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Aukett Swanke Group PLC
30 January 2020

# Aukett Swanke Group Plc

**Announcement of final audited results**
**for the year ended 30 September 2019**

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Aukett Swanke Group plc ("the Group"), the international group of architects, interior designers and engineers announces its final audited results for the year ended 30 September 2019.

## Financial highlights

- Major financial turnaround
- Profit before tax restored at £292,000 (2018: Loss £2.54m)
- Introduction of new segmental reporting
- All three geographic hubs in profit before central cost allocation
- Revenue up 7.7% to £15.49m (2018: £14.38m)
- Net funds grew to £820,000 (2018: £157,000)
- Profit after tax rose to £332,000 (2018: loss £2.37m)
- EPS returned to positive at 0.21p (2018: loss 1.42p)

## Operational highlights

- BCO award for Best Commercial Workplace
- Veretec projects' win: Best School project (King's College Music School), Best Hotel conversion (Langley Park Hotel & Spa) at AHEAD Europe awards, AJ100 Retrofit Award ('The Green House' E2)
- Flagship store 'Alaia' in New Bond Street for Richemont shortlisted 2019FX Interior Design Awards
- Return to continuing instructions in the UK office market
- Successful sale of Moscow operations - post year end

## Commenting on the results CEO Nicholas Thompson said

"These results are a testament to the positive attitude of all our staff as we have emerged from a difficult trading environment; the Board is grateful to all concerned for their resilience.

The strong second half performance augurs well for the next financial year, particularly so, given the recent resolution of electoral and Brexit related uncertainty. With a leaner and more stream-lined group now in place, after last year's focus on costs and the disposal of the loss-making Moscow operation, we look forward to improving fortunes for the Group in 2020."

## Enquiries

Aukett Swanke - 020 7843 3000
Nicholas Thompson Chief Executive Officer
Antony Barkwith Group Finance Director

finnCap - 020 7220 0500
Corporate Finance Julian Blunt/Giles Rolls
Corporate Broking Alice Lane/Tim Harper

Investor Media Enquiries - 07979 604687
Chris Steele

## *Extract from the Chairman's Statement*

I am delighted to report to you in my first year as Non-Executive Chairman, particularly as I believe the results set out in this report mark a turning point in our recent fortunes.

For the benefit of shareholders not familiar with me I am by training and inclination an architect, having spent 40 years in the profession of which 36 were with our Company. I also hold 5.6% of the Company's equity.

I am therefore focused not only in maintaining the high quality of the services that we provide to our clients but also, to have that quality reflected in the Company's share price; something I do not believe is the case today.

As you will see as you read through the Report, our management team led by Nicholas Thompson, has performed strongly in difficult market conditions to restore the Group to profitability. I am confident of further positive progress under his leadership.

In addition to a turnaround in profitability from a loss of £2.54m in 2018 to a profit of £0.29m this year, we have also improved our cash management, ending the year with a healthy balance of £0.82m in net funds. While it is too soon to restore dividend payments, this remains a high priority for the Board.

Since the last Annual Report there have been several Board changes in addition to mine. The first was the retirement of my predecessor, Anthony Simmonds and, I would like to take this opportunity to pay tribute to his many years of service.

Secondly, I wish to welcome our new Group Finance Director Antony Barkwith to the Board. Tony has been with the Company for 15 months now and I am pleased to report that he has made a strong start. Finally, I also welcome Clive Carver, who joined the Board in May 2019, as a Non-Executive Director. The prime focus of the new Board is to work to make sure the Company's many positive attributes are reflected in its valuation.

While our fortunes will always be subject to market conditions, I look forward to the remainder of 2020 and beyond with renewed confidence.

Raúl Curiel
Chairman
29 January 2020

## *Extracts from strategic and directors' reports*

### Strategy

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

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

In both 2017 and 2018, the markets in which we operate were subject to some significant challenges, including: the onset of Brexit and the uncertainty created around decision-making; a number of competition losses; a one-off property cost due to our UK office move and; finally significant bad debt provisions in our Middle East operation the effect of which resulted in losses in both years. Consequentially our strategy in the short term has been to mitigate the impact of such challenges and not to pursue any new acquisitions which, in part, had contributed to some of the losses previously sustained.

The strategy in the next period is to consolidate the improvements that we have made to our operations and optimise our current platform with consideration being given to the value added by each entity.

## Business Model

We operate through a three hub geographical structure covering: the United Kingdom with our head office in London; the Middle East (United Arab Emirates) with offices in Dubai, Abu Dhabi, Al Ain and Ras Al Khaimah; and Continental Europe with four offices in Berlin, Frankfurt, Istanbul and Prague. Our former operation in Moscow was sold after the year end.

We are primarily focused in the mixed-use commercial property markets including offices, hotels, retail shops and malls, specialist industrial and larger residential schemes. Our Clients, therefore, are: Institutional Investors such as large insurance companies and finance houses; private development companies who are the upper tier in the markets in which we operate and; construction companies who require our services during the site phases of project delivery.

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

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

The Continental European operations are all separately managed by local directors (with main board oversight), operating through wholly owned subsidiaries, associates, joint ventures and, a Licensee structure. The services offered are consistent with the other two hubs. Entities within this hub provide additional drawing services to the larger operations in order to optimise both local and group resources.

All operations cover new buildings, refurbishments and historical properties for conversion or repurposing.

As a Group we now have a total average full time equivalent ("FTE") staff contingent of 305 (2018: 330). We are ranked by professional staff in the 2020 World Architecture 100 at number 64 (2018: 67).

In order to provide greater transparency of our underlying trading performance the new segmental analysis separates out Central Costs from operating subsidiary results to show underlying trading pre management charges and, to highlight the full cost of running the Group. Under the previous disclosure Central Costs were weighted towards wholly owned operations, with smaller management charges borne by joint ventures and associates and on whom the Group relied for their contribution in the form of dividend income to cover their associated central cost.

The Board believes that this revised approach to segmental reporting provides shareholders with greater understanding of the relative performances of the geographies that make up the Group and removes inconsistencies in overhead reporting and recovery from each operation.

Therefore all profits figures referred to under Group activities reflect operating profit before management charges, except where noted and not, profit before or after tax.

## Group Activities and performance

Performance in the period shows revenue growing by 7.7% to £15.49m (2018: £14.38m) and revenue before sub consultants rising by £613k to £13.71m (2018: £13.09m). However, costs fell significantly and we achieved a profit of £292k following the loss in 2018 of £2.54m. The segmental analysis shows that each geographic hub either reversed a loss or increased a profit with Central Costs falling in the same period. A financial success all round.

Cost reductions were achieved across expenditure lines. A reduction in our headcount saved £600k during the year and our property costs fell by nearly £500k much of which was due to one-off property relocation costs in the UK in 2018. Finally, we saw a large reduction in other operating expenses following a £440k reduction in bad debt provisions plus £80k of favourable exchange rate gains primarily due to the movement of the GBP:AED exchange rate on intercompany loan balances denominated in AED.

Post tax profit has benefited from a £218k tax credit arising from an R&D tax claim for the two previous years (2016/17 and 2017/18) in the United Kingdom; with the resulting cash being received after the year end. Whilst future tax credits have yet to be established we believe that similar tax credits should be available in the future.

As such our EPS has returned 0.21 pence per share compared to a loss in 2018 of 1.42.

As mentioned earlier, cash improved dramatically by the year end and stood at £1.15m (2018: £710k) which, with the reduction in the long term acquisition loan of a further £228k, resulted in net funds standing at an impressive improvement of £820k (2018: £157k). A large portion of this improvement came from our more systematic collection regime in the Middle East and from general cost savings around the Group.

Total revenues under management were £31.50m (which includes 100% of our joint ventures and associate's revenue) (2018: £31.95m). Of the 305 FTE staff (2018: 330) some 115 FTE staff (2018: 126) are employed by our joint ventures and associate so the income and costs attributable to them are not reflected in the consolidated revenue or expense lines.

## United Kingdom

For the first time in three years revenues rose and ended the year 10.5% higher at £7.45m (2018: £6.74m). This reflects a fairly difficult opening six months but then a gradual improvement as we progressed through the year; with our client portfolio beginning to become more active again. Interestingly, many developers started to shrug off the uncertainty of Brexit and returned to the speculative development market as underlying demand once again outstripped supply, especially in Grade A office space. This trend augurs well for the current year and, of course, represents a good commercial decision with the benefit of hindsight given the UK election result in December 2019. This point is exemplified by the first of our projects to be cancelled (on Friday 17 June 2016) which has now been fully re-instructed as a £50m regional office HQ with planning submitted in early December, before the UK election.

This revenue improvement has been mirrored at the bottom line with the hub's contribution to Group profit reversing a 2018 loss of £965k to a profit of £451k - a £1.42m turnaround in one year. This turnaround figure comprises not only an increase in revenue of £710k but also cost reductions of £706k and reflects our expectation, as reported in the 2018 results, that the lower operating base would only require a small amount of revenue improvement to achieve a profit.

Given the back drop of a decline in revenue in 2018 the projects in 2019 reflected a recovery through much increased levels of new enquiries and an accelerated activity on continuing instructions. Continuing instructions included projects such as Statesman House in Maidenhead for Royal London, a mixed use masterplan; 111 Victoria Street in Bristol for CEG, a 250,000 sq ft speculative office; a number of projects at Cambridge Science Park for Trinity College and a hotel for Village Hotels; Steamhouse at Eastside Locks in Birmingham for Goodman, a faculty building for Birmingham City University, that combines undergraduates, post graduates, entrepreneur start-ups and SME businesses.

Newer commissions included the refurbishment of Asticus building in London's Mayfair for AXA; strategic building studies for Astrea around Berkeley Square in London; Orchard Wharf in East London, a Hybrid architect role for Regal London, a large number of Hybrid feasibilities including studies for Royal London, Travis Perkins, Freshwater, CBRE Global Investment, and others - "beds on sheds" by another name, all around the London boroughs. Interiors enjoyed a number of wins across the capital, including a major West End occupier commercial fit-out shortly after the year end.

Elsewhere our Veretec service offer to other architects and contractors continued to grow with commissions from Multiplex, Skanska, Sir Robert MacAlpine, and the delivery of designs by Stiff & Trevellion, Buckley Grey Yeoman, DSDHA and EDS Avantgarde. In addition we were commissioned by Land Securities, Derwent, and Native Land.

In a more stable market environment, with electoral related uncertainty now resolved, and the Brexit process progressing, we expect the UK market to enter a new development cycle from which we'd expect to benefit.

## Middle East

Revenue rose in the Middle East by £700k (10%) from £6.82m to £7.52m in the period, and costs fell by £410k resulting in an operating profit of £525k (2018: loss £585k). The cost reductions came from all expenditure lines reflecting a concerted effort to streamline the

operations, remove duplicate overhead costs and proactively manage the debtor book. This has all been very successful.

The three operations (Aukett Swanke, John R Harris and Shankland Cox) all had a good order book positions at the outset of the year but they were all impacted by project delays of one sort or another throughout the year. Only when the very large new Samanea Mall in Dubai was finally given the green light was the operation able to start to recover the losses that it incurred in the first half as this project's services of architecture and engineering were spread across all operations.

Major contributors to revenue this year were varied in their type, geographical spread and scale, reflecting the expertise and diverse nature of our Middle Eastern business.

Retail sector commissions included the design and delivery of the 110,000 sq m new build Samanea Market concept for home furnishings in Dubai for the Chinese conglomerate Lesso and, the delivery of a 75,000 sq m Sports Society Mall in Dubai which will be the largest sports mall in the world on completion for Leader. We are continuing the refurbishment of the Al Ain Mall and the extension of another major Shopping Mall in Ras Al Khaimah. Our specialist Hotel skills were further utilised on the refurbishment of the Mercure hotel Dubai - the largest of its brand in the Middle East; continuing work on the 1,555 guestrooms, signature suites and Imperial Club Lounge at Atlantis, The Palm; as well as completing a major refurbishment of the Kempinski Hotel 'Mall of the Emirates' Dubai for Majid Al Futtaim.

Under Client Frameworks were included a number data, technical and retail projects for Du telecom & Etisalat.

The Group has held a long association with cultural and heritage projects in the UAE, such as the World Trade Centre Dubai, and has continued with involvement in the preservation of Sheikh Mohamed Bin Khalifa House and Al Ain Museum in Al Ain and, in Abu Dhabi with the Sir Bani Yas Island Pavilion gateway to the unique nature-based destination alive with wildlife and adventure activities. We have undertaken detailed design, Architect of Record and delivery Services on Shindagha Perfume House a recent addition to the 25 hectare Shindagha Historic District beside Dubai Creek, originally the historic centre of Dubai where the ruling Sheikhs & famous traders lived. Aldar also commissioned the concept designs for several buildings in Abu Dhabi on a site flanked by the Zayed National Museum, Guggenheim and the Louvre. We have been active in varied aspects of design, delivery, Architect of Record and technical evaluation for several pavilions including the UK, USA, KSA and Australia as well as other support facilities for the Expo Dubai 2020.

Lastly and, perhaps the most novel and exciting, was a commission by Miral to design and deliver a new 'Viewing Walkway and Zipwire ride' that will traverse the Ferrari World site on Yas Island Abu Dhabi at over 25m aboveground and pass thrillingly through the roller coaster - this project will be completed by Spring 2020.

With the Middle East market experiencing a tightening of the purse strings we can foresee 2020 being more competitive than 2019, albeit many consultants have shifted their emphasis to Saudi Arabia where there are a number of mega projects. This shift of resources should dilute the price competition that might otherwise ensue.

The outlook for this region remains cautious but we are budgeting an increase in our revenue in the year ahead. Cost management will remain a key focus.

### Continental Europe

This operation comprises one wholly owned subsidiary, two joint ventures and an associate plus a former wholly owned subsidiary in Russia which was wholly owned throughout the year, and post year end operates under a licensee arrangement following its disposal to a local shareholder. Revenue and costs for the partly-owned entities are not included in revenue or costs in the Consolidated Income Statement; in line with the use of the equity method of accounting only the after-tax result is included in Group income statement.

Revenue for the hub (i.e. the Russian and Turkish wholly owned subsidiaries only), declined again, this time by 37% to £516k (2018: £817k). However, the region benefits from total revenues under management of £16.529m (2018: £18.387m) and the hub has built on this greater sum by increasing profitability and making an increased contribution to the Group in the year of £495k (2018: profit £284k). Whilst staff numbers reduced from 132 to 116 the net revenue per FTE technical staff increased by 14.5% to £87k (2018: £76k).

Project completions this year by the Berlin office included the refurbishment and conversion of the Kaufhaus Jandorf in Berlin-Mitte to offices for Mercedes-Benz R&D, the Zoom mixed-use building next to Berlin-Zoo, the Allianz HQ in Berlin-Adlershof and the WinX office tower in Frankfurt, where we were the Executive Architect on all four projects. Other completions include a Premier Inn Hotel in Hamburg and in August 2019 the Campus in a listed heritage electrical sub-station building in Berlin-Kreuzberg sponsored by Google.

In Frankfurt the first phases of the refurbishment of the iconic Messeturm building were completed including some tenant fit-outs, along with a banking sector data centre and the Living Lyon residential building. Other completions include a major insurance group fit-out in Cologne and a rollout of branch offices for Commerzbank in Korbach.

In Prague significant projects are under way including the refurbishment of the Trikaya OC Repy shopping centre, the first phases of the WPP Bubenska HQ and a logistics building extension for DB Schenker which will continue into 2020. New projects are in early design stages for a shopping centre and major office fit-out in Prague, a logistics centre in Ostrava and data centre projects in Romania.

In Turkey a large number of fit-out completions occurred in Istanbul this year for Sanofi, Credit Suisse, Nike, 3M, KPMG and for VM Ware's HQ Project in Sofia, Bulgaria where further expansion phases continue into 2020. Work also started on an architectural project for a large private house in Istanbul.

The Moscow office completed a 20,000 sq m luxury Kosygina residential development, interiors projects for a luxury apartment in Moscow, a Training Centre for Sibur in Tobolsk and a residential complex masterplan for a 40 ha site near Tyumen for Embaevo. The Moscow operation was co-located and transferred into new ownership in October to a Russian National who also owns the Aurora Group, a significant and renowned 100 person strong project management, architecture and engineering practice.

## Group Expenditure

The Group continued to carefully manage the operational costs of the Plc Company during the current year and, as a result, saved around £100k year on year. £80k of this saving came from an advantageous foreign exchange gain, due to the movement of the GBP:AED exchange rate on intercompany loan balances denominated in AED.

## Shareholder base

For a small cap company our shareholder register is large with around 2,200 individual shareholders, many with extremely small holdings. This results in disproportionate costs whenever we need to convene shareholder meetings.

Around 50% (1,100) of the shareholder register, by number, hold, in aggregate, under 2% (c.3m shares) of the total equity which, at the current market price of 1.95 pence per share has a value of c. £65,000, an average value of just £59 each.

For some time the Board has been considering a capital reorganisation to make the register more manageable and to rebase the share price at new level. At an appropriate moment the Board will put proposals to shareholders to implement such action.

### Summary, Group Prospects and Shareholder Value

The action we have taken over the past two years to reduce costs and focus on known income streams in each operation has borne fruit in this set of results. This has especially been the case in the Middle East and the UK. As a result 2019 was a far better year than 2018. Looking forward we can see greater stability in all of our operations, despite the vagaries of both the political and economic environment in which we operate. We hope to build on our current recovery and expect to grow our profit level in 2020.

Nicholas Thompson
Chief Executive Officer

Antony Barkwith
Group Finance Director

29 January 2020

## Consolidated income statement

For the year ended 30 September 2019

| | Note | 2019 £'000 | As Restated 2018 £'000 |
|---|---|---|---|
| Revenue | 2 | 15,492 | 14,380 |
| Sub consultant costs | | (1,781) | (1,286) |
| Revenue less sub consultant costs | 2 | 13,711 | 13,094 |
| Personnel related costs | | (11,294) | (11,915) |
| Property related costs | | (1,542) | (2,029) |
| Other operating expenses | | (1,294) | (2,062) |
| Other operating income | | 371 | 287 |
| Operating loss | | (48) | (2,625) |
| Finance costs | | (42) | (40) |
| Loss after finance costs | | (90) | (2,655) |
| Share of results of associate and joint ventures | | 382 | 121 |
| Profit/(loss) before tax | | 292 | (2,544) |
| Tax credit | | 40 | 171 |
| Profit/(loss) for the year | 2 | 332 | (2,373) |

| | | | |
|---|---|---|---|
| Profit/(loss) attributable to: | | | |
| Owners of Aukett Swanke Group Plc | | 346 | (2,345) |
| Non-controlling interests | | (14) | (28) |
| | | 332 | (2,373) |
| Basic and diluted earnings per share for loss attributable to the ordinary equity holders of the Company: | | | |
| From continuing operations | | 0.21p | (1.42)p |
| Total profit/(loss) per share | 3 | 0.21p | (1.42)p |

## Consolidated statement of comprehensive income

For the year ended 30 September 2019

| | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Profit/(loss) for the year | 332 | (2,373) |
| Currency translation differences | 46 | (31) |
| Other comprehensive profit/(loss) for the year | 46 | (31) |
| Total comprehensive profit/(loss) for the year | 378 | (2,404) |
| Total comprehensive profit/(loss) for the year is attributable to: | | |
| Owners of Aukett Swanke Group Plc | 392 | (2,370) |
| Non-controlling interests | (14) | (34) |
| | 378 | (2,404) |

## Consolidated statement of financial position

At 30 September 2019

| | Note | 2019<br>£'000 | As Restated<br>2018<br>£'000 |
|---|---|---|---|
| Non current assets | | | |
| Goodwill | | 2,412 | 2,372 |
| Other intangible assets | | 762 | 810 |
| Property, plant and equipment | | 590 | 434 |

| | | |
|---|---|---|
| Investment in associate | 711 | 545 |
| Investments in joint ventures | 277 | 248 |
| Deferred tax | 193 | 377 |
| Total non current assets | 4,945 | 4,786 |
| | | |
| Current assets | | |
| Trade and other receivables | 4,904 | 4,554 |
| Contract assets (2018: IAS 18 accrued income) | 663 | 1,220 |
| Cash at bank and in hand | 1,145 | 710 |
| Total current assets | 6,712 | 6,484 |
| | | |
| Total assets | 11,657 | 11,270 |
| | | |
| Current liabilities | | |
| Trade and other payables | (4,528) | (4,392) |
| Contract liabilities (2018: IAS 18 deferred income) | (836) | (886) |
| Current tax | - | (1) |
| Borrowings | (331) | (308) |
| Total current liabilities | (5,695) | (5,587) |
| | | |
| Non current liabilities | | |
| Borrowings | (272) | (559) |
| Deferred tax | (53) | (61) |
| Provisions | (1,123) | (927) |
| Total non current liabilities | (1,448) | (1,547) |
| | | |
| Total liabilities | (7,143) | (7,134) |
| | | |
| Net assets | 4,514 | 4,136 |
| | | |
| Capital and reserves | | |
| Share capital | 1,652 | 1,652 |
| Merger reserve | 1,176 | 1,176 |
| Foreign currency translation reserve | 22 | (24) |
| Retained earnings | 37 | (309) |
| Other distributable reserve | 1,494 | 1,494 |
| Total equity attributable to equity holders of the Company | 4,381 | 3,989 |
| | | |
| Non-controlling interests | 133 | 147 |
| Total equity | 4,514 | 4,136 |

## Consolidated statement of cash flows

For the year ended 30 September 2018

| | Note | 2019 £'000 | As restated 2018 £'000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash generated from operations | 4 | 647 | 10 |
| Interest paid | | (42) | (40) |
| Income taxes paid | | (1) | - |
| Net cash inflow / (outflow) from operating activities | | 604 | (30) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (90) | (79) |
| Sale of property, plant and equipment | | 2 | 26 |
| Dividends received | | 186 | 99 |
| Net cash received in investing activities | | 98 | 46 |
| Net cash inflow before financing activities | | 702 | 16 |
| Cash flows from financing activities | | | |
| Payments of lease liabilities | | (36) | (17) |
| Repayment of bank loans | | (250) | (236) |
| Net cash outflow from financing activities | | (286) | (253) |
| Net change in cash and cash equivalents | | 416 | (237) |
| Cash and cash equivalents at start of year | | 710 | 960 |
| Currency translation differences | | 19 | (13) |
| Cash and cash equivalents at end of year | | 1,145 | 710 |
| *Cash and cash equivalents are comprised of:* | | | |
| Cash at bank and in hand | | 1,145 | 710 |
| Cash and cash equivalents at end of year | | 1,145 | 710 |

## Consolidated statement of changes in equity

For the year ended 30 September 2019

| | Share capital | Foreign currency translation reserve | Retained earnings | Other distributable reserve | Merger reserve | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 30 September 2017 | 1,652 | 8 | 2250 | 1,494 | 1,176 | 6,580 | 181 | 6,761 |
| Loss for the year | - | - | (2,345) | - | - | (2,345) | (28) | (2,373) |
| Other comprehensive income | - | (25) | - | - | - | (25) | (6) | (31) |
| Total comprehensive income | - | (25) | (2,345) | - | - | (2,370) | (34) | (2,404) |
| Balance at 30 September 2018 as originally presented | 1,652 | (17) | (95) | 1,494 | 1,176 | 4,210 | 147 | 4,357 |
| Changes in accounting policy | | (7) | (214) | - | - | (221) | - | (221) |
| Restated total equity at 1 October 2018 | 1,652 | (24) | (309) | 1,494 | 1,176 | 3,989 | 147 | 4,136 |
| Profit for the year | - | - | 346 | - | - | 346 | (14) | 332 |
| Other comprehensive income | - | 46 | - | - | - | 46 | - | 46 |
| Total comprehensive income | - | 46 | 346 | - | - | 392 | (14) | 378 |
| At 30 September 2019 | 1,652 | 22 | 37 | 1,494 | 1,176 | 4,381 | 133 | 4,514 |

# Notes to the audited final results

### 1 Basis of preparation

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

### 2 Operating segments

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

operation undertaking each project.

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

**Income statement segment information**

| Segment revenue | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| United Kingdom | 7,454 | 6,744 |
| Middle East | 7,522 | 6,819 |
| Continental Europe | 516 | 817 |
| Revenue | 15,492 | 14,380 |

| Segment revenue less sub consultant costs | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| United Kingdom | 7,379 | 6,610 |
| Middle East | 5,900 | 5,852 |
| Continental Europe | 432 | 632 |
| Revenue less sub consultant costs | 13,711 | 13,094 |

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

| 2018 Segment result | Before goodwill and acquisition adjustments<br>£'000 | Fair value gains on deferred consideration and acquisition settlement<br>£'000 | Sub-total<br>£'000 | Reallocation of group management charges<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|
| United Kingdom | (1,505) | - | (1,505) | 540 | (965) |
| Middle East | (1,336) | 127 | (1,209) | 624 | (585) |
| Continental Europe | 131 | - | 131 | 153 | 284 |
| Group costs | 39 | - | 39 | (1,317) | (1,278) |
| Loss before tax | (2,671) | 127 | (2,544) | - | 2,544 |

## 3 Earnings per share

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

| Earnings | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Continuing operations | 346 | (2,345) |
| Profit/(loss) for the year | 346 | (2,345) |

| **Number of shares** | 2019<br>Number | 2018<br>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 | 165,213,562 |

## 4 Cash generated from operations

| **Group** | 2019<br>£'000 | As restated<br>2018<br>£'000 |
|---|---|---|
| Profit/(Loss) before tax - continuing operations | 292 | (2,544) |
| Finance costs | 42 | 40 |
| Share of results of associate and joint ventures | (382) | (121) |
| Intangible amortisation | 81 | 80 |
| Depreciation | 150 | 178 |
| Profit on disposal of property, plant & equipment | (3) | (14) |
| Decrease in trade and other receivables | 425 | 1,952 |
| Increase in trade and other payables | 86 | 586 |
| Change in provisions | (68) | (117) |
| Unrealised foreign exchange differences | 24 | (30) |
| Net cash generated from operations | 647 | 10 |

## 5 Analysis of net funds

| **Group** | 2019<br>£'000 | 2018<br>£'000 |
|---|---|---|
| Cash at bank and in hand | 1,145 | 710 |
| Cash and cash equivalents | 1,145 | 710 |
| Secured bank loan | (325) | (553) |
| Net funds | 820 | 157 |

## 6 Status of final audited results

This announcement of final audited results was approved by the Board of Directors on 29 January 2020.

The financial information presented in this announcement has been extracted from the Group's audited statutory accounts for the year ended 30 September 2019 which will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditor's report on these accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

Statutory accounts for the year ended 30 September 2018 have been delivered to the registrar of companies and the auditors' report on these accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

The financial information presented in this announcement of final audited results does not constitute the Group's statutory accounts for the year ended 30 September 2019.

## 7 Annual General Meeting

The Annual General Meeting will be held at 12.00pm on Thursday 26 March 2020 at 10 Bonhill Street, London, EC2A 4PE.

## 8 Annual report and accounts

Copies of the 2019 audited accounts will be available today on the Company's website (www.aukettswanke.com) for the purposes of AIM rule 26 and will be posted to shareholders who have elected to receive a printed version in due course.

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