

**Aukett Swanke Group Plc**  
**Interim results**  
**For the six months ended 31 March 2021**

Aukett Swanke Group Plc (the "Group"), the international practice of architects, interior designers and engineers, is pleased to announce its interim results for the six-month period ended 31 March 2021.

**Highlights**

The Group's most recent 12 months of trading has occurred during the COVID-19 pandemic.

Extract	H1/2021 £000	H2/2020 £000	
Revenue less sub consultant costs	4,139	4,476	fall of 7.5%
Operating costs	5,178	4,959	rise of 4.4%
Operating loss	(1,039)	(483)	
Loss before tax	(1,017)	(182)	
Net Funds	201	837	

Before management charges the UK & UAE made reported losses while Continental Europe maintained its profitability.

UK wrote £6.0m of new orders and Berlin €4.0m in H1/2021 (fees net of subconsultant costs).

Banking facilities increased from £500k to £1m in May 2021.

Commenting on the interim results, CEO Nicholas Thompson said:

*"These results show the full impact of the uncertainties created by COVID-19 in the form of project delays and deferrals.*

*Action taken during the period under review, and subsequently, has provided additional support to our business model and should improve our financial performance. However, this is unlikely to come soon enough to avoid reporting a loss for the year as a whole."*

**Enquiries**

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## **Interim statement**

### **Overview**

Any meaningful analysis of these results needs to look behind the figures and at the impact of COVID-19.

The building process takes several years from inspiration to occupation with the result standing for decades. During the formative stage any economic or political uncertainty, and now, pandemic uncertainty, leads to decision makers waiting for such uncertainty to play itself out. This is an industry wide phenomenon and has both the inevitability of the process taking longer but also the consequential pressure on margins as fewer contracts are available to the consultant market, which remains undiminished.

It is against this backdrop that the results for the first six months need to be judged.

Having said this, we continue to win work and two of our operations have successfully written a significant amount of new business that is spread over the next three years. Our focus continues to be on maintaining a resilient and viable commercial operation at minimal cost and within our financing capability.

### **Group Results**

Group revenues fell to £5.28m, some £2.1m lower than in the same period in 2020. However, revenue less sub consultant costs at £4.14m was only 7.5% (£337k) lower than in H2/2020. It is this reduced level that allowed us to control staff costs in anticipation of project conversions or further instructions. Although such new work did not happen in the volumes hoped in the period under review and therefore resulted in a deeper loss, the capacity of the group businesses has been preserved.

To have a value going forward it was key to preserve a critical mass in each business.

### **United Kingdom**

Revenues were down 16% at £3.44m (2020: £4.09m) but higher than H2/2020 due to the inclusion of a larger amount of pass through income which is offset by matching sub consultant costs. Revenue net of sub consultant costs at £2.59m was some £313k lower than in H2/2020. This, along with fewer staff being put on furlough so as to support bid opportunities, and a one-off cost in respect of R&D tax credits of £72k, resulted in losses before tax (and before management charges) increasing from £97k in H2/2020 to £567k in H1/2021. We had a reasonable expectation of some growth in H1/2021 but that did not materialise in full and, therefore, much time was spent on bidding for new projects – some successfully – but insufficient in number.

The resulting loss of £567k (2020: profit £311k) before management charges reflects a significant reduction in revenue of £1.5m (£2.59m vs £4.09m in the prior year), of which just under half was mitigated by cost reductions.

The main beneficiary in H1 from the rebound in activity levels was our executive architecture arm, Veretec, which won a small number of large projects and secured its financial position with two major wins and one continuing instruction. Firstly, a new 470 residential apartment block at Vulcan Wharf for London Square and the second for a major pharmaceutical refurbishment project in Surrey for UCB with Heatherwick Studio as design lead. In addition, a large West End project that had stalled, re-commenced earlier than expected in H1. The Veretec business is expected to perform better in H2 this year and into next year based on its strong order book.

The design business has seen an increase in market opportunities but has also seen an even greater incidence of price competition. There have also been continuing delays in passing through project gateways. This situation could all turn on a very small number of positive decisions in our favour, but until then we continue to hold our staffing structure and hence our cost base. This has been alleviated, to a reducing extent, through some marginal use of the government furlough scheme.

The main contract wins in the half year included De Beers and an instruction to move our £60m EQ building in Bristol to the site phase. We also commenced a number of hybrid building feasibilities and pre applications.

The combination of these new project wins generates £6m in fees of which £4.8m will be recognised in future periods.

As with many companies we have not fully returned to the office since March 2020, and we are now considering how we can more economically utilise this space and the available occupancy options with a view to lowering this high fixed cost.

### **Middle East**

The impact of lockdown and consequently restrictions and a general reduction in market activity impacted revenues levels with H1 falling 50% from last year to £1.58m (2020: £3.14m). Fortunately, the ongoing re-structuring exercise, involving fewer Licenses and consequent reduced overhead costs contributed to a 45% fall in costs, which did, almost, but not quite, offset the revenue decline. The net result before management charges is a loss of £79k (2020: Profit £103k).

During the first half we saw the closing out of five major projects, and these being replaced by two school instructions (one new client) and three luxury residential villas at Jumeriah Park, three delivery projects in Saudi Arabia and a project in Cairo for a Dubai Developer, as well as a number of Dubai Expo projects. Currently the largest new project is on hold and this may impact the full year result this year. Under framework contracts we continue to roll out a programme for Etisalat which comprises 28 projects this year and a framework for Du telecom.

### **Continental Europe**

The performance of our businesses in Continental Europe was positive in the 6 months to 31 March 2021. Our single wholly owned subsidiary increased revenues to £258k (2020: £147k). However, profit before central costs fell slightly to £227k (2020: £247k) – with all joint ventures and associates producing positive results.

The Turkish operation has continued the success of the previous year completing interior fit-out projects for significant corporate clients, several being repeat commissions to provide new COVID-19 compliant workplaces including Google, Allianz and VM Ware. New projects include interior fitouts for LC Waikiki, the HQ for Vakifbank and architectural projects for a private villa, a hotel and an office extension in Istanbul.

The associate and joint venture operations in Berlin and Frankfurt have enjoyed relatively stable market conditions. Completions by the Berlin studio include the Haus an der Dahme apartment building, the design for the refurbishment of the Bahn Tower at the Sony Centre. The Edge Tower, set to become the tallest building in Berlin and pre-let to Amazon, has started on site. The Frankfurt studio continues to complete phased refurbishments of the iconic MesseTurm building including interior fitouts for incoming and existing tenants including D&G, Tata and an American bank.

Following a significant market downturn in the Czech Republic during the latter part of 2020, and with no new opportunities forthcoming our Prague office permanently ceased trading having completed work on the Churchill Residences and projects for WPP and Exxon Mobil.

The Moscow operation completed several concept designs for mixed use projects in Moscow and the regions, including collaborations with the London studio on a significant education centre and a private residence project in Moscow.

The Moscow operation is continuing to make a positive contribution to the Group results.

### **Group costs**

Our central costs increased by £73k to £598k (2020: £525k) due primarily to £71k of foreign exchange losses occasioned by the strengthening of sterling.

### **Goodwill and other intangible assets**

Management have reviewed and considered performance of all aspects of the business. Materially, the loss in the period has been caused by short-term trading volatility and slow development of the pipeline for the FY21 due to COVID-19 uncertainty.

Management have considered the long-term cash flows and prospects of the Group, and as a result of this have concluded that the value in use models prepared as at 30 September 2020 in support of goodwill and intangible asset valuation remain viable and therefore that no impairment is considered to be required as a result.

### **Funding and Going Concern**

At times of uncertainty cash management is key.

Cash balances at the period end were £76k greater than the corresponding period in 2020 despite repaying more than £100k of the term loan taken out to fund the purchase of our UAE businesses in 2016, which will be paid in full in July 2021. Net funds of £201k were therefore £212k higher than in March 2020.

Since the period end, we have secured additional funding by way of £500k from the Coronavirus Business Interruption Loan Scheme ("CBILS"), which is in addition to the current bank overdraft facility of £500,000.

This CBILS facility provides additional headroom whilst we navigate our way through the payments that were deferred from 2020 (VAT, rent and some other overheads costs). The arrangement fees for this loan and the first year of interest is paid for by the UK Government and the funds will mainly be used instead of the current bank overdraft facility as and when it is necessary. The loan has a duration of three years with interest at 4.05% over the Coutts base rate (currently 0.1%) in years two and three. We expect to repay the CBILS loan before the expiry of the term.

The cash management actions taken to date, plus the extended facilities, allow the Board to continue to use the going concern basis of accounting for these interim results.

### **Prospects**

Not all of the group's issues can be attributed to COVID-19, however it is our number one concern.

While we cannot predict with any confidence when things will improve, we firmly believe that they will, and we now have the funding in place to help us bridge the time frame between today's market activity levels and the levels that we expect to return in the period ahead.

Nicholas Thompson  
Chief Executive Officer  
28 June 2021

## Consolidated income statement

For the six months ended 31 March 2021

	Note	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
Revenue	3	5,280	7,375	12,166
Sub consultant costs		(1,141)	(515)	(830)
Revenue less sub consultant costs		4,139	6,860	11,336
Personnel related costs		(3,997)	(5,430)	(9,600)
Property related costs		(639)	(650)	(1,295)
Other operating expenses		(732)	(867)	(1,324)
Other operating income	4	190	142	455
Operating (loss) / profit		(1,039)	55	(428)
Finance costs		(49)	(78)	(112)
Loss after finance costs		(1,088)	(23)	(540)
Gain on disposal of subsidiary		-	53	52
Share of results of associate and joint ventures		71	106	442
(Loss) / profit before tax	3	(1,017)	136	(46)
Tax credit / (charge)		409	(34)	26
(Loss) / profit for the period		(608)	102	(20)
(Loss) / profit attributable to:				
Owners of Aukett Swanke Group Plc		(603)	96	5
Non-controlling interests		(5)	6	(25)
(Loss) / profit for the period		(608)	102	(20)
Basic and diluted earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:				
From continuing operations		(0.36p)	0.06p	0.00p
Total (loss) / profit per share	5	(0.36p)	0.06p	0.00p

## Consolidated statement of comprehensive income

For the six months ended 31 March 2021

	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
(Loss) / profit for the period	(608)	102	(20)
Other comprehensive income:			
Currency translation differences	(163)	4	(38)
Other comprehensive income for the period	(163)	4	(38)
Total comprehensive (loss) / profit for the period	(771)	106	(58)
Total comprehensive profit / (loss) is attributable to:			
Owners of Aukett Swanke Group Plc	(762)	100	(33)
Non-controlling interests	(9)	6	(25)
Total comprehensive (loss) / profit for the period	(771)	106	(58)

# Consolidated statement of financial position

At 31 March 2021

	Note	Unaudited at 31 March 2021 £'000	Unaudited at 31 March 2020 £'000	Audited at 30 September 2020 £'000
<b>Non current assets</b>				
Goodwill		2,349	2,403	2,392
Other intangible assets		593	714	653
Property, plant and equipment		205	314	272
Right-of-use assets		2,737	2,882	2,929
Investment in associate and joint ventures		779	1,009	1,244
Deferred tax		259	155	214
<b>Total non current assets</b>		<b>6,922</b>	<b>7,477</b>	<b>7,704</b>
<b>Current assets</b>				
Trade and other receivables		4,303	5,157	3,527
Contract assets		911	716	628
Current tax		362	-	-
Cash at bank and in hand	7	591	315	992
<b>Total current assets</b>		<b>6,167</b>	<b>6,188</b>	<b>5,147</b>
<b>Total assets</b>		<b>13,089</b>	<b>13,665</b>	<b>12,851</b>
<b>Current liabilities</b>				
Trade and other payables		(4,249)	(3,194)	(3,333)
Contract liabilities		(797)	(1,012)	(606)
Borrowings	7	(390)	(326)	(155)
Lease liabilities		(539)	(537)	(539)
<b>Total current liabilities</b>		<b>(5,975)</b>	<b>(5,069)</b>	<b>(4,633)</b>
<b>Non current liabilities</b>				
Lease liabilities		(2,578)	(3,099)	(2,805)
Deferred tax		(44)	(48)	(47)
Provisions		(889)	(865)	(992)
<b>Total non current liabilities</b>		<b>(3,511)</b>	<b>(4,012)</b>	<b>(3,844)</b>
<b>Total liabilities</b>		<b>(9,486)</b>	<b>(9,081)</b>	<b>(8,477)</b>
<b>Net assets</b>		<b>3,603</b>	<b>4,584</b>	<b>4,374</b>
<b>Capital and reserves</b>				
Share capital		1,652	1,652	1,652
Merger reserve		1,176	1,176	1,176
Foreign currency translation reserve		(175)	26	(16)
Retained earnings		(562)	97	41
Other distributable reserve		1,494	1,494	1,494
<b>Total equity attributable to equity holders of the Company</b>		<b>3,585</b>	<b>4,445</b>	<b>4,347</b>
Non-controlling interests		18	139	27
<b>Total equity</b>		<b>3,603</b>	<b>4,584</b>	<b>4,374</b>

## Consolidated statement of cash flows

For the six months ended 31 March 2021

	Note	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
<b>Cash flows from operating activities</b>				
Cash (expended by) / generated from operations	6	(659)	(836)	151
Interest paid		(49)	(15)	(9)
Income taxes credits (paid) / received		(1)	218	218
Net cash (outflow) / inflow from operating activities		(709)	(633)	360
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(2)	(214)	(245)
Sale of property, plant and equipment		-	-	16
Payment for acquisition of subsidiary		(100)	-	-
Dividends received		472	86	211
Net cash received / (paid) in investing activities		370	(128)	(18)
Net cash (outflow) / inflow before financing activities		(339)	(761)	342
<b>Cash flows from financing activities</b>				
Payments of lease liabilities		(226)	(34)	(314)
Repayment of bank loans		(97)	(123)	(154)
Net cash outflow from financing activities		(323)	(157)	(468)
Net change in cash and cash equivalents		(662)	(918)	(126)
Cash and cash equivalents at start of period		992	1,145	1,145
Currency translation differences		(71)	(44)	(27)
Cash and cash equivalents at end of period	7	259	183	992
<i>Cash and cash equivalents are comprised of:</i>				
Cash at bank and in hand		591	315	992
Secured bank overdrafts		(332)	(132)	-
Cash and cash equivalents at end of year		259	183	992



## Consolidated statement of changes in equity

For the six months ended 31 March 2021

	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 period	-	-	(603)	-	-	(603)	(5)	(608)
Other comprehensive income	-	(159)	-	-	-	(159)	(4)	(163)
Total comprehensive loss	-	(159)	(603)	-	-	(762)	(9)	(771)
At 31 March 2021	1,652	(175)	(562)	1,494	1,176	3,585	18	3,603

For the six months ended 31 March 2020

	Share capital	Foreign currency translation reserve	Retained earnings	Other distributable reserve	Merger reserve	Total	Non controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 September 2019 as originally presented	1,652	22	37	1,494	1,176	4,381	133	4,514
Effect of adoption of IFRS16 *	-	-	(36)	-	-	(36)	-	(36)
Restated total equity at 1 October 2019	1,652	22	1	1,494	1,176	4,345	133	4,478
Profit for the period	-	-	96	-	-	96	6	102
Other comprehensive income	-	4	-	-	-	4	-	4
Total comprehensive profit	-	4	96	-	-	100	6	106
At 31 March 2020	1,652	26	97	1,494	1,176	4,445	139	4,584

## Consolidated statement of changes in equity (continued)

For the year ended 30 September 2020

	Share capital	Foreign currency translation reserve	Retained earnings	Other distributable reserve	Merger reserve	Total	Non controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 September 2019 as originally presented	1,652	22	37	1,494	1,176	4,381	133	4,514
Effect of adoption of IFRS16 *	-	-	(1)	-	-	(1)	-	(1)
Restated total equity at 1 October 2019	1,652	22	36	1,494	1,176	4,380	133	4,513
Profit for the period	-	-	5	-	-	5	(25)	(20)
Acquisition of minority interest	-	-	-	-	-	-	(81)	(81)
Other comprehensive income	-	(38)	-	-	-	(38)	-	(38)
Total comprehensive profit	-	(38)	5	-	-	(33)	(106)	(139)
At 30 September 2020	1,652	(16)	41	1,494	1,176	4,347	27	4,374

\* Effect of adoption of IFRS16: The restatement of retained earnings on adoption of IFRS16 being (£36k) per the interim statements as at 31 March 2020 was revised down to (£1k) on completion of the 30 September 2020 audited financial statements. This was due to a change in the assumption of the Groups' incremental borrowing rate at the date of initial application.

# Notes to the Interim Report

## **1 Basis of preparation**

The financial information presented in this Interim Report has been prepared in accordance with the recognition and measurement principles of international accounting standards in conformity with the requirements of the Companies Act 2006 that are expected to be applicable to the financial statements for the year ending 30 September 2021 and on the basis of the accounting policies expected to be used in those financial statements.

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

A number of new or amended standards and interpretations to existing standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### 3 Operating segments

The Group comprises a single business segment and three separately reportable geographical segments (together with a Group costs segment). Geographical segments are based on the location of the operation undertaking each project. Turkey (and Russia in the comparative periods) are included within Continental Europe together with Germany and the Czech Republic.

<b>Segment revenue</b>	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
United Kingdom	3,441	4,093	7,106
Middle East	1,581	3,135	4,823
Continental Europe	258	147	237
<b>Total</b>	<b>5,280</b>	<b>7,375</b>	<b>12,166</b>

<b>Segment revenue less sub consultant costs</b>	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
United Kingdom	2,591	4,086	6,990
Middle East	1,352	2,627	4,122
Continental Europe	196	147	224
<b>Total</b>	<b>4,139</b>	<b>6,860</b>	<b>11,336</b>

<b>Segment result before tax</b>	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
United Kingdom	(837)	41	(282)
Middle East	(280)	(165)	(472)
Continental Europe	121	179	511
Group costs	(21)	81	197
<b>Total (loss)/profit</b>	<b>(1,017)</b>	<b>136</b>	<b>(46)</b>

<b>Segment result before tax (before reallocation of group management charges)</b>	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
United Kingdom	(567)	311	214
Middle East	(79)	103	(23)
Continental Europe	227	247	657
Group costs	(598)	(525)	(894)
<b>Total (loss)/profit</b>	<b>(1,017)</b>	<b>136</b>	<b>(46)</b>

#### 4 Other operating income

	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
Property rental income	79	78	148
Management charges to associate and joint ventures	65	54	122
Government grants (UK furlough scheme)	42	-	158
Licence fee income	2	1	-
Other sundry income	2	9	27
<b>Total other operating income</b>	<b>190</b>	<b>142</b>	<b>455</b>

#### 5 Earnings per share

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

<b>Earnings</b>	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
(Loss) / profit for the period	(603)	96	5
<b>Number of shares</b>	Unaudited six months to 31 March 2021 '000	Unaudited six months to 31 March 2020 '000	Audited year to 30 September 2020 '000
Weighted average number of shares	165,214	165,214	165,214
Effect of dilutive options	-	-	-
<b>Diluted weighted average number of shares</b>	<b>165,214</b>	<b>165,214</b>	<b>165,214</b>

#### 6 Reconciliation of profit before tax to net cash from operations

	Unaudited six months to 31 March 2021 £'000	Unaudited six months to 31 March 2020 £'000	Audited year to 30 September 2020 £'000
(Loss) / profit before tax – continuing operations	(1,017)	136	(46)
Finance costs	49	78	112
Share of results of associate and joint ventures	(71)	(106)	(442)
Intangible amortisation	32	40	79
Depreciation	63	24	74
Amortisation of right-of-use assets	192	135	340
Profit on disposal of property, plant and equipment	(1)	(2)	-
(Increase) / decrease in trade and other receivables	(976)	(500)	989
Increase / (decrease) in trade and other payables	1,207	(605)	(794)
Change in provisions	(52)	(38)	(79)
Unrealised foreign exchange differences	(85)	2	(82)
<b>Net cash (expended by) / generated from operations</b>	<b>(659)</b>	<b>(836)</b>	<b>151</b>

## 7 Analysis of net funds

	Unaudited at 31 March 2021 £'000	Unaudited at 31 March 2020 £'000	Audited at 30 September 2020 £'000
Cash at bank and in hand	591	315	992
Secured bank overdrafts	(332)	(132)	-
Cash and cash equivalents	259	183	992
Secured bank loan	(58)	(194)	(155)
Net funds/(debt)	201	(11)	837

## 8 Status of Interim Report

The Interim Report covers the six months ended 31 March 2021 and was approved by the Board of Directors on 28 June 2021. The Interim Report is unaudited.

The interim condensed set of consolidated financial statements in the Interim Report are not statutory accounts as defined by Section 434 of the Companies Act 2006.

Comparative figures for the year ended 30 September 2020 have been extracted from the statutory accounts of the Group for that period.

The statutory accounts for the year ended 30 September 2020 have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report thereon was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying the report, and did not contain a statement under Section 498 of the Companies Act 2006. The audit report did draw attention to the Directors' assessment of going concern, indicating that a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. The audit report was not modified in respect of this matter.

## 9 Further information

An electronic version of the Interim Report will be available on the Group's website ([www.aukettswankeplc.com](http://www.aukettswankeplc.com)).