG. He founded the business in 1997 and has grown it through a combination of acquisitions and organic growth. In June 2022, Nick was appointed a non-executive director at Drumz plc, the AIM-listed investing company focused on investing in and acquiring established technology businesses. Prior to starting TFG Nick studied physics at Imperial College graduating with a BSc Hons 2(i) followed by an MPhil in Microelectronic Engineering and Semiconductor Physics at the University of Cambridge.

**Board committees**

The board has the following committees

- Audit Committee
- Remuneration Committee
- Nomination Committee

However, in recent times given the relatively small size of the board it has been the board as a whole that has taken the lead in the work otherwise delegated to the committees.

Following the appointment of additional Non-Executive Directors, the composition of the committees will be reviewed.

* Member of the Audit Committee
+ Member of the Remuneration Committee
# Member of the Nomination Committee

# Chief Executive's Report

I am pleased to present my first report as Chief Executive.

## Business Review

**Overview**
During the period under review and subsequently, market conditions improved across the full range of the Group's continuing businesses, although the improvements were generally seen towards the end of that period.

We continue to receive repeat and new business instructions that have resulted in an improved confirmed order book, which is approximately 23% higher than the same time last year.

In addition, we have taken action to deal with those parts of the Group that your board did not consider to be in shareholders' interests to continue with over the longer term.

### United Kingdom

***Notable Projects***

Our architectural design business, Aukett Swanke Limited, saw the completion of the STEAMhouse development for Birmingham City University which has been shortlisted for a BCO award. Both the EQ Office Headquarters building in Bristol for CEG and an office building extension in Westminster for Asticus have started on site.

Planning consents were granted for a mixed use office and residential development in Maidenhead, and 7 Princes Street in the City of London, the latter being a significant office strip back-to-frame refurbishment of a Fitzroy Robinson designed 1970s office building.

Interior design projects under way for prestigious clients include a new workplace strategy for a major international bank and a 196 key luxury hotel in London.

Veretec, our executive architecture business, completed the 21,300 sqm Featherstone building for Derwent working with Skanska and Morris + Company. Projects in progress include Holloway Park, the site of the former women's prison, a residential development for Peabody with AHMM and two prominent buildings on Moorgate for Osborne with Ben Adams. Heritage projects under way include the Grade II Listed 41 Lothbury for Pembroke RE with Stiff + Trevellion and Greycoat Place in Westminster for Victoria Spaces with SPPARC.

***Investing in the future***

We have also continued to focus upon retaining our existing staff and recruiting new staff to service this workload.

Significant investments have also been made in business resilience measures to facilitate effective remote working, improving Revit 3D modelling and rendering capability whilst simultaneously mitigating cybersecurity threats.

### German Investments

The Continental group of operations were once again the best performing of the group's geographic operations this year with profits (excluding Group management charges) of £0.42m (2021: £0.33m).

The main contributor was our associate office Aukett + Heese in Berlin, which with its sister joint venture company in Frankfurt, continued to navigate around the now post-pandemic era for the third year running.

Berlin celebrated two major topping-out ceremonies on the 140m tall, 34 storey Edge East Side Tower, let to Amazon and the tallest building in Berlin and the residential complex of BUWOG Bauträger GmbH, consisting of three new high-quality buildings and a renovated old building of 109 apartments. The 57,000 m² Forum Stieglitz refurbishment of Berlin's oldest shopping centre was completed, and the newly renovated 40,000 m² shopping centre formerly known as the "Potsdamer Platz Arkaden", has re-opened as "The Playce".

In Frankfurt, completions included further landlord upgrades and fit-outs for corporate and financial sector tenants in the iconic Messeturm building. A first project in the Main Tower, another well-known landmark, has cemented the office's status as a significant architect of record for tall buildings. New BIM/Revit projects have begun with a 14,000m² tenant fit-out in Berlin and a major new refurbishment project has begun for an international bank in Frankfurt together with a new building for a Tata Group subsidiary company in Bonn in collaboration with the Berlin office.

## Other International activities

### *Istanbul*

Our operation in Istanbul, a wholly owned subsidiary, recorded a small loss this year of £0.05m (2021: loss £0.02m) in another turbulent year of political and economic instability in Turkey.

The Istanbul office completed the first of two major fit-out projects for Vakifbank at Tower A in Istanbul and three concept design stage completions for Bayer Insaat on a 63,000 sqm mixed-use urban regeneration project in the Beşiktaş district of Istanbul, a prototype concept design for four separately located reception areas for Eczacibasi, a prominent Turkish industrial products group and a 7,000 sqm. concept design for Beycelik Gestamp A.S, an international automotive industry supplier for their HQ building in Bursa.

### *Middle East*

Mid-way through the trading year (29 April 2022) the Group concluded the disposal of its interest in John R Harris & Partners Limited ("JRHP") to its local management team operating out of the Middle East.

The disposal provided an initial inflow of cash consideration along with a deferred consideration sum payable over 5 years, for a total £1.1m (AED 5.0m). The Group entered into a Marketing Agreement as a part of this transaction, covering the use of the Group's project portfolio and associated materials, over the deferred consideration period for an additional sum.

## Torpedo Factory Group

The acquisition of TFG completed after the period under review. Nevertheless, it underpins our strategy of broadening the services offered by the Group by looking to become a master systems integrator in the smart buildings arena.

TFG comprises three separate businesses:
- Intelligent Environments
- Intelligent Venues
- Live Events

It will be through an extension of the operations of the Intelligent Environments and the Intelligent Venues business and by focused acquisition that we will build out our smart building capabilities.

The acquisition adds approximately 60 new staff, and also provides additional financial resources.

Robert Fry
Chief Executive Officer
27 March 2023

## Financial review

The headline financial results of the Group were:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Total revenues under management[1] | 24,033 | 26,426 |
| Continuing operations | | |
| Revenue | 8,645 | 9,192 |
| Revenue less sub consultant costs[1] | 7,127 | 6,305 |
| Net operating expenses | (7,757) | (7,330) |
| Other operating income | 326 | 358 |
| Net finance costs | (95) | (94) |
| Share of results of associate and joint ventures | 327 | 166 |
| Trading loss from continuing operations | (72) | (595) |
| Goodwill impairment | (1,752) | - |
| Loss before tax from continuing operations | (1,824) | (595) |
| Tax credit | 45 | 395 |
| Loss from continuing operations | (1,779) | (200) |
| Loss from discontinued operations | (503) | (936) |
| Loss for the year | (2,282) | (1,136) |

[1]Alternative performance measures, refer to page 18 for definition

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

The trading loss was just £72k (2021: £595k) with significant improvements in the results of both the United Kingdom and Continental European operations.

The result of the discontinued Middle East operations was a loss before tax of £0.50m (2021: £0.94m). JRHP was sold in in April 2022 and the remaining subsidiaries underwent a process to cease trade and recover outstanding balances, incurring significant one off closure costs, and provisions on outstanding trade debtors and guarantees. The Middle East operations are shown in the financial statements as a discontinued operation.

The £1.75m goodwill impairment relates almost entirely to the acquisitions of Fitzroy Robinson Limited in 2005 and Swanke Hayden Connell Europe Limited in 2013. Further details are provided in note 12.

Revenues for the year from continuing operations were £8.65m, a decrease of 6.0% on the previous year (2021: 9.19m). However, and more importantly, revenues less sub consultants increased by 13.0% to £7.13m (2021: £6.31m), with subconsultant costs falling by 47.4% to £1.52m (2012: £2.89m).

Both the Group's key hubs experienced better performance and results. In the UK, revenue less sub consultant costs increased 15.0% to £6.98m (2021 £6.06m) as the UK operations continued to rebuild following the reductions experienced during the COVID-19 pandemic.

In Continental Europe, stronger performance from the Berlin associate and Frankfurt joint venture producing a combined share of profits of £0.33m (2021: £0.18m), resulted in a significant increase in the year-on-year profit for the segment.

Performance in Turkey was below expectations.

Operating expenses in the year increased by £0.43m, within which personnel related costs increased by £0.64m, as the group recruited to meet staffing commitments from projects won, partially offset by a £0.21m reduction in other operating expenses.

Other operating income reduced by £32k, primarily due to the end of government grants from the UK government furlough scheme £nil (2021: £59k).

During the year under review, deferrals from previous periods, UK VAT and rent holidays taken during the Covid-19 pandemic and amounting in aggregate to £172k were repaid according to their terms.

The Group managed technical staff numbers (UK net revenue per FTE technical staff was maintained at £104k, whilst the UK average FTE technical staff increased by 9 to 67), with the UK still in a transition period of growth following the COVID-19 slow down and not yet up to an optimum size for the fixed costs of the operation.

The loss after tax at £2,282k gives an EPS loss of 1.38 pence per share (2021: 0.69 pence per share), split as 1.08 pence from continuing operations (of which 1.06 pence is due to the Goodwill impairment) and 0.30 pence from discontinued operations.

**United Kingdom**

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Revenue | 8.465 | 8.871 |
| Revenue less sub consultant costs[1] | 6,975 | 6,063 |
| FTE technical staff[1] | 67 | 58 |
| Net revenue per FTE technical staff[1] | 104 | 104 |
| Profit/(loss) before tax (excluding Group management charges)[1] | 211 | (308) |
| Loss before tax (including Group management charges) | (329) | (848) |

[1]Alternative performance measures, refer to page 18 for definition

The UK's revenue less sub consultant costs increased 15.0% year on year as the hub started to rebound from the COVID-19 slowdown. Revenue decreased 4.6% as the projects that Veretec executive architecture acted on as the lead consultant progressed into later stages, requiring lower volumes of sub consultant expertise.

The first half of the year saw the UK business unable to grow beyond the prior year second half with revenue less subconsultant costs of £3.31m (2021: H2: £3.47m), however significant improvements came in H2 with the award of a number of projects most noticeably in the hotels sector in Aukett Swanke Limited with projects with total fees in excess of £3.5m awarded, and in Veretec a mixture of residential and commercial projects with total fees in excess of £4.2m awarded. This enabled both companies to begin to grow through the second half of the year with revenue less subconsultant costs totalling £3.67m, and a stronger order book leading into the year commencing 1 October 2022.

Staff numbers (FTE technical staff) started the year at 70 in October 2021, but with lower workloads during the 2nd quarter of the year numbers were reduced to a low point of 60. With the successes of project wins in the second half of the year the necessary recruitment enabled the UK to regrow to 77 FTE's by 30 September 2022.

This pro-active management of staffing resources enabled the UK to report net revenue per FTE at £104k for the full year, comparable with the prior year result.

The improvement in revenue particularly in H2, translated into a reduction in the current year loss by £0.52m compared to the prior year, and enabled the hub to record a profit before tax (excluding Group management charges).

**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.

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Revenue | 180 | 321 |
| Revenue less sub consultant costs[1] | 152 | 242 |
| FTE technical staff[1] | 7 | 8 |
| Net revenue per FTE technical staff[1] | 23 | 30 |
| Profit before tax (excluding Group management charges)[1] | 422 | 330 |
| Profit before tax (including Group management charges) | 275 | 149 |
| | | |
| **Including 100% of associate & joint ventures** | | |
| Total revenues under management[1] | 14,025 | 14,733 |
| Revenue less sub consultant costs[1] | 10,594 | 10,471 |
| FTE technical staff[1] | 108 | 127 |
| Net revenue per FTE technical staff[1] | 98 | 82 |

[1]Alternative performance measures, refer to page 18 for definition

The hub result before tax (including Group management charges), including the joint venture and associate in Germany and the joint venture in the Czech Republic (in the prior year, now liquidated), was a profit of £275k (2021: £149k).

Continental Europe's result is materially dominated by the associate Berlin and joint venture in Frankfurt. Having remained profitable in the prior year but with lower levels of profit than has been historically the case due to the effects of the COVID pandemic, the year to September 2022 saw trading return back closer to the expected pre pandemic levels of profitability. They together contributed £328k (2021: £182k) profit (including Group management charges) to the Continental Europe result.

Reported revenues, comprise the Turkish subsidiary. Turkey reported revenues for the year of £180k (2021: £321k), with revenue less subconsultant costs decreasing to £152k (2021: £242k). The reduction in earnings was principally due to a further devaluation of the Turkish Lira across the period, with the average TRY to GBP rate in the year at 18.44 (2021: 11.07). However, whilst the year on year revenue was comparable in local currency, clients pausing projects led to sub optimal efficiency of staff time and the very high levels of inflation in Turkey increased operating costs of the company whilst the existing projects were priced at rates which were not able to fully absorb the increased costs that followed. As a result, Turkey recorded a local loss (including Group management charges) of £52k and loss (excluding Group management charges) of £36k.

The liquidation of the Czech Republic joint venture was completed early in the year under review with nominal residual costs of £1k (2021: loss for the year of £16k).

Total revenues under management decreased 4.8%, whilst revenue less sub consultant costs increased 1.2%. Staff numbers decreased to 108 (2021: 127), partially due to the closure of the Czech Republic office, but also with a reduction in average staff numbers in Germany. However, more efficient working post COVID-19 and more profitable projects in Germany led to a significant increase in net revenue per FTE technical staff to £98k (2021: £82k) and with it improved profitability.

### Middle East – discontinued operation

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Revenue | 1,543 | 2,822 |
| Revenue less sub consultant costs[1] | 1,256 | 2,517 |
| FTE technical staff[1] | 18 | 36 |
| Net revenue per FTE technical staff[1] | 68 | 69 |
| Loss before tax (excluding Group management charges)[1] | (399) | (538) |
| Loss before tax (including Group management charges) | (503) | (936) |

[1]Alternative performance measures, refer to page 18 for definition

Revenues decreased 45.3% from £2.82m to £1.54m in the year (revenues less subconsultant costs similarly reduced by 50.1%), due to the continued effect of the slowdown in construction investment in the region during the COVID-19 pandemic combined with the disposal of JRHP in April 2022.

Average technical staff FTE numbers reduced to 18 (2021: 36) and net revenue per FTE technical staff was relatively similar at £68k (2021: £69k).

Whilst the loss was significantly lower than in the prior year, the loss for the year included costs in the process of terminating Shankland Cox Limited ("SCL") licenses and commencing the process to reclaim associated guarantees.

The hub had no remaining Middle East based employees as at 30 September 2022.

With no further material revenue forecast post year end, the Middle East hub has been treated as a discontinued operation.

### Financing

The net deficit (see note 22) at the year end was significantly down on the prior year as a result of the loss in the year combined with the timing of UK debtor receipts. This gave a deficit of £621k (2021: net funds £15k), comprising cash of £28k (2021: £515k), a net overdraft of £232k (2021: nil), and a CBILS loan of £417k (2021: £500k) drawn in May 2021.

The CBILS loan set out in note 21 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 2022, the first 4 instalments had been made on time as planned.

The Group's overdraft facility from its bankers Coutts & Co started the year at £500k and was renewed in November 2021. In February 2022 the Group requested and Coutts & Co granted a temporary waiver of the net gearing covenant from February to the end of April 2022. The Group similarly agreed to temporarily reduce the overdraft to £250k from February to May 2022. In May 2022, the Group and Coutts & Co agreed to remove the covenants from the facility agreement, and to maintain the overdraft at £250k up to renewal in November 2022. This is discussed further in note 1.

In November 2022, Coutts & Co confirmed the renewal of the £250k overdraft facility for another year, continuing to provide working capital flexibility and to support the UK business. This is renewable annually and will remain in place until November 2023.

The Group has four leases taken out by 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 15) as at 30 September 2022 was down to £55k (2021: £133k).

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 2022 was £2,364k (2021: £2,756k). There are no office leases remaining in the UAE and the office lease in Turkey is short term. Other leases in the Group are low value, therefore no IFRS16 capitalisation of these leases has been made.

Throughout the year there has continued to be a very strong focus on cash management, liquidity forecasts and covenant compliance. Whilst covenants may have been removed from the Coutts & Co facility during the 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. Following the acquisition of TFG on 20 March 2023 which significantly improves short term available cash, utilisation of the facility is expected to be very occasional and backed by other available cash within the Group through the going concern period.

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**

We expect the coming year to present significantly more opportunities to the Group than has been the case over the past few years.

The losses incurred during the pandemic and sustained by the Middle East during the period of discontinuing the remaining offices, and the cost of administering the listed company structure, has meant the main challenge post year end continued to be maintaining working capital which has reduced over the period along with Group net assets.

During the second half of the financial year, we saw our revenues in the United Kingdom grow and both UK trading entities began a period of recruitment to meet the needs of new client instructions which has continued post year end. Management of cash flow therefore continues to be key with the associated costs of increasing staff numbers not perfectly aligned with initial payments from clients.

In December 2022 the Group renewed its £250k overdraft facility with Coutts & Co and continues to repay the CBILS loan drawn during the pandemic.

The recently announced acquisition of TFG immediately adds a significant available cash balance, as well as a significant boost to the net assets of the Group, which will provide the Directors a more stable platform to grow the existing combined business and undertake future opportunities for acquisition and growth.

The TFG acquisition brings into the Group a freehold property independently valued at £3.02m in July 2021 with a mortgage balance of £1.48m as at December 2022, giving a loan to value percentage of just 48%.

However, as the mortgage renewal date is less than 12 months from the signing date of these accounts, the Board must consider the remote possibility that if the mortgage could not be renewed, then the Group may need to raise cash to repay the full balance of the mortgage through alternative borrowing facilities, asset sales or fund raising which are not wholly within the Group's control.

Based on forecasts prepared and reviewed for the period to 31 March 2024 the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

However, while the Board is confident of either being able to re-mortgage the building or selling it should the need arise, the requirement to refinance the building within the going concern period indicates the possible existence of a material uncertainty which may cause significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

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.

**Future work**

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

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

- The UK trades as two businesses: Veretec Limited and Aukett Swanke Limited. Following the significant slowdown and rationalisation of staff numbers during the COVID-19 pandemic, Veretec has been re-growing its technical staff base. From a low of 26 FTE equivalent technical staff in March 2021, Veretec grew to average 36 FTE technical staff in the year, finishing September 2022 with over 43 FTE technical staff. Aukett Swanke Limited maintained a more steady core staff number starting October 2021 at 32 FTE technical staff, averaging 30 FTE technical staff across the year, and ending September 2022 at 33 FTE technical staff. With both companies experiencing increasing bid activity and improved conversion of new projects in the second half of the year and in the first quarter after the year end, both companies target further growth in staff numbers and revenue in the coming year to achieve a closer to optimum capacity to cover the fixed cost base of the London studio.

- The Middle East: Following the sale of JRHP in April 2022, Management took the decision to allow the remaining trade licences in SCL to expire and then undertake an orderly wind down of the Middle East operations. As at September 2022 the remaining Group Middle East subsidiaries no longer employed any UAE staff, and future expectations are limited to clearing the balance sheets of the companies by collecting the remaining debtor balances and paying off associated creditors.

- Continental Europe remains mixed across the portfolio. Having made profits through the COVID-19 pandemic, the German businesses continued to be strongest. Berlin in particular recorded profits back to pre-covid levels in the year to September 2022 and has an even stronger order book commencing the year to September 2023. Turkey starts the coming year with a stronger order book than the prior year but the ongoing very high levels of inflation and uncertainty in the local economy will make returning to consistent profitability challenging in the short term.

**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 17; and ii) double the share of revenue in joint ventures disclosed in note 18;

- 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 15;

- 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 15;

- Result before taxation (excluding Group management charges), and result before taxation (including Group management charges), which are further assessed on pages 13 to 15;

- Cash at bank and in hand and net funds / (debt), which is assessed further on page 2.

The numbers of full time equivalent technical members of staff differ from the employee numbers disclosed in note 7 as, at times, the Group uses some non-employed workers through agencies and freelance contracts. Staff working on a part time basis, or on long term leave, are also pro-rated in the number of full time equivalent staff 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 7. Full time equivalent technical members of staff are given for each hub on pages 13 to 15.

Antony Barkwith
Group Finance Director
27 March 2023

# Strategic report

The Directors present their Strategic Report on the Group for the year ended 30 September 2022.

**Strategy**

We are a professional services group that principally provides architectural design services along with specialisms in master planning, interior design, executive architecture and some engineering services. With the acquisition of TFG we are also looking to become a Smart Buildings master systems integrator.

Our strategic objective is to provide a range of high-quality design orientated solutions to our clients that allow us to create shareholder value over the longer term and at the same time provides an attractive and rewarding working environment for our staff. In addition, we undertake to deliver projects throughout the technical drawing stages onto site, and up to practical completion and handover.

Our markets are subject to cyclical and other economic and political influences in the geographies in which we operate, which gives rise to peaks and troughs in our financial performance.

The pandemic, which affected all our operations, is an event that has required specific responses. Similarly, the current conflict in Ukraine creates an uncertain outlook in terms of both continuity of project instructions and new business activity.

**Business Model**

Our architecture and interior design businesses operate in the UK, Germany and Turkey with other locations operating through licence based arrangements where the responsibility for profit rests with local management and owners.

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

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

Our Continental European operations provide services offered that are consistent with those in the UK.

The Group entered into a marketing agreement with JRHP following the sale of the Dubai based operation in April 2022 maintaining the Group’s interest in this market. without the financial risk of ownership.

As a Group, we now have a total average full time equivalent (“FTE”) staff contingent of 223 (2021: 256) throughout our organisation which includes both wholly owned and joint venture operations. We are ranked by professional staff in the 2023 World Architecture 100 at number 61 (2022 WA100 number 63).

## 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.

We believe the main shocks of Brexit and Covid-19 are behind us, although there are likely to be continued consequences for the foreseeable future. We are conscious that the Ukraine conflict has 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.

The UK 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 geographical location. Payment terms by jurisdiction are typically:

- in the United Kingdom it is usual to agree in advance with the client at the start of a project a monthly billing schedule which generally leads to relatively low levels of contracts assets (and consequentially higher levels of contract liabilities);
- in Turkey it is usual to either agree in advance with the client a monthly billing schedule or to agree a billing schedule based on deliverable work stages; and
- in the Middle East it is usual to bill clients monthly, but the value of the monthly invoices raised is dependent upon demonstrating specific progress from the work performed, which generally leads to higher levels of contract assets. Payment also tends to take longer in the Middle East.

The losses sustained in the prior two years, the decline in revenue in the Middle East, the final repayments of residual UK deferred rent and VAT agreed during the COVID-19 pandemic and the commencement of monthly repayments of the CBILS loans, tightened the free cash available to be remitted to the Plc during the year but was largely offset by the proceeds of the disposal of JRHP. Furthermore, the month end timing of UK debtor receipts in September 2022 meant that the Group was in a position of utilising part of its overdraft facility at the year end. Dividends were received from the Berlin associate during the year, but at lower levels than in prior years, as 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 2022 renewed the Group's overdraft facility until November 2023, at the existing £250k level. In May 2021 a £500k CBILS loan was also offered and drawn down. Repayments on this loan commenced monthly from June 2022, with the last instalment scheduled for May 2024.

The acquisition of TFG on 20 March 2023 provides a significant boost to the net assets and cash balance of the Group, reducing immediate cash pressures on the business, but adding a mortgage liability to be renewed in February 2024.

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

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

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

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

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

**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.

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

- the overseas operations are managed by nationals or highly experienced expatriates, with oversight from senior Group management. All offices are regularly visited by senior Group management to monitor and review the businesses. There is regular, comprehensive reporting and KPIs are used extensively;

- the Group seeks to work for multinational or the larger and more established domestic clients who themselves often have significant international experience;

- when acting as general designer for projects located outside the UK, the Group typically seeks to appoint sub consultants with an established and successful track record on similar projects;

- within the boundaries imposed by local laws and commercial constraints, the Group seeks to structure contractual arrangements with clients and sub consultants to minimise the significant contractual risks which can arise; and

- as far as possible foreign currency flows are matched to minimise any impact of exchange rate movements and significant exposures are hedged.

The Strategic Report was approved by the Board on 27 March 2023 and signed on its behalf by

Antony Barkwith
Group Finance Director

# Directors' report

The Directors present their report for the year ended 30 September 2022.

## 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 19.

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

We operate a structure covering: the United Kingdom with our office in London; Continental Europe with three offices in Berlin, Frankfurt and Istanbul; along with a marketing agreement with an operation in the Middle East with an office in Dubai.

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

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

**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 cosec@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 Robert Fry, Chief Executive Officer.

**PRINCIPLE 3**

**Corporate Social Responsibility & Stakeholder Engagement**

The About section of the Company's website sets out how we engage with our clientele and related stakeholders in the practice of architecture, master planning, urban and interior design. 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 recognised in the websites for each subsidiary entity in the Awards sections of each entity's 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 construction industry. 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 three Executive directors. The Board believes that the optimal structure is balanced between NED's 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 29 to 30.

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 7-8.

### 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.

Robert Fry (Chief Executive Officer) is a member of the RIBA and is a regular contributor and awards judge for World Architecture News (WAN), Antony Barkwith (Group Finance Director) is a member of the Architect's Financial Management Group (AFMG), Clive Carver (Chairman and NED) holds various NED roles in the oil & gas and other industries, and Nick Clark (Executive Director) is a NED in a technology investment company which is AIM-listed.

### 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 to promote the company at all times.

Day to day and operational management is delegated to the CEO, GFD and the Managing Directors. Each business in the group has its own team under the Managing Director and its own board. The CEO 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 every month. 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. Each Director is required to complete CPD in accordance with his/her professional qualification.

## 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 by the board membership.

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.

Appraisals are carried out by the Chairman of each board member on an annual basis. The NED's appraise the Chairman. As a result of these meetings, any mentoring and training needs are established.

**Board attendance & Effectiveness**

Members are encouraged to personally attend all meetings and where this is not possible the Board makes alternative provision through changing of dates or allowing attendance via video conferencing (VC) facilities. The VC facilities 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 attendance record for the year is included in the Directors' Report on page 31.

**Board remit**

The Board is a balanced team of Executives and Non-Executives with the remit to ensure good, appropriate. safe governance and compliance of 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 Nomination 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.

NED's 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 CEO. 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 studios, 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 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 – the Chair 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 – the CEO provides guidance and information to inform on the strategic direction of the company and its operations. Along with the senior management team the CEO 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 posted and held on the Company's website:
- Annual Report and Accounts
- Interim Announcements
- AGM 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 three 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 Raúl Curiel to be independent Non-Executive Directors.

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

## Audit Committee

The main role and responsibility of the Audit Committee is to monitor the integrity of the information published by the Group about its financial performance and position. It does this 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 Raúl Curiel, and they report to the Board on matters discussed at the Committee meetings.

During the year the Committee met on three occasions to review, in addition to the above, budgets, monthly management accounts and working capital requirements by reference to the Company's financial strategy. It is 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 Clive Carver and Raúl Curiel, with Raul Curiel as Chairman until 8 December 2022. 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.

## Nomination Committee

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

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

The Nomination Committee was chaired by Raúl Curiel until 8 December 2022 with the other current members being Robert Fry and Clive Carver.

## Directors

Antony Barkwith, Clive Carver, Raúl Curiel, Robert Fry and Nicholas Thompson all served as Directors of the Company throughout the year ended 30 September 2022.

Biographical details of the current Directors are set out on pages 7 and 8.

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 | 11 | 11 |
| Robert Fry | 11 | 11 |
| Antony Barkwith | 11 | 11 |
| **Non-executive Directors** | | |
| Raúl Curiel | 11 | 11 |
| Clive Carver | 11 | 11 |

## Directors' interests

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

| Number of ordinary shares | 30 September 2022 | 30 September 2021 |
|---|---|---|
| Nicholas Thompson | 16,802,411 | 16,802,411 |
| Raúl Curiel | 9,240,018 | 9,240,018 |
| Clive Carver | - | - |
| Antony Barkwith | - | - |
| Robert Fry | 2,150,000 | 2,150,000 |

## Directors' service contracts

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

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

Non-Executive Directors do not have service contracts with the Company, but the appointment of each is recorded in writing. Their remuneration is determined by the Board. Non-Executive Directors do not receive any benefits in kind and are not eligible for bonuses or participation in either the share option schemes or pension arrangements.

## Substantial shareholdings

At 27 March 2023 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 | 15.01% |
| * Nick Clark | Director of the Company | 40,531,539 | 14.72% |
| Braveheart Investment Group | Institutional Investor | 35,332,351 | 12.83% |
| Nicholas Thompson | Former Director of the Company | 16,802,411 | 6.10% |
| John-David Papworth | Employee of the Group | 16,274,624 | 5.91% |
| Jeremy Blake | Former employee of the Group | 13,030,638 | 4.73% |
| Begonia 365 SL | Controlled by a former Director of the Company | 9,515,192 | 3.46% |
| Raúl Curiel | Non-Executive Director of the Company | 9,240,018 | 3.36% |

* Keith McCullagh and Nick Clark’s shares are included within a Concert Party holding a total of 89,159,484 shares representing 32.38% of the number of ordinary shares.

## Share price

The mid-market closing price of the shares of the Company at 30 September 2022 was 2.40 pence and the range of mid-market closing prices of the shares during the year was between 1.45 pence and 2.40 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 on 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 Investment Case section of the Chairmans statement on pages 3-5 (in relation to decision-making), in the Strategic report on pages 19-23 (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 79 'Excellent' or 'Very Good' BREEAM (Building Research Establishment Environmental Assessment Method) ratings awarded to buildings designed by the Group. We have also achieved 1 Ska 'Gold' and 2 Ska 'Silver' environmental assessment ratings and 9 LEED (Leadership in Energy and Environmental Design) 'Gold' award and 5 'Silver' awards.

## Employees

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

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

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

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

## Health and safety

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

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

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

## 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

On the 12 October 2022, BDO LLP confirmed their resignation as auditors of Aukett Swanke Group Plc.

The Directors appointed Moore Kingston Smith LLP as auditors of the Group on 19 October 2022 for the year ended 30 September 2022.

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.

## Future developments

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

## Financial instruments

Information concerning the use of financial instruments by the Group is given in notes 28 to 32 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 2 & 1/2 years of trading.

Despite action taken in this time, management were only able to partially mitigate the financial impact of the above on the Group which resulted in a loss for the year, largely attributable to the discontinued Middle East operation, and reduction in net assets of the Group.

The Group has continued to operate within its banking limits, a CBILS loan was agreed in May 2021, and subsequently the Gearing Covenant and Debt Servicing covenant were removed from the facility agreements.

On 20 March 2023, the Group acquired 100% of TFG with consideration paid on a share for share basis. This provided a significant boost to Group with approximately £1.7m of net tangible assets including almost £1m of cash.

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.

The TFG acquisition brings into the Group a freehold property independently valued at £3.02m in July 2021 with a mortgage balance of £1.48m as at December 2022 giving a loan to value percentage of just 48%.

However, as the mortgage renewal date is less than 12 months from the signing date of these accounts, the Board must consider the remote possibility that if the mortgage could not be renewed, then the Group may need to raise cash to repay the full balance of the mortgage through alternative borrowing facilities, asset sales or fund raising which are not wholly within the Group’s control.

Based on forecasts prepared and reviewed for the period to 31 March 2024, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

However, while the Board is confident of either being able to re-mortgage the building or selling it should the need arise, the requirement to refinance the building within the going concern period indicates the possible existence of a material uncertainty which may cause significant doubt on the Group's and the Parent Company’s ability to continue as a going concern.

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

## Annual General Meeting

Notice of the annual general meeting, which is expected to be held on 21 April 2023, will be posted to shareholders in due course.

The Directors’ report was approved by the Board on 27 March 2023 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 2022 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 Group’s and of the parent Company’s affairs as of 30 September 2022 and of the Group’s loss 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 facility of £250,000 will be renewed in November 2023 whilst making their assessment of the Group’s and parent Company’s going concern status. Whilst there are no indications that the overdraft facility will not be renewed, it is not guaranteed.

The renewal of the £1.46m mortgage will only be reviewed later in 2023, 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 matters 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 obtained an understanding of all relevant uncertainties, including those arising because of the impact of the COVID-19 pandemic over the past years. We have factored the ongoing impact of COVID-19 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 inquired 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.

**Overview**

**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 four significant components to the Group, which were Aukett Swanke Group Plc, Aukett Swanke Limited, Veretec Limited, and Aukett Swanke Architectural Design Limited. They were all subjected to full scope audits.

Also, we have performed a full scope audit on John R Harris & Partners Limited, Swanke Hayden Connell International Limited, Aukett Fitzroy Robinson International Limited and Shankland Cox Limited for the purpose of coverage and to cover specific identified risk. All full-scope audits, excluding John R Harris & Partners Limited were conducted by the group audit engagement team. The audit of John R Harris & Partners Limited was performed by a component audit firm in Dubai, UAE.

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 of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements, 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 |
|---|---|
| **Going Concern**<br><br>The Group has recognised a loss before tax of £2.3 Million (2021: £1.5 Million). The cash and cash equivalents balance were an overdraft of £0.2 Million in the current year (2021: £0.51 Million). The Group has continued incurring further losses subsequent to the year end.<br><br>Given the performance in the year, including the matter 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. | 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. |
| **Revenue recognition, including valuation and cut-off of contract assets and liabilities :**<br><br>*Refer to the accounting policies in Note 1 on page 62 to 63 and Note 3 in the Group financial statements.* | Our audit work included, but was not restricted to the following procedures:<br><br>We evaluated the operating effectiveness of certain key controls identified in relation to revenue. |

| | |
|---|---|
| The measurement of revenue earned on architectural services contracts with customers is determined by reference to the stage of completion of those contracts at the Statement of Financial Position date. 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.<br><br>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.<br><br>As at 30 September 2022 the group has recognised contract assets of £ 1.1 Million and contract liabilities of £ 1.2 Million. | We evaluated the Group's accounting policy in respect of revenue recognition to ensure it is compliant with IFRS 15.<br><br>We selected a sample of contracts and the substantive testing procedures included the following:<br><br>• Confirming revenue from the revenue recognition model to the underlying contract and where relevant, contract variations were agreed between the Group and its customers.<br><br>• 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.<br><br>• 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.<br><br>• Confirming a sample of invoices recorded in the accounting system to the supporting contract, a copy of physical sales invoice raised, and cash received.<br><br>• 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.<br><br>• Reviewing material credit notes, invoices and receipts post year end.<br><br>**Key observations:**<br><br>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. |
| **Annual impairment review of goodwill**<br><br>*Refer to the accounting policies in note 1 on page 59 and Notes 12 and 13 for key judgements in the Group financial statements.*<br><br>In the financial statements goodwill arising from past acquisitions is valued at £1.75 Million. It exists predominantly within the UK (£1.74 Million) and the residual £0.01M in the Turkey Cash Generating Unit (CGU). While no goodwill is allocated to the Shankland Cox Limited (SCL) CGU £0.25 Million of other intangible assets are situated within the SCL CGU. There is a risk that these are impaired in the context of results of the Group and the UK and UAE economic operating environments.<br><br>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.<br><br>Based on recent trading performance there is uncertainty around future revenue less subconsultant cost pipelines and consequent profitability of the CGUs.<br><br>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. | Our audit work included, but was not restricted to the following procedures:<br><br>• 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.<br><br>• The weighted average cost of capital (WACC) of the models was re-computed with reference to external data to test the accuracy of computation.<br><br>• Challenging the revenue cash flows within the model. Future earnings potential was checked to secure pipeline via agreement 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.<br><br>• Critically assessed the cost base for potential omissions or unrealistic targets based on prior years actuals 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.<br><br>• 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.<br><br>**Key observation:**<br>Based on the procedures performed and considering the assumptions and methodology used by management in preparing the VIU model, the calculations are appropriate. Further, during the course of the audit it was discussed with management that the Goodwill arising at the time of these acquisition was 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 related to the historic acquisitions. Management have therefore taken the decision to write off the full £1.74M balance of Goodwill for the United Kingdom operations and an audit adjustment has been made to that effect. |

**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 2022 financial statements as a whole and performance materiality as follows:

| | **Group financial statements** | **Parent company financial statements** |
|---|---|---|
| **Materiality** | £153,000 | £183,000 |
| **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 its penetration into the geographic hubs 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** | £78,000 | £73,000 |
| **Basis for determining performance materiality** | 50% of Group materiality | 40% 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 as per previous auditor file review
- 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 £91,000 to £3,000. 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 £7,800 for the Group and £7,600 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 37, 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://wwww.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.

Our approach was as follows:

- 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 the 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 2023

# Consolidated income statement

For the year ended 30 September 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| Continuing operations | | | |
| Revenue | 3 | 8,645 | 9,192 |
| Sub consultant costs | | (1,518) | (2,887) |
| Revenue less sub consultant costs | 3 | 7,127 | 6,305 |
| Personnel related costs | | (6,237) | (5,594) |
| Property related costs | | (1,037) | (1,041) |
| Other operating expenses | | (483) | (695) |
| Other operating income | 4 | 326 | 358 |
| Operating loss | | (304) | (667) |
| Finance costs | 5 | (95) | (94) |
| Loss after finance costs | | (399) | (761) |
| Share of results of associate and joint ventures | | 327 | 166 |
| Trading loss from continuing operations | | (72) | (595) |
| Impairment of intangibles | 13 | - | - |
| Goodwill impairment | 12 | (1,752) | - |
| Loss before tax from continuing operations | | (1,824) | (595) |
| Tax credit | 9 | 45 | 395 |
| Loss from continuing operations | | (1,779) | (200) |
| Loss from discontinued operations | 11 | (503) | (936) |
| Loss for the year | | (2,282) | (1,136) |
| Loss attributable to: | | | |
| Owners of Aukett Swanke Group Plc | | (2,282) | (1,123) |
| Non-controlling interests | | - | (13) |
| | | (2,282) | (1,136) |
| Basic and diluted earnings per share for loss attributable to the ordinary equity holders of the Company: | | | |
| From continuing operations | | (1.08p) | (0.12p) |
| From discontinued operations | | (0.30p) | (0.57p) |
| Total loss per share | 10 | (1.38p) | (0.69p) |

# Consolidated statement of comprehensive income

For the year ended 30 September 2022

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss for the year | (2,282) | (1,136) |
| | | |
| Currency translation differences | (7) | (107) |
| Currency translation differences on disposal recycled to gain on disposal of discontinued operation (note 11) | (209) | - |
| Currency translation differences on translation of discontinued operations (note 11) | (168) | (50) |
| Other comprehensive loss for the year | (384) | (157) |
| | | |
| Total comprehensive loss for the year | (2,666) | (1,293) |
| | | |
| Total comprehensive loss for the year is attributable to: | | |
| Owners of Aukett Swanke Group Plc | (2,666) | (1,280) |
| Non-controlling interests | - | (13) |
| | | |
| Total comprehensive loss for the year | (2,666) | (1,293) |
| | | |
| Total comprehensive loss attributable to the owners of Aukett Swanke Group Plc arises from: | | |
| Continuing operations | (1,786) | (307) |
| Discontinued operations | (880) | (973) |
| | | |
| | (2,666) | (1,280) |

# Aukett Swanke Group Plc

Company registration number 02155571

# Consolidated statement of financial position

At 30 September 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| Non current assets | | | |
| Goodwill | 12 | - | 2,370 |
| Other intangible assets | 13 | 210 | 324 |
| Property, plant and equipment | 14 | 69 | 155 |
| Right-of-use assets | 15 | 2,184 | 2,546 |
| Investment in associate | 17 | 760 | 587 |
| Investments in joint ventures | 18 | 247 | 209 |
| Deferred tax | 23 | 281 | 241 |
| Total non current assets | | 3,751 | 6,432 |
| | | | |
| Current assets | | | |
| Trade and other receivables | 19 | 3,293 | 3,975 |
| Contract assets | 3 | 1,119 | 982 |
| Cash at bank and in hand | | 28 | 515 |
| Total current assets | | 4,440 | 5,472 |
| | | | |
| Total assets | | 8,191 | 11,904 |
| | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | (3,169) | (3,747) |
| Contract liabilities | 3 | (1,227) | (829) |
| Borrowings | 21 | (482) | (83) |
| Lease liabilities | 15 | (457) | (539) |
| Total current liabilities | | (5,335) | (5,198) |
| | | | |
| Non current liabilities | | | |
| Trade and other payables | 20 | (44) | - |
| Borrowings | 21 | (167) | (417) |
| Lease liabilities | 15 | (1,962) | (2,350) |
| Deferred tax | 23 | (33) | (40) |
| Provisions | 24 | (249) | (832) |
| Total non current liabilities | | (2,455) | (3,639) |
| | | | |
| Total liabilities | | (7,790) | (8,837) |
| | | | |
| Net assets | | 401 | 3,067 |
| | | | |
| Capital and reserves | | | |
| Share capital | 25 | 1,652 | 1,652 |
| Merger reserve | | 1,176 | 1,176 |
| Foreign currency translation reserve | | (557) | (173) |
| Retained earnings | | (3,364) | (1,082) |
| Other distributable reserve | | 1,494 | 1,494 |
| Total equity attributable to equity holders of the Company | | 401 | 3,067 |
| | | | |
| Non-controlling interests | | - | - |
| Total equity | | 401 | 3,067 |

The financial statements on pages 47 to 109 were approved and authorised for issue by the Board of Directors on 27 March 2023 and were signed on its behalf by:

Robert Fry
Chief Executive Officer

Antony Barkwith
Group Financial Director

# Aukett Swanke Group Plc

Company registration number 02155571

## Company statement of financial position

At 30 September 2022

| | Note | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| Non current assets | | | |
| Property, plant and equipment | 14 | 7 | 11 |
| Investments | 16 | 2,089 | 3,290 |
| Trade and other receivables | 19 | 184 | 5 |
| Total non current assets | | 2,280 | 3,306 |
| | | | |
| Current assets | | | |
| Trade and other receivables | 19 | 250 | 449 |
| Cash at bank and in hand | | 457 | 211 |
| Total current assets | | 707 | 660 |
| | | | |
| Total assets | | 2,987 | 3,966 |
| | | | |
| Current liabilities | | | |
| Trade and other payables | 20 | (1,594) | (1,750) |
| Borrowings | 21 | (250) | (83) |
| Total current liabilities | | (1,844) | (1,833) |
| | | | |
| Non current liabilities | | | |
| Trade and other payables | 20 | (44) | - |
| Deferred tax | | (1) | (2) |
| Borrowings | 21 | (167) | (417) |
| Total non current liabilities | | (212) | (419) |
| | | | |
| Total liabilities | | (2,056) | (2,252) |
| | | | |
| Net assets | | 931 | 1,714 |
| | | | |
| Capital and reserves | | | |
| Share capital | 25 | 1,652 | 1,652 |
| Retained earnings | | (3,391) | (2,608) |
| Merger reserve | | 1,176 | 1,176 |
| Other distributable reserve | | 1,494 | 1,494 |
| Total equity attributable to equity holders of the Company | | 931 | 1,714 |

The result for the year contained within the parent company's income statement is a loss of £783k (2021: loss £1,179k).

The financial statements on pages 47 to 109 were approved and authorised for issue by the Board of Directors on 27 March 2023 and were signed on its behalf by:

Robert Fry
Chief Executive Officer

Antony Barkwith
Group Financial Director

## Consolidated statement of cash flows

For the year ended 30 September 2022

| | Note | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash expended by operations | 27 | (1,104) | (896) |
| Income taxes received | | 99 | 262 |
| Net cash outflow from operating activities | | (1,005) | (634) |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (48) | (33) |
| Sale of property, plant and equipment | | - | 16 |
| Purchase of investments | | - | (123) |
| Sale of investments | | 927 | - |
| Dividends received from associates & joint ventures | | 140 | 528 |
| Net cash received in investing activities | | 1,019 | 388 |
| | | | |
| Net cash inflow/(outflow) before financing activities | | 14 | (246) |
| | | | |
| Cash flows from financing activities | | | |
| Principal paid on lease liabilities | | (470) | (455) |
| Interest paid on lease liabilities | | (76) | (91) |
| Proceeds from bank loans | | - | 500 |
| Repayment of bank loans | | (83) | (155) |
| Interest paid | | (19) | (3) |
| Net cash outflow from financing activities | | (648) | (204) |
| | | | |
| Net change in cash and cash equivalents | | (634) | (450) |
| | | | |
| Cash and cash equivalents at start of year | | 515 | 992 |
| Currency translation differences | | (85) | (27) |
| Cash and cash equivalents at end of year | 22 | (204) | 515 |

| | | |
|---|---|---|
| *Cash and cash equivalents are comprised of:* | | |
| Cash at bank and in hand | 28 | 515 |
| Secured bank overdrafts | (232) | - |
| Cash and cash equivalents at end of year | (204) | 515 |

# Company statement of cash flows

For the year ended 30 September 2022

| | Note | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash expended by operations | 27 | (722) | (702) |
| Interest paid | | (9) | (1) |
| Net cash outflow from operating activities | | (731) | (703) |
| | | | |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | - | - |
| Purchase of investments | | - | (123) |
| Sale of investments | | 927 | - |
| Dividends received from associates & joint ventures | | 133 | 528 |
| Net cash generated from investing activities | | 1,060 | 405 |
| | | | |
| Net cash inflow/(outflow) before financing activities | | 329 | (298) |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from bank loans | | - | 500 |
| Repayment of bank loans | | (83) | (155) |
| Net cash (outflow)/inflow from financing activities | | (83) | 345 |
| | | | |
| Net change in cash and cash equivalents | | 246 | 47 |
| | | | |
| Cash and cash equivalents at start of year | | 211 | 164 |
| Cash and cash equivalents at end of year | | 457 | 211 |

| | | 2022 £'000 | 2021 £'000 |
|---|---|---|---|
| *Cash and cash equivalents are comprised of:* | | | |
| Cash at bank and in hand | | 457 | 211 |
| Cash and cash equivalents at end of year | | 457 | 211 |

# Consolidated statement of changes in equity

For the year ended 30 September 2022

| | Share capital | Foreign currency translation reserve | Retained earnings | Other distributable reserve | Merger reserve | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 October 2020 | 1,652 | (16) | 41 | 1,494 | 1,176 | 4,347 | 27 | 4,374 |
| Loss for the year | - | - | (1,123) | - | - | (1,123) | (13) | (1,136) |
| Acquisition of minority interest | - | - | - | - | - | - | (14) | (14) |
| Other comprehensive income | - | (157) | - | - | - | (157) | - | (157) |
| Total comprehensive income | - | (157) | (1,123) | - | - | (1,280) | (27) | (1,307) |
| At 30 September 2021 | 1,652 | (173) | (1,082) | 1,494 | 1,176 | 3,067 | - | 3,067 |
| Loss for the year | - | - | (2,282) | - | - | (2,282) | - | (2,282) |
| Other comprehensive income | - | (384) | - | - | - | (384) | - | (384) |
| Total comprehensive income | - | (384) | (2,282) | - | - | (2,666) | - | (2,666) |
| At 30 September 2022 | 1,652 | (557) | (3,364) | 1,494 | 1,176 | 401 | - | 401 |

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

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

## Company statement of changes in equity

For the year ended 30 September 2022

| | Share capital £'000 | Retained earnings £'000 | Other distributable reserve £'000 | Merger reserve £'000 | Total Equity £'000 |
|---|---|---|---|---|---|
| At 1 October 2020 | 1,652 | (1,429) | 1,494 | 1,176 | 2,893 |
| Loss and total comprehensive income for the year | - | (1,179) | - | - | (1,179) |
| At 30 September 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 |

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

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

# Notes to the 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 2022, one new standard became applicable:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting this standard.

**New accounting standards, amendments and interpretations not yet applied**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

(i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
(ii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
(iii) Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
(iv) References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

(i) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
(ii) Definition of Accounting Estimates (Amendments to IAS 8); and
(iii) Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

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

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

**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 32. 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 overdraft facility is renewed annually and was renewed for a further 12 months in November 2022, with a review in May 2023.

The £500k Coronavirus Business Interruption Loan Scheme ("CBILS") drawn in May 2021 has a duration of three years with interest at 4.05% over the Coutts base rate (currently 4.25%) in years two and three. The Group commenced paying the 24 monthly instalments in June 2022. We expect to repay the CBILS loan before the expiry of the term.

In May 2022, the net gearing covenant and debt servicing covenants were removed from the CBILS loan agreements. The covenant applicable to maintaining a level of UK eligible debtors have been amended as an 'Other condition'. The Group similarly agreed to reduce the overdraft facility to £250k. The £250k overdraft was agreed to be maintained in the annual renewal in November 2022. We have no reason not to expect that the overdraft facility would not be renewed again in November 2023, however this is not guaranteed.

On 20 March 2023 the Group acquired 100% of TFG with consideration paid on a share for share basis. This provided a significant boost to Group with approximately £1.7m of net tangible assets including almost £1m of cash.

TFG have interest bearing loans and borrowings being a CBILS loan and a mortgage which together totalled approximately £2.7m as at December 2022. The CBILS loan was drawn in 2021 at £1.75m, the December 2022 balance being £1.25m, and being repaid at £29k per month. The loan is at a fixed rate of interest at 3.90%.

The Mortgage initially drawn in 2018 at £1.73m with a duration of 5 years has been extended for a year and is due to expire in January 2024. The balance as at December 2022 was £1.46m, with a variable interest at base rate + 1.93%. The mortgage is secured against TFG's freehold property in London. 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.

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 will have macro-economic implications and could be a trigger for recession in the short to medium term, and will have significant impact on Entity’s decision making, albeit as yet we have not experienced any material indication to this effect. The delays in clients making financial investment decisions due to the economic uncertainty may result in the net earnings and cash flows of the Group not being realised.

The Group has managed cash flow within its facilities so far, and the acquisition of TFG significantly enhances the Group’s short term available cash. During the next 12 month going concern review period, the forecast assumes that no additional external financing is received when measuring the Group’s ability to continue to operate. The Group’s assessment of going concern is therefore focused on its ability to operate within the £250k overdraft limit.

The Group’s forecasts, indicate that, during the 12-month period following the approval of the financial statements, the Group will maintain a positive net cash balance with the full overdraft facility available to be drawn down.

The Group’s forecasts assume that the TFG mortgage is successfully renewed in January 2024. The freehold property was last independently valued in July 2021 at £3.02m, and as at December 2022 the balance of the mortgage at £1.46m gave it a loan to value percentage of just 48%.

However, as the mortgage renewal date is less than 12 months from the signing date of these accounts, the Board must consider the remote possibility that if the mortgage could not be renewed, then the Group may need to raise cash to repay the full balance of the mortgage through alternative borrowing facilities, asset sales or fund raising which are not wholly within the Group’s control.

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis. However, the mortgage term ending less than 12 months from the signing date of these accounts indicates the possible existence of a material uncertainty 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 financial statements do not include the adjustments that would result if the Group or the Parent Company was unable to continue as a going concern.

**Basis of consolidation and equity accounting**

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

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

Associates

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 ventures

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

Joint ventures are accounted for under the equity method.

**Borrowings**

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

**Cash and cash equivalents**

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

**Company income statement**

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

**Current Taxation**

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

**Deferred taxation**

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

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

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

**Dividends**

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

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

**Equity instruments**

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

**Foreign currency**

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

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

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

**Goodwill**

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

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

**Impairment**

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

**Investments**

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

**Leases and asset finance arrangements**

The majority of the Group's accounting policies for leases are set out in note 15.

***Identifying Leases***

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

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

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

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

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

**Operating segments**

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

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

**Other operating expenses**

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

**Property, plant and equipment**

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

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

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

**Provisions**

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

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

*Employee benefits*

In those geographies where it is a legal requirement, provision is also made for end of service benefit (‘EOSB’), being amounts payable to employees when their contract with the Group ends (see note 24).

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.

**Revenue recognition**

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.

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

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

**Trade receivables**

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

Following the adoption of IFRS 9, the Group followed the simplified approach and so makes an expected credit loss allowance using lifetime expected credit losses for all trade receivables and contract assets. The estimates and judgements applied are detailed further in note 19.

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.

## 2 Accounting estimates and judgements

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

**Accounting estimates**

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

**Impairment of trade receivables**

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

An increase of 6% (2021: 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 £0.20m, (2021: £0.27m) trade receivables provision primarily against Middle East and some UK 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 19 and 30.

**Impairment of goodwill**

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

**Impairment of investments in subsidiaries, associate and joint ventures**

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

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

## Critical accounting judgements

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

**Recognition of fee claim revenue**

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

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

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 2022.

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

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

The lease includes provision for an additional 4 month rent free period on condition that the Group undertakes specific property improvements to the 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 the comfort cooling system to gain the rent free saving, the 4 month rent free period is not included within the IFRS 16 calculation for the right-of-use asset and associated lease liability.

## 3 Operating segments

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

The Group's operating segments consist of the United Kingdom, the Middle East and Continental Europe. Turkey is included within Continental Europe together with Germany and the Czech Republic (in the comparative periods). The Middle East segment has been re-presented as a discontinued operation and is set out in note 11.

**Income statement segment information**

| Segment revenue | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 8,465 | 8,871 |
| Continental Europe | 180 | 321 |
| Revenue from continuing operations | 8,645 | 9,192 |
| Discontinued operations | 1,543 | 2,822 |
| Revenue | 10,188 | 12,014 |

| Segment revenue less sub consultant costs | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 6,975 | 6,063 |
| Continental Europe | 152 | 242 |
| Revenue less sub consultant costs from continuing operations | 7,127 | 6,305 |
| Discontinued operations | 1,256 | 2,517 |
| Revenue less sub consultant costs | 8,383 | 8,822 |

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

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

All impairment losses recognised in note 19 are in respect of the Group's contracts with customers.

Segment net finance expense

| Continuing operations | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | (86) | (93) |
| Continental Europe | - | - |
| Group costs | (9) | (1) |
| Net finance expense | (95) | (94) |

| Segment depreciation | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 71 | 88 |
| Continental Europe | 3 | 4 |
| Group costs | 3 | 4 |
| Depreciation from continuing operations | 77 | 96 |
| Discontinued operations | 20 | 33 |
| Depreciation | 97 | 129 |

| Segment amortisation | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 398 | 399 |
| Continental Europe | - | 3 |
| Amortisation from continuing operations | 398 | 402 |
| Discontinued operations | 15 | 40 |
| Amortisation | 413 | 442 |

| 2022<br>Segment result | Before goodwill and acquisition adjustments<br>£'000 | Goodwill<br>£'000 | Sub-total<br>£'000 | Reallocation of group management charges<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|
| United Kingdom | (329) | - | (329) | 540 | 211 |
| Continental Europe | 275 | - | 275 | 147 | 422 |
| Group costs | (18) | - | (18) | (791) | (809) |
| Goodwill impairment | - | (1,752) | (1,752) | - | (1,752) |
| Subtotal | (72) | (1,752) | (1,824) | (104) | (1,928) |
| Group management charges charged to the Middle East discontinued operation | - | - | - | 104 | 104 |
| Loss before tax from continuing operations | (72) | (1,752) | (1,824) | - | (1,824) |
| Loss from discontinued operations | (503) | - | (503) | - | (503) |
| Loss before tax | (575) | (1,752) | (2,327) | - | (2,327) |

| 2021<br>Segment result | Before goodwill and acquisition adjustments<br>£'000 | Goodwill<br>£'000 | Sub-total<br>£'000 | Reallocation of group management charges<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|
| United Kingdom | (848) | - | (848) | 540 | (308) |
| Continental Europe | 149 | - | 149 | 181 | 330 |
| Group costs | 104 | - | 104 | (1,119) | (1,015) |
| Subtotal | (595) | - | (595) | (398) | (993) |
| Group management charges charged to the Middle East discontinued operation | - | - | - | 398 | 398 |
| Loss before tax from continuing operations | (595) | - | (595) | - | (595) |
| Loss from discontinued operations | (936) | - | (936) | - | (936) |
| Loss before tax | (1,531) | - | (1,531) | - | (1,531) |

The Group's share of results from associate and joint ventures included within the Continental Europe segment result are shown in notes 17 and 18.

**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:

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Current contract assets relating to professional services contracts | 1,200 | 988 |
| Loss allowance | (1) | (6) |
| Total contract assets | 1,199 | 982 |
| | | |
| Contract liabilities relating to professional services contracts | 1,227 | 829 |
| Total contract liabilities | 1,227 | 829 |

*Significant changes in contract asset and liabilities*

Contract assets have increased as the Group provided higher amounts of services ahead of invoicing. Most of the contract assets are derived from contracts in the UK where the balance of contract assets has increased to £1,012k (September 2021: £545k). This was partially due to new projects undertaken where the first invoice had not been raised as at year end.

Contract liabilities have increased as the Group has invoiced for higher amounts ahead of providing services. Contract liabilities derive primarily from contracts in the UK 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 2021 | (829) |
| Revenue recognised that was included in the contract liability balance at the beginning of the period | 813 |
| Credits issued relating to the contract liability balance at the beginning of the year, previously invoiced but not recognised as revenue. | - |
| Cash received in advance of performance and not recognised as revenue in the period | (1,211) |
| Total contract liabilities as at 30 September 2022 | (1,227) |

**Statement of financial position segment information**

| Segment assets | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 2,915 | 2,413 |
| Middle East | 430 | 1,427 |
| Continental Europe | 90 | 85 |
| Trade receivables and contract assets | 3,435 | 3,925 |
| Other current assets | 1,005 | 1,547 |
| Non current assets* | 3,751 | 6,432 |
| Total assets | 8,191 | 11,904 |

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

| Segment liabilities | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| United Kingdom | 3,114 | 3,067 |
| Middle East | 598 | 781 |
| Continental Europe | 68 | 57 |
| Trade payables, contract liabilities and accruals | 3,780 | 3,905 |
| Other current liabilities | 1,555 | 1,293 |
| Non current liabilities | 2,455 | 3,639 |
| Total liabilities | 7,790 | 8,837 |

### Geographical areas

| Revenue | 2022 £'000 | 2021 £'000 |
|---|---|---|
| United Kingdom | 8,465 | 8,871 |
| Country of domicile | 8,465 | 8,871 |
| | | |
| Turkey | 180 | 321 |
| United Arab Emirates | 1,543 | 2,822 |
| Foreign countries | 1,720 | 3,143 |
| | | |
| Revenue | 10,188 | 12,014 |

| Non current assets | 2022 £'000 | 2021 £'000 |
|---|---|---|
| United Kingdom | 2,453 | 4,594 |
| Country of domicile | 2,453 | 4,594 |
| | | |
| Czech Republic | - | 9 |
| Germany | 1,007 | 787 |
| Turkey | 10 | 43 |
| United Arab Emirates | - | 758 |
| Foreign countries | 1,017 | 1,597 |
| | | |
| Non current assets excluding deferred tax | 3,470 | 6,191 |
| | | |
| Deferred tax | 281 | 241 |
| Non current assets | 3,751 | 6,432 |

### Major clients

During the year ended 30 September 2022, the Group derived 10% or more of its revenues from one client (2021: one client).

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Largest client revenues | 2,009 | 3,295 |

The largest client revenues for 2022 relate to the United Kingdom operating segment (2021: United Kingdom operating segment).

### Revenue by project site

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| United Kingdom | 7,804 | 8,528 |
| Middle East | 1,543 | 2,955 |
| Continental Europe | 696 | 490 |
| Rest of the world | 145 | 41 |
| Revenue | 10,188 | 12,014 |

## 4 Other operating income

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Property rental income | 147 | 153 |
| Management charges to joint ventures and associates | 131 | 132 |
| Government grants (UK furlough scheme) | - | 59 |
| Other sundry income | 48 | 14 |
| Total other operating income from continuing operations | 326 | 358 |
| Discontinued operations | - | 2 |
| Total other operating income | 326 | 360 |

## 5 Finance costs

| Continuing operations | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Payable on bank loans and overdrafts | 19 | 3 |
| Finance lease interest payable | 76 | 91 |
| Total finance costs | 95 | 94 |

## 6 Auditor remuneration

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts for the year ended September 2022 | 59 | 58 |
| Additional fees paid to the Company's previous auditor for the audit of the Company's annual accounts for the year ended September 2021 | 33 | - |
| Fees payable to the Company's auditor and its associates for other services | | |
| Audit of the Company's subsidiaries pursuant to legislation | 71 | 70 |

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

## 7 Employee information

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 Number | 2021 Number | 2022 Number | 2021 Number |
| Technical | 83 | 104 | - | - |
| Administrative | 23 | 29 | 6 | 7 |
| Total | 106 | 133 | 6 | 7 |

In addition to the number of staff disclosed above, the Group's associate and joint ventures employed an average of 137 persons (2021: 146 persons).

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Wages and salaries | 5,200 | 5,874 | 574 | 534 |
| Social security costs | 468 | 444 | 56 | 65 |
| Contributions to defined contribution pension arrangements | 262 | 253 | 43 | 44 |
| Total | 5,930 | 6,571 | 673 | 643 |

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

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

The Group's Middle East subsidiaries are required to pay termination benefits to each employee who completes one year of service as stipulated by UAE labour laws. Further details of this can be found in note 24.

## 8 Directors' emoluments

| **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 |

| **2021** | Aggregate emoluments £'000 | Pension contributions £'000 | Total received £'000 | Waived £'000 | Total entitlement £'000 |
|---|---|---|---|---|---|
| Nicholas Thompson | 214 | 10 | 224 | - | 224 |
| John Bullough | 15 | - | 15 | - | 15 |
| Robert Fry | 121 | 17 | 138 | - | 138 |
| Clive Carver | 30 | - | 30 | - | 30 |
| Raúl Curiel | 30 | - | 30 | - | 30 |
| Antony Barkwith | 123 | 16 | 139 | - | 139 |
| Total | 533 | 43 | 576 | - | 576 |

Benefits were accruing to three Directors (2021: three Directors) under defined contribution pension arrangements.

The aggregate emoluments of the highest paid Director were £209,000 (2021: £214,000) together with pension contributions of £10,000 (2021: £10,000).

## 9 Tax charge

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Current tax | - | - |
| Adjustment in respect of previous years | - | (361) |
| Total current tax | - | (361) |
| | | |
| Origination and reversal of temporary differences | (45) | (126) |
| Adjustment in respect of previous years | - | 92 |
| Changes in tax rates | - | - |
| Total deferred tax (note 23) | (45) | (34) |
| | | |
| Total tax credit | (45) | (395) |

The standard rate of corporation tax in the United Kingdom that is applicable for the financial year was 19% (2021: 19%).

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss before tax | (2,327) | (1,531) |
| | | |
| Loss before tax multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%) | (442) | (291) |
| Effects of: | | |
| Other non tax deductible expenses | 279 | 60 |
| Associate and joint ventures reported net of tax | (62) | (32) |
| Tax losses not recognised | 104 | 105 |
| Current tax adjustment in respect of previous years | 4 | (361) |
| Deferred tax adjustment in respect of previous years | 2 | 92 |
| Income not taxable | 70 | 32 |
| Total tax credit | (45) | (395) |

## 10 Earnings per share

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

| Earnings | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Continuing operations | (1,779) | (200) |
| Discontinued operations | (503) | (923) |
| Loss for the year | (2,282) | (1,123) |

| **Number of shares** | 2022 Number | 2021 Number |
|---|---|---|
| Weighted average of ordinary shares in issue | 165,213,652 | 165,213,652 |
| Effect of dilutive options | - | - |
| Diluted weighted average of ordinary shares in issue | 165,213,652 | 165,213,652 |

As explained in note 26 the Company has granted options over 2,500,000 of its ordinary shares. These have not been included above as i) the average share price on 1,500,000 of the options was below the exercise price in 2022 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 2022 but to the extent that the dilutive effect would be trivial.

## 11 Discontinued operations

### 11 (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:

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Cash consideration received | 927 | - |
| Deferred cash consideration | 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 | - |

## 11 (b) Financial performance and cash flow information

### Result of discontinued operations

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Revenue | 1,543 | 2,822 |
| Sub consultant costs | (287) | (305) |
| Revenue less sub consultant costs | 1,256 | 2,517 |
| Personnel related costs | (1,233) | (2,212) |
| Property related costs | (109) | (197) |
| Expenses | (635) | (326) |
| Group management charges | (104) | (398) |
| Finance expenses | - | - |
| Depreciation | (20) | (33) |
| Amortisation | (15) | (40) |
| Other operating income | - | 2 |
| Gain on disposal of subsidiary | 357 | - |
| Impairment of intangibles | - | (249) |
| Loss before tax | (503) | (936) |
| Tax credit / (charge) | - | - |
| Loss from discontinued operations | (503) | (936) |
| Exchange differences on disposal recycled to gain on disposal of subsidiary | (209) | - |
| Exchange differences on translation of discontinued operation | (168) | (50) |
| Other comprehensive loss from discontinued operations | (880) | (986) |

### Earnings per share from discontinued operations

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Basic and diluted loss per share | (0.30p) | (0.57p) |

### Statement of cash flows

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

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Net cash outflow from operating activities | (53) | (485) |
| Net cash inflow/(outflow) from investing activities | 35 | (2) |
| Foreign exchange movements | (204) | (39) |
| Net cash from discontinued operations | (222) | (526) |

## 12 Goodwill

**Group**

| | £'000 |
|---|---|
| Cost | |
| At 1 October 2020 | 2,392 |
| Addition | 9 |
| Disposal | - |
| Exchange differences | (31) |
| At 30 September 2021 | 2,370 |
| Addition | - |
| Disposal | (608) |
| Exchange differences | (10) |
| At 30 September 2022 | 1,752 |
| | |
| Impairment | |
| At 1 October 2020 | - |
| Disposal | - |
| Exchange differences | - |
| At 30 September 2021 | - |
| Impairment | 1,752 |
| Disposal | - |
| Exchange differences | - |
| At 30 September 2022 | 1,752 |
| | |
| Net book value | |
| At 30 September 2022 | - |
| At 30 September 2021 | 2,370 |
| At 1 October 2020 | 2,392 |

The disposal recorded in the year related to goodwill on JRHP which was sold during the 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 11 (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. Management have therefore taken the decision to write off the full £1,740k balance of Goodwill for the United Kingdom operations.

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

| | United Kingdom £'000 | Turkey £'000 | Middle East £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2020 | 1,740 | 26 | 626 | 2,392 |
| Addition | - | - | 9 | 9 |
| Exchange differences | - | (4) | (27) | (31) |
| At 30 September 2021 | 1,740 | 22 | 608 | 2,370 |
| Disposal | - | - | (608) | (608) |
| Impairment | (1,740) | (12) | - | (1,752) |
| Exchange differences | - | (10) | - | (10) |
| At 30 September 2022 | - | - | - | - |

## 13 Other intangible assets

| Group | Trade name £'000 | Customer relationships £'000 | Order book £'000 | Trade licence £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 October 2020 | 672 | 373 | - | 76 | 1,121 |
| Disposal | - | - | - | - | - |
| Exchange differences | (17) | (19) | - | (3) | (39) |
| At 30 September 2021 | 655 | 354 | - | 73 | 1,082 |
| Disposal | (21) | (183) | - | (73) | (277) |
| Exchange differences | 56 | (11) | - | - | 45 |
| At 30 September 2022 | 690 | 160 | - | - | 850 |
| | | | | | |
| Amortisation | | | | | |
| At 1 October 2020 | 169 | 259 | - | 40 | 468 |
| Disposal | - | - | - | - | - |
| Impairment | 236 | 13 | - | - | 249 |
| Charge | 25 | 26 | - | 8 | 59 |
| Exchange differences | (3) | (13) | - | (2) | (18) |
| At 30 September 2021 | 427 | 285 | - | 46 | 758 |
| Disposal | (21) | (125) | - | (50) | (196) |
| Impairment | - | - | - | - | - |
| Charge | 13 | 11 | - | 4 | 28 |
| Exchange differences | 61 | (11) | - | - | 50 |
| At 30 September 2022 | 480 | 160 | - | - | 640 |
| | | | | | |
| Net book value | | | | | |
| At 30 September 2022 | 210 | - | - | - | 210 |
| At 30 September 2021 | 228 | 69 | - | 27 | 324 |
| At 1 October 2020 | 503 | 114 | - | 36 | 653 |

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

**Disposal**

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

**Impairment**

The prior year impairment of £249k related to SCL following the Group's decision to restructure the UAE business, SCL ongoing contracts were reassigned into JRHP, with new work being contracted by JRHP, and the remaining licences held by SCL being allowed to expire.

**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 17 years. The SCL trade name was fully impaired in the prior year.

**Customer relationships**

The customer relationships were acquired as part of the acquisition of SHC in December 2013, on the acquisition of JRHP in June 2015 and on the acquisition of SCL in February 2016. This represents the value attributed to clients who provided repeat business to the Group on the strength of these relationships. Customer relationships are amortised on a straight line basis over a 7-10 year period from the acquisition dates. The customer relationships acquired in December 2013 were amortised over a 7 year period which ended in December 2020. The customer relationships acquired in June 2015 were disposed of in the year with the sale of JRHP. The customer relationships acquired in February 2016 relating to SCL were impaired in the prior year.

**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 current year with the sale of JRHP.

## 14 Property, plant & equipment

| Group | Leasehold improvements £'000 | Furniture & equipment £'000 | Total £'000 |
|---|---|---|---|
| Cost | | | |
| At 1 October 2020 | 14 | 1,606 | 1,620 |
| Additions | - | 33 | 33 |
| Disposals | - | (885) | (885) |
| Exchange differences | (3) | (21) | (24) |
| At 30 September 2021 | 11 | 733 | 744 |
| | | | |
| Additions | - | 48 | 48 |
| Disposals | - | (244) | (244) |
| Exchange differences | (5) | (5) | (10) |
| At 30 September 2022 | 6 | 532 | 538 |
| | | | |
| Depreciation | | | |
| At 1 October 2020 | 14 | 1,334 | 1,348 |
| Charge | - | 129 | 129 |
| Disposals | - | (871) | (871) |
| Exchange differences | (3) | (14) | (17) |
| At 30 September 2021 | 11 | 578 | 589 |
| | | | |
| Charge | - | 97 | 97 |
| Disposals | - | (207) | (207) |
| Exchange differences | (5) | (5) | (10) |
| At 30 September 2022 | 6 | 463 | 469 |
| | | | |
| Net book value | | | |
| At 30 September 2022 | - | 69 | 69 |
| At 30 September 2021 | - | 155 | 155 |
| At 1 October 2020 | - | 272 | 272 |

| Company | Furniture & equipment £'000 | Total £'000 |
|---|---|---|
| Cost | | |
| At 1 October 2021 | 17 | 17 |
| Additions | - | - |
| At 30 September 2022 | 17 | 17 |
| | | |
| Depreciation | | |
| At 1 October 2021 | 6 | 6 |
| Charge | 4 | 4 |
| At 30 September 2022 | 10 | 10 |
| | | |
| Net book value | | |
| At 30 September 2022 | 7 | 7 |
| At 1 October 2021 | 11 | 11 |

## 15 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 24).

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.

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 of 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 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 2022 the leases recognised do not include any break clauses.

**Right-of-use Assets**

| | Land and buildings £'000 | Restoration costs £'000 | Leasehold improvements £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2020 | 2,478 | 166 | 285 | 2,929 |
| Amortisation | (324) | (22) | (37) | (383) |
| At 30 September 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 |

**Lease liabilities**

| | Land and buildings £'000 | Leasehold improvements £'000 | Total £'000 |
|---|---|---|---|
| At 1 October 2020 | 3,137 | 207 | 3,344 |
| Additions | - | - | - |
| Interest expense | 83 | 8 | 91 |
| Lease payments | (464) | (82) | (546) |
| At 30 September 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 |

| | £'000 |
|---|---|
| Short-term lease expense | 66 |
| Low value lease expense | 6 |
| Expense relating to variable lease payments not included in the measurement of lease liabilities | - |
| Aggregate undiscounted commitments for short-term leases | 11 |

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

| **Lease liabilities** | Up to 3 months £'000 | Between 3 and 12 months £'000 | Between 1 and 2 years £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|---|
| At 30 September 2022 | 118 | 339 | 415 | 1,316 | 231 |
| At 30 September 2021 | 115 | 353 | 459 | 1,280 | 682 |

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Not later than one year | 44 | 74 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| Total | 44 | 74 |

## 16 Investments

| **Company** | Subsidiaries £'000 | Joint ventures £'000 | Associate £'000 | Total £'000 |
|---|---|---|---|---|
| Cost | | | | |
| At 1 October 2020 | 10,177 | 21 | 12 | 10,210 |
| Addition | 23 | - | - | 23 |
| At 30 September 2021 | 10,200 | 21 | 12 | 10,233 |
| Disposal | (1,021) | - | - | (1,021) |
| At 30 September 2022 | 9,179 | 21 | 12 | 9,212 |
| Provisions | | | | |
| At 1 October 2020 | 6,862 | - | - | 6,862 |
| Charge | 81 | - | - | 81 |
| At 30 September 2021 | 6,943 | - | - | 6,943 |
| Charge | 180 | - | - | 180 |
| At 30 September 2022 | 7,123 | - | - | 7,123 |
| Net book value | | | | |
| At 1 October 2020 | 3,315 | 21 | 12 | 3,348 |
| At 30 September 2021 | 3,257 | 21 | 12 | 3,290 |
| At 30 September 2022 | 2,056 | 21 | 12 | 2,089 |

The increase in cost of £23k during the prior year related to the acquisition of a further 5% equity shareholding in JRHP.

The disposal in the year related to the disposal of the investment in JRHP (note 11).

A provision for impairment of £180k (2021: £81k) 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.

The current net book values of the investments in subsidiaries is £2,056k (2021: £3,257k) after charges made in the current year, which is larger than the net assets of the consolidated statement of financial position of £401k (2021: £3,067k). 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 operations (Aukett Swanke Limited and Veretec 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 operation are:

- the future level of revenue, set at a compound growth rate of 11.30% (2021: 8.31%) 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 9.30% based on the Nov-22 annualise UK CPI index.

- long term growth rate - which has been assumed to be 1.5% (2021: 2.0%) 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 18.32% (2021: 11.34%).

Based on the discounted cash flow projections, the recoverable amount of the UK CGU is estimated to exceed carrying values by £4,475k (261%). An 7% fall in all future forecast revenues (applied as a smooth reduction to the compound growth rate noted above) without a corresponding reduction in costs in the UK CGU, or an increase in the discount rate to over 69%, would result in carrying amounts exceeding their recoverable amount. A decrease in the effective compound growth rate of revenue to 9.50% instead of the 11.30% 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.

### Subsidiary operations

The following are the subsidiary undertakings at 30 September 2022:

| Name | Country of incorporation and registered office address (see table below) | Proportion of ordinary equity held | | Nature of business |
|---|---|---|---|---|
| | | 2022 | 2021 | |
| **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 |
| Swanke Hayden Connell Mimarlik AS | (B) | 100% | 100% | Architecture & design |
| John R Harris & Partners Limited | (C) | 0% | 100% | Architecture & design |
| Shankland Cox Limited | (A) | 100% | 100% | Architecture & Engineering |
| Aukett Swanke Architectural Design Limited | (A) | 100% | 100% | Architecture & design |
| Swanke Hayden Connell Europe Limited | (A) | 100% | 100% | Non-trading |
| Fitzroy Robinson Limited | (A) | 100% | 100% | Dormant |
| Swanke Limited | (A) | 100% | 100% | Dormant |
| John R Harris & Partners Limited | (A) | 0% | 100% | Dormant |
| Aukett Fitzroy Robinson Limited | (A) | 100% | 100% | Dormant |
| Thomas Nugent Architects Limited | (A) | 100% | 100% | Dormant |
| Aukett Fitzroy Robinson Europe Limited | (A) | 100% | 100% | Dormant |
| Aukett Limited | (A) | 100% | 100% | Dormant |
| Aukett (UK) Limited | (A) | 100% | 100% | Dormant |
| Aukett Group Limited | (A) | 100% | 100% | Dormant |
| Fitzroy Robinson West & Midlands Limited | (A) | 100% | 100% | Dormant |

Aukett Fitzroy Robinson International Limited is incorporated in England & Wales. 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.

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.

John R Harris & Partners Limited (JRHP) is incorporated in Cyprus and operates principally in the Middle East. The group’s full shareholding was sold in April 2022.

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/expire 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 2022. 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 2022 | 2021 | Nature of relationship | Measure-ment method |
|---|---|---|---|---|---|
| Aukett + Heese Frankfurt GmbH | (D) | 50% | 50% | Joint venture | Equity |
| Aukett sro (liquidated) | (E) | 0% | 50% | Joint venture | Equity |
| Aukett + Heese GmbH | (F) | 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 | Esentepe Mahallesi Kore Şehitleri Caddesi 34, Deniz İş Hanı K.6 34394 Zincirlikuyu, Istanbul, Turkey |
| (C) | Cyprus | 17-19 Themistokli Dervi street, The City House, 1066 Nicosia, Cyprus |
| (D) | Germany | Gutleutstrasse 163, 60327 Frankfurt am Main, Germany |
| (E) | Czech Republic | ADVOKÁTNÍ KANCELÁŘ JUDr. JAN JIŘÍČEK, Legionářů 947/2b, 182 00 Prague 8, Czech Republic |
| (F) | Germany | Budapester Strasse 43, 10787 Berlin, Germany |

## 17 Investment in associate

As disclosed in note 16, 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** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Assets | | |
| Non current assets | 278 | 289 |
| Current assets | 6,229 | 4,693 |
| Total assets | 6,507 | 4,982 |
| | | |
| Liabilities | | |
| Current liabilities | (3,465) | (2,635) |
| Total liabilities | (3,465) | (2,635) |
| | | |
| Net assets | 3,042 | 2,347 |

Reconciliation to carrying amounts:

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Opening net assets at 1 October | 2,347 | 3,706 |
| Profit for the period | 1,139 | 470 |
| Other comprehensive income | 86 | (185) |
| Dividends paid | (531) | (1,644) |
| Closing net assets | 3,041 | 2,347 |
| | | |
| Group's share in % | 25% | 25% |
| Group's share in £'000 | 760 | 587 |
| Carrying amount | 760 | 587 |

| **Summarised statement of comprehensive income** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Revenue | 12,198 | 12,243 |
| Sub consultant costs | (2,861) | (3,492) |
| Revenue less sub consultant costs | 9,337 | 8,751 |
| | | |
| Operating costs | (7,708) | (8,078) |
| Profit before tax | 1,629 | 673 |
| | | |
| Taxation | (490) | (203) |
| Profit for the period from continuing operations | 1,139 | 470 |
| Other comprehensive income | 86 | (185) |
| Total comprehensive income | 1,225 | 285 |

The Group received dividends of £126,000 after deduction of German withholding taxes (2021: £395,000) 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.

## 18 Investments in joint ventures

### Frankfurt

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

| | £'000 |
|---|---|
| At 1 October 2020 | 292 |
| Share of profits | 65 |
| Dividends paid | (142) |
| Exchange differences | (14) |
| At 30 September 2021 | 201 |
| | |
| Share of profits | 40 |
| Dividends paid | - |
| Exchange differences | 6 |
| At 30 September 2022 | 247 |

The Group received dividends of £nil after deduction of German withholding taxes (2021: £135,000) from Aukett + Heese Frankfurt GmbH. The following amounts represent the Group's 50% share of the assets and liabilities, and revenue and expenses of Aukett + Heese Frankfurt GmbH.

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Assets | | |
| Non current assets | 11 | 12 |
| Current assets | 369 | 288 |
| Total assets | 380 | 300 |
| | | |
| Liabilities | | |
| Current liabilities | (133) | (99) |
| Total liabilities | (133) | (99) |
| | | |
| Net assets | 247 | 201 |

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Revenue | 824 | 919 |
| Sub consultant costs | (271) | (267) |
| Revenue less sub consultant costs | 553 | 652 |
| | | |
| Operating costs | (494) | (541) |
| Profit before tax | 59 | 111 |
| | | |
| Taxation | (19) | (46) |
| Profit after tax | 40 | 65 |

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

**Prague**

As disclosed in note 16, the Group owned 50% of Aukett sro which is based in Prague, Czech Republic. The final liquidation of this entity was completed during the year and a final distribution received.

| | £'000 |
|---|---|
| At 1 October 2020 | 25 |
| Share of losses | (16) |
| Exchange differences | (1) |
| At 30 September 2021 | 8 |
| Share of losses | (1) |
| Liquidation dividend distribution paid | (7) |
| Exchange differences | - |
| At 30 September 2022 | - |

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Assets | | |
| Current assets | - | 11 |
| Total assets | - | 11 |
| | | |
| Liabilities | | |
| Current liabilities | - | (3) |
| Total liabilities | - | (3) |
| | | |
| Net assets | - | 8 |

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Revenue | - | 165 |
| Sub consultant costs | - | (78) |
| Revenue less sub consultant costs | - | 87 |
| | | |
| Operating costs | (1) | (103) |
| Loss before tax | (1) | (16) |
| | | |
| Taxation | - | - |
| Loss after tax | (1) | (16) |

## 19 Trade and other receivables

| **Group** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Gross trade receivables | 2,514 | 3,215 |
| Impairment allowances | (199) | (272) |
| Net trade receivables | 2,315 | 2,943 |
| Other financial assets at amortised cost | 500 | 385 |
| Amounts owed by associates and joint ventures | - | 22 |
| Corporate tax receivable | - | 99 |
| Other current assets | 478 | 526 |
| Total | 3,293 | 3,975 |

The corporate tax receivable of £99k relates to cash receivable from UK R&D tax claims.

| **Company** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| *Amounts due after more than one year* | | |
| Amounts owed by associate and joint ventures | - | 5 |
| Other financial assets at amortised cost | 184 | - |
| Total amounts due after more than one year | 184 | 5 |
| | | |
| *Amounts due within one year* | | |
| Trade receivables | 24 | 5 |
| Amounts owed by subsidiaries | 163 | 381 |
| Amounts owed by associate and joint ventures | - | 17 |
| Other financial assets at amortised cost | 46 | - |
| Other current assets | 17 | 46 |
| Total amounts due within one year | 250 | 449 |
| | | |
| Total | 434 | 454 |

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 £298k (2021: £1,733k) 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.

### Impairment allowances

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

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

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

Provisions on bad and doubtful debts in the UK and Turkey have been immaterial in the historical period reviewed in order to establish the expected loss rate at 30 September 2022. In the UK the Group generally builds up advances for contract work recognised as a credit to the balance sheet which reduces the impact of potential bad debts. Amounts due for contract work not yet billed are generally not material. No loss allowance provision has been made for trade receivables and contracts assets owed to Group entities operating in these countries.

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

The total impairment allowance is down £73k compared to the prior year, primarily due to the UAE entities formally writing off old debtors which previously had carried an impairment allowance, partially offset by new provisions being made against uncertain remaining debtor balances as the Group continues the process of discontinuing the operations of the remaining UAE entities. Impairment allowances as a percentage of gross trade receivables has therefore decreased to 7.9% (2021: 8.5%).

The loss allowance for the Middle East operating segment as at 30 September 2022 (excluding additional loss allowances measured on a case-by-case basis) was determined as follows for both trade receivables and contract assets:

Whilst the Middle East operations of Aukett Fitzroy Robinson International Limited and Aukett Swanke Architectural Design Limited have been in the process of closure as at 30 September 2022 there remained just 2 trade receivable balances to collect, which were collected shortly after the year end. As at 30 September 2022 the loss allowance was applied to trade receivables and contract assets in SCL.

| 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 comparative loss allowance for the Middle East operating segment as at 30 September 2021 was:

| 30 September 2021 | 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% | 3% | 6% | 10% | |
| Gross carrying amount (£'000) | 611 | 136 | 112 | 65 | 575 | 1,499 |
| Loss allowance (£'000) through CSOFP | 10 | 3 | 4 | 4 | 58 | 79 |

The loss allowance for the Middle East operating segment as at 30 September 2022 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 £5k arises which is taken through the foreign currency translation reserve.

| | Contract assets £'000 | Trade receivables £'000 |
|---|---|---|
| Opening loss allowance provision as at 1 October 2021 | 6 | 74 |
| Loss allowance provision | - | (38) |
| Disposal of JRHP | (6) | (32) |
| Amounts restated through opening Foreign Currency translation reserve | - | - |
| **Loss allowance calculated based on ECL loss matrices** | **-** | **4** |
| Additional provisions identified on a case by case basis | 24 | 195 |
| **Total loss allowance as at 30 September 2022 - calculated under IFRS 9** | **24** | **199** |

The loss allowances decreased by £70k to £4k for trade receivables and decreased by £6k to £nil for contract assets during the year to 30 September 2022.

A further allowance for impairment of trade receivables and contract assets is established on a case-by-case basis amounting to £195k at 30 September 2022 and £198k at 30 September 2021 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.

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

| | £'000 |
|---|---|
| At 1 October 2020 | 1,031 |
| Loss allowance provision | (38) |
| Charged to the income statement based on additional case by case provisions | 198 |
| Allowance utilised | (865) |
| Exchange differences | (54) |
| At 30 September 2021 | 272 |
| | |
| Loss allowance provision | (38) |
| Disposal of JRHP | (32) |
| Charged to the income statement based on additional case by case provisions | 133 |
| Allowance written-off | (162) |
| Exchange differences | 26 |
| At 30 September 2022 | 199 |

## 20 Trade and other payables

| **Group** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| *Amounts due after more than one year* | | |
| Amounts owed to associate and joint venture | 44 | - |
| Total amounts due after more than one year | 44 | - |
| | | |
| *Amounts due within one year* | | |
| Trade payables | 1,354 | 2,112 |
| Other taxation and social security | 515 | 568 |
| Other payables | 101 | 103 |
| Accruals | 1,199 | 964 |
| Total amounts due within one year | 3,169 | 3,747 |
| | | |
| Total | 3,213 | 3,747 |

| **Company** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| *Amounts due after more than one year* | | |
| Amounts owed to associate and joint venture | 44 | - |
| Total amounts due after more than one year | 44 | - |
| | | |
| *Amounts due within one year* | | |
| Trade payables | 58 | 44 |
| Amounts owed to subsidiaries | 1,212 | 1,551 |
| Other taxation and social security | 4 | 32 |
| Other payables | 28 | 31 |
| Accruals | 292 | 92 |
| Total amounts due within one year | 1,594 | 1,750 |
| | | |
| Total | 1,638 | 1,750 |

See note 34 for further details of the amounts due to subsidiaries.

## 21 Borrowings

| **Group** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Secured bank overdrafts | 232 | - |
| Secured bank loan | 417 | 500 |
| Total borrowings | 649 | 500 |
| | | |
| Amounts due for settlement within 12 months | 482 | 83 |
| Current liability | 482 | 83 |
| | | |
| Amounts due for settlement between one and two years | 167 | 250 |
| Amounts due for settlement between two and five years | - | 167 |
| Non current liability | 167 | 417 |
| | | |
| Total borrowings | 649 | 500 |

| Company | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Secured bank loan | 417 | 500 |
| Total borrowings | 417 | 500 |

| | | |
|---|---|---|
| Instalments due within 12 months | 250 | 83 |
| Current liability | 250 | 83 |
| | | |
| Instalments due between one and two years | 167 | 250 |
| Instalments due between two and five years | - | 167 |
| Non current liability | 167 | 417 |
| | | |
| Total borrowings | 417 | 500 |

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.

## 22 Analysis of net (deficit) / funds

| Group | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Cash at bank and in hand | 28 | 515 |
| Secured bank overdrafts (note 21) | (232) | - |
| Cash and cash equivalents | (204) | 515 |
| | | |
| Secured bank loan (note 21) | (417) | (500) |
| Net (deficit)/funds | (621) | 15 |

## 23 Deferred tax

| Group | Tax depreciation on plant and equipment £'000 | Trading losses £'000 | Other temporary differences £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 October 2020 | 43 | 185 | (61) | 167 |
| Income statement | (10) | 45 | (1) | 34 |
| Exchange differences | - | - | - | - |
| At 30 September 2021 | 33 | 230 | (62) | 201 |
| | | | | |
| Income statement | 4 | 42 | (1) | 45 |
| Exchange differences | 1 | 1 | - | 2 |
| At 30 September 2022 | 38 | 273 | (63) | 248 |

| Group | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Deferred tax assets | 281 | 241 |
| Deferred tax liabilities | (33) | (40) |
| Net deferred tax balance | 248 | 201 |

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.

## 24 Provisions

| Group | Property lease provision £'000 | Employee benefit obligations £'000 | Total £'000 |
|---|---|---|---|
| At 1 October 2020 | 210 | 782 | 992 |
| | | | |
| Utilised | - | (213) | (213) |
| Charged to the income statement | - | 92 | 92 |
| Exchange differences | - | (39) | (39) |
| At 30 September 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 |

*Property lease provision*

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

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

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

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

*Employee benefit obligations*

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

As at 30 September 2022 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 2022 is therefore £nil. The balance of termination payments due to former employees unpaid as at year end is recognised as a current liability included in trade and other payables (note 20).

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

| | 2022 | 2021 |
|---|---|---|
| Combined average length of service | N/A | 5 years |
| Discount rate | N/A | 1.74% |
| Salary growth rate | N/A | 2.2% |

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

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

| | | Impact on employee benefit obligation | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Combined average length of service | 1 year | N/A | (3.78)% |
| Salary growth rate | 1% | N/A | (0.15)% |
| Discount rate | 1% | N/A | 0.15% |

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.

## 25 Share capital

| **Group and Company** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Allocated, called up and fully paid | | |
| 165,213,652 (2021: 165,213,652) ordinary shares of 1p each | 1,652 | 1,652 |

| | Number |
|---|---|
| At 1 October 2020 | 165,213,652 |
| No changes | - |
| At 30 September 2021 | 165,213,652 |
| No changes | - |
| At 30 September 2022 | 165,213,652 |

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

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

After the year end, the acquisition of TFG resulted in an increase in the share capital as disclosed in note 35.

## 26 Share options

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

| Granted | At 1 October 2021 Number | Granted Number | Lapsed Number | At 30 September 2022 Number | Exercise price Pence | Earliest exercisable date | Latest exercisable date |
|---|---|---|---|---|---|---|---|
| 6 March 2017 | 500,000 | - | - | 500,000 | 4.25 | 6 March 2019 | 6 March 2023 |
| 24 Aug 2020 | 1,000,000 | - | - | 1,000,000 | 3.60 | 24 Aug 2022 | 24 Aug 2026 |
| 29 Jun 2021 | 1,000,000 | - | - | 1,000,000 | 1.60 | 29 Jun 2023 | 29 Jun 2027 |
| Total | 2,500,000 | - | - | 2,500,000 | | | |

The 500,000 share options granted on 6 March 2017 related to Beverley Wright, a former Director of the Company and after the year end 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 and vest respectively after 2 years' service and are exercisable between 2 and 6 years after grant. The fair value of these options is not considered to be material. Further details of transactions with related parties can be found in note 34.

After the year end, the acquisition of TFG resulted in a further 8,400,000 share options being granted as disclosed in note 35.

## 27 Cash generated from operations

| **Group** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss before tax | (2,327) | (1,531) |
| Finance costs | 95 | 94 |
| Share of results of associate and joint ventures | (327) | (166) |
| Intangible amortisation | 28 | 59 |
| Intangible impairment | - | 249 |
| Depreciation | 97 | 129 |
| Goodwill impairment | 1,752 | - |
| Amortisation of right-of-use assets | 385 | 383 |
| Profit on disposal of property, plant & equipment | - | (2) |
| Decrease/(increase) in trade and other receivables | 594 | (843) |
| (Decrease) / increase in trade and other payables | (815) | 892 |
| Change in provisions | (586) | (160) |
| Unrealised foreign exchange differences | - | - |
| Net cash expended by operations | (1,104) | (896) |

| Company | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Loss before income tax | (783) | (1,179) |
| Dividends receivable | (133) | (528) |
| Finance costs | 9 | 1 |
| Depreciation | 4 | 4 |
| Provision on investments | 180 | 81 |
| 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 | 20 | 1,499 |
| Decrease in trade and other payables | (112) | (579) |
| Unrealised foreign exchange differences | (9) | (1) |
| Net cash expended by operations | (722) | (702) |

**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 2020 | 2,805 | 694 | 3,499 |
| Cash flows | | | |
| - Repayment of borrowings | - | (155) | (155) |
| - Payment of interest | - | (1) | (1) |
| - Receipt of bank loan | 500 | - | 500 |
| - Payment of lease liabilities | - | (546) | (546) |
| Non-cash flows | | | |
| - Effects of foreign exchange | - | - | - |
| - Loans and borrowings classified as non-current at 30 September 2021 | (538) | 538 | - |
| - Interest accrued in period | - | 92 | 92 |
| At 30 September 2021 | 2,767 | 622 | 3,389 |
| Cash flows | | | |
| - Repayment of borrowings | - | (83) | (83) |
| - Payment of interest | - | (9) | (9) |
| - Receipt of bank loan | - | - | - |
| - 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 | 707 | 2,836 |

| **Company** | Non-current loans and borrowings £'000 | Current loans and borrowings £'000 | Total £'000 |
|---|---|---|---|
| At 1 October 2021 | - | 155 | 155 |
| Cash flows | | | |
| - Repayment of borrowings | - | (155) | (155) |
| - Payment of interest | - | (1) | (1) |
| - Receipt of bank loan | 500 | - | 500 |
| Non-cash flows | | | |
| - Effects of foreign exchange | - | - | - |
| - Loans and borrowings classified as non-current at 30 September 2021 | (83) | 83 | - |
| - Interest accrued in period | - | 1 | 1 |
| At 30 September 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 |

## 28 Financial instruments

### Risk management

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

### Categories of financial assets and liabilities

| **Group** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Net trade receivables | 2,315 | 2,943 |
| Contract assets | 1,119 | 982 |
| Other financial assets at amortised cost | 500 | 385 |
| Accrued income | 23 | 33 |
| Amounts owed by associate and joint ventures | - | 22 |
| Cash at bank and in hand | 28 | 515 |
| Loans and receivables measured at amortised cost | 3,985 | 4,880 |
| | | |
| Trade payables | (1,354) | (2,112) |
| Other payables | (101) | (103) |
| Accruals | (1,199) | (964) |
| Lease liabilities | (2,419) | (2,889) |
| Secured bank loans and overdrafts | (649) | (500) |
| Financial liabilities measured at amortised cost | (5,722) | (6,568) |
| | | |
| Net financial instruments | (1,737) | (1,688) |

| **Company** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Net trade receivables | 24 | 5 |
| Amounts owed by subsidiaries | 163 | 381 |
| Amount owed by associate and joint ventures | - | 22 |
| Accrued income | 11 | 33 |
| Other financial assets at amortised cost | 230 | - |
| Cash at bank and in hand | 457 | 211 |
| Loans and receivables measured at amortised cost | 885 | 652 |
| | | |
| Trade payables | (58) | (44) |
| Amounts owed to subsidiaries | (1,212) | (1,551) |
| Amount owed by associate and joint ventures | (44) | - |
| Other payables | (28) | (31) |
| Accruals | (292) | (92) |
| Secured bank loan | (417) | (500) |
| Financial liabilities measured at amortised cost | (2,051) | (2,218) |
| | | |
| Net financial instruments | (1,166) | (1,566) |

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

**Collateral**

As disclosed in note 21 the bank loan and overdraft (undrawn at 2021 and £232k at 2022 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:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Group | 2,641 | 3,612 |
| Company | 349 | 614 |

Other receivables in the consolidated statement of financial position include a £238k rent security deposit (2021: £230k) 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.

## 29 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** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Czech Koruna | - | 5 |
| EU Euro | 45 | 166 |
| Turkish Lira | 16 | - |
| UAE Dirham | 2,283 | 2,046 |
| UK Sterling | (12) | (7) |
| US Dollar | 54 | 3 |
| Net financial instruments held in foreign currencies | 2,386 | 2,213 |

| **Company** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Czech Koruna | - | 5 |
| EU Euro | 46 | 130 |
| Turkish Lira | 16 | - |
| US Dollar | 18 | 3 |
| UAE Dirham | 113 | 254 |
| Net financial instruments held in foreign currencies | 193 | 392 |

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.

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Profit £'000 | Equity £'000 | Profit £'000 | Equity £'000 |
| Group | 29 | (29) | 39 | 101 |
| Company | 18 | - | 39 | - |

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

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Group | 258 | (45) |
| Company | 280 | (47) |

## 30 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 28.

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 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 |

| | Receivables pre-allowance 2021 £'000 | loss allowance £'000 | Receivables post-allowance 2021 £'000 |
|---|---|---|---|
| Not overdue | 1,210 | (3) | 1,207 |
| Between 0 and 30 days overdue | 923 | (3) | 920 |
| Between 30 and 60 days overdue | 143 | (4) | 139 |
| Greater than 60 days overdue | 741 | (64) | 677 |
| Total | 3,017 | (74) | 2,943 |

The processes undertaken when considering whether a trade receivable may be impaired are set out in notes 2 and 19.

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 19.

The concentration of counterparty risk within the £3,434k (2021: £3,925k) 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.

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Largest exposure | 640 | 646 |
| Second largest exposure | 295 | 240 |
| Third largest exposure | 252 | 240 |

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

At 30 September 2022 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 net overdrawn position of £229k (£3k cash less £232k overdrafts) with Coutts & Co. (2021: the largest exposure to a single financial institution represented 54% held with Coutts & Co.).

**Company**

The Company only has £24k trade receivables (2021: £5k) 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 33.

## 31 Interest rate risk

| **Group** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Rent deposit | 278 | 278 |
| Secured bank loans | (417) | (500) |
| Secured bank overdrafts | (232) | - |
| Interest bearing financial instruments | (371) | (222) |

| **Company** | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Secured bank loans | (417) | (500) |
| Interest bearing financial instruments | (417) | (500) |

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

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 bank loan and overdraft carry interest at 4.05% (loan) and 3% (overdraft) above the Coutts Base rate for the relevant currency.

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

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Group | (4) | (2) |
| Company | (4) | (5) |

## 32 Liquidity risk

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

At 30 September 2022 the Group had £850,000 (2021: £850,000) of gross borrowing facility and £250,000 net borrowing facility (2021: £500,000) under its United Kingdom bank overdraft facility. In November 2021 Coutts & Co renewed the overdraft facility at £500,000. The Group then agreed with Coutts & Co to reduce the net overdraft facility to £250,000 from February 2022 onwards. In November 2022 Coutts & Co renewed the overdraft facility maintaining the net overdraft facility at £250,000. It is now next due for review in November 2023.

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

| **Group**<br>**Timing of cashflows** | Borrowings<br>£'000 | Lease liabilities<br>£'000 | Other financial liabilities<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|
| Within one year | 90 | 547 | 3,179 | 3,816 |
| Between one and two years | 263 | 522 | - | 785 |
| Between two and five years | 169 | 1,394 | - | 1,563 |
| Greater than five years | - | 697 | - | 697 |
| | 522 | 3,160 | 3,179 | 6,861 |
| Expected future charges through the income statement | (22) | (271) | - | (293) |
| Financial liabilities at 30 September 2021 | 500 | 2,889 | 3,179 | 6,568 |
| | | | | |
| **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 |

Lease liabilities includes the finance lease on leasehold improvements and the land and buildings office lease (see note 15).

| **Company**<br>**Timing of cashflows** | Borrowings<br>£'000 | Other financial liabilities<br>£'000 | Total<br>£'000 |
|---|---|---|---|
| Within one year | 90 | 1,718 | 1,808 |
| Between one and two years | 263 | - | 263 |
| Between two and five years | 169 | - | 169 |
| | 522 | 1,718 | 2,240 |
| Expected future charges through the income statement | (22) | - | (22) |
| Financial liabilities at 30 September 2021 | 500 | 1,718 | 2,218 |

| **Timing of cashflows** | Borrowings<br>£'000 | Other financial liabilities<br>£'000 | Total<br>£'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 |

## 33 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 21. At 30 September 2022 the overdrafts of its United Kingdom subsidiaries guaranteed by the Company totalled £729,000 (2021: £nil).

The Company and certain of its United Kingdom subsidiaries are members of a group for Value Added Tax (VAT) purposes. At 30 September 2022 the net VAT payable balance of those subsidiaries was £285,000 (2021: £218,000).

At the year end, one of the Group's Middle East subsidiaries had outstanding letters of guarantee totalling £74,000 (2021: £105,000). These guarantees are secured by matching cash on deposit, which is included within trade and other receivables.

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

The Group has contractual commitments totalling £nil (2021: £900) per annum in respect of an IT hardware plan, expiring in December 2021. The total future commitments arising under this contract as at the balance sheet date amount to £nil (2021: £900).

## 34 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 | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Short term employee benefits | 1,235 | 1,301 |
| Post employment benefits | 110 | 106 |
| Total | 1,345 | 1,407 |

The key management personnel of the Company comprises its Directors.

| Company | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| Short term employee benefits | 613 | 600 |
| Post employment benefits | 43 | 43 |
| Total | 656 | 643 |

### 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 £46,000 (2021: £47,000). Dividends of £nil (2021: £135,000) were received from Aukett + Heese Frankfurt GmbH during the year. The amount owed to the Group by Aukett + Heese Frankfurt GmbH at the balance sheet date was £nil (2021: £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 £85,000 (2021: £81,000). Dividends of £126,000 (2021: £393,000) were received from Aukett + Heese GmbH during the year. The Group received a loan from Aukett + Heese GmbH amounting to £44,000 (2021: £nil). The amount owed by the Group to Aukett + Heese GmbH at 30 September 2022 was £44,000 (2021: £nil).

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

The Group charged name licence fees and management fees to Aukett sro, a joint venture in which the Group had a 50% interest until the joint venture was liquidated in the year. During the year, charges of £nil (2021: £3,000) were made to Aukett sro in respect of these services. Separately, Aukett sro owed the Group and the Company £nil as at 30 September 2022 (2021: £5,000) relating to previously declared but not yet paid dividends, management fees and name licence charges.

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

### Transactions and balances with subsidiaries

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

The Company made management charges to its subsidiaries for management services of £660,000 (2021: £992,000) and paid charges to its subsidiaries for office accommodation and other related services of £84,000 (2021: £91,000).

At 30 September 2022 the Company was owed £163,000 (2021: £381,000) by its subsidiaries and owed £1,212,000 (2021: £1,551,000) 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.

## 35 Post balance sheet event

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.

The principal reason for this acquisition, is to become a master systems designer, integrator and operator in the provision of smart buildings technology, in addition to developing the Group's core architecture businesses. Extending the Group's offering to its clients to include such smart solutions is expected to provide a competitive advantage to the Group's core business and to add new income streams.

The financial effects of this transaction have not been recognised at 30 September 2022. The operating results and assets and liabilities of the acquired company will be consolidated from 20 March 2023.

As the acquisition was completed a short time before the authorisation date of these financial statements, it was not practical to disclose the book value of the net assets acquired as at 20 March 2023. The following figures presented represent Torpedo Factory Group Limited unaudited management accounts for 31 December 2022:

| | Provisional 31 Dec-22 £'000 |
|---|---|
| Goodwill | 679 |
| Property, plant and equipment | 3,501 |
| Other intangible assets | 78 |
| Loans and other financial assets | 243 |
| Inventories | 285 |
| Trade and other receivables | 1,524 |
| Net cash | 1,138 |
| Assets | 7,448 |
| | |
| Trade and other payables | 1,824 |
| Contract liabilities | 79 |
| Interest bearing loans and borrowings | 2,718 |
| Lease liabilities | 300 |
| Deferred tax liability | 125 |
| Liabilities | 5,046 |
| | |
| Total net assets | 2,402 |

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.

**Fair value of consideration paid**

Consideration for the acquisition comprises:

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 issues to the participating option holders | 92 |
| Share options in Aukett Swanke Group Plc | 130 |
| Total acquisition cost | 3,031 |

Whilst fair value adjustments will result in recognised goodwill of less than £629k, it is expected that some goodwill will be recognised. The goodwill represents items, such as the assembled workforce, which do not qualify as assets.

## 36 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 111. A description of the Group's operations and principal activities is given within the Strategic Report.

# Shareholder information

### Listing information

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

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

### Share price

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

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

### Registrars

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

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

### Investor relations

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

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

### Donate your shares

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

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

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

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

## Aukett Swanke Group Plc

## Studio locations

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