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Aukett Swanke Group PLC
28 June 2024

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Aukett Swanke Group Plc

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

Interim results
For the six months ended 31 March 2024

Aukett Swanke (AIM: AUK), the Architecture and Smart Buildings Group, announces its interim results for the six-month period ended 31 March 2024.

Highlights

- Revenue from continuing operations increases to £9.45m (2023: £4.56m)
- Trading loss for the period increases to £0.81m (2023 loss: £0.29m)
- Property disposal related non-cash provision of £0.59m
- Post tax loss of £1.32m (2023 post tax loss: £0.48m)
- Ranked 40th largest firm by number of UK architects (2023: 48th) in the AJ100
- Acquisition of ecoDriver to bring proprietary software and exposure to energy efficiency markets
- Acquisition of Vanti just before period end expands Smart Buildings strategy and brings further software assets and a well regarded Master Systems Integration brand.

Post period

- Stronger second half underway
- First commercial order received for licence of enterprise version of Smart Core, Vanti's building operating system software
- Annual cost reductions in excess of £1m being implemented
- Terms agreed for disposal of freehold property to broadly eliminate net debt.

Commenting, Chief Executive Nick Clark said,

"While the first half results are disappointing, reflecting moderately slower trading in all areas, we expect a better performance in the second half, although expect to report a full year loss.

"Steps are underway to remove in excess of £1 million from the annual cost base, with the agreed sale of the freehold building significantly reducing our interest costs from September 2024 following repayment of the associated mortgage.

"Ultimately though, we need to continue our move to a more scalable and more predictable revenue model. I am confident that in time the acquisition of Vanti, which occurred towards the end of the period under review, will come to be seen as a being of particular importance in the creation of long-term value for Shareholders."

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An electronic version of the Interim Report will be available shortly on the Group's website (www.aukettswankeplc.com).

Chairman's Statement

Introduction

These interim results demonstrate the need to accelerate the Group's move towards becoming a leading player in the provision of Smart Buildings services, and the pitfalls of the traditional architecture and system integration models with their high fixed costs and unpredictable project-based income streams.

The loss recorded for the six months ended 31 March 2024 is largely the result of delays to the start dates for a number of confirmed architecture projects, the seasonality of the TFG Stage Technology business and the limited contribution in the period under review from the completed Smart Building acquisitions. Each are covered in more detail in the Chief Executive's report.

Business model

The financial impact of the delays to a number of our architecture projects and the reliance on continually replacing completed projects in other parts of the Group demonstrates the need to move away from a high fixed cost business model based with little or no recurring income and towards a model with higher margins and without the need to continually increase our cost base to grow.

We believe the Smart Buildings strategy set out in previous reports is the way forward, combining the strengths of the Group's architecture heritage with moving more to a software based revenue model, generating income over the lifetime of a building as well as during its construction.

That said, it is not all doom and gloom in our more established businesses. Our executive architecture business Veretec has grown sharply in recent months, with turnover and staffing at record levels. At our architectural design business, Aukett Swanke Limited, despite a poor start to the financial year, a significant recent contract win and a reduction of the cost base will help get them back on track. Other of our established businesses are seasonal with the summer months accounting for a large portion of the year's revenue.

Smart Buildings acquisitions

To date we have completed four Smart Buildings acquisitions, TFG, ecoDriver, Anders + Kern and Vanti. It is the last of these, Vanti, which completed in March 2024, that has added the greatest substance to our Smart Buildings capabilities. Although only a few months has passed since its acquisition all the indications are that it should be a major step forward in moving to the business model we need.

Funding

Inevitably, the first half loss has increased the pressure on the Group's funding at a period where we are looking to continue to expand. In that regard we are fortunate to have untapped value in the Group's freehold building. The agreed sale before the financial year end of the freehold building and new debt facilities will assist with the transition to a more predictable and scalable revenue model.

Employee ownership

We are pleased that approximately 40% of the Group's employees have purchased the Company's shares under the recently introduced share schemes.

Outlook

We expect a better second half of the financial year, though it is too early to predict how much of the first half loss will be reversed. The cost reductions being implemented and the recent contract wins give us confidence that the following financial year will be more rewarding on all fronts.

Clive Carver
Non-executive Chairman
27 June 2024

Chief Executive's report

Introduction

While we have made good progress in our ambition to become a leading provider of Smart Buildings services, these are undoubtedly a disappointing set of results. Our established businesses all performed at levels lower than expected. Additionally, while the sale of the freehold building is a positive outcome, it requires a non-cash provision to the Profit & Loss account of £0.59 million against its previous accounting valuation.

Trading

UK Architecture

In our UK Architecture segment in the period under review our two businesses had differing fortunes.

Veretec's growth has been the key driver behind our group's rise to 40th place in the AJ100 list of the largest architectural

Veretec's growth has been the key driver behind our group's rise to 40th place in the AJ100 list of the largest architectural practices in the UK. We are confident the Veretec model has an important role to play in the industry and should produce attractive returns over the longer term. ASL is reducing headcount to get its cost base right, and has achieved some key contract wins in the past month or so, which include smart building consultancy work for architecture clients, starting to show the potential of the new model.

While Veretec, our executive architecture business, was a little below budget in the first half, it is now accelerating away with a strong second half performance though is constrained by capacity issues. Aukett Swanke Ltd (ASL) our architecture design led business on the other hand had a poor first half, which has continued to date in the second half-year, seeing some crucial projects delayed or having funding challenges, leading to painful gaps in its income.

European architecture

The Group holds a 25% interest in a leading Berlin architecture practice and a 50% interest in a Frankfurt architecture practice, which are accounted for as associates rather than consolidated as with the Group's other operations and therefore not included in revenue or cost of sales.

The Berlin and Frankfurt practices were weaker in the period under review, with the overall result from our German investments being broadly break even after management charges. Nevertheless, these investments whilst arguably not fully reflected in the financial assessment of the Group, have a long history of delivering value, which we expect to continue for the foreseeable future.

Additionally, we suffered an £83,000 one-off loss disposing of our Turkish business to its local management.

TFG Intelligent Environments - now including Vanti

The Intelligent Environments business which includes commercial AV system integration is rebranding as Vanti to reflect stronger brand presence in master system integration work.

It spent much of the period focused on the acquisition of Vanti, which came in the final month of the first half, adding transaction and integration costs but no immediate revenue. Since the period end however, approximately £2 million of new orders have been secured from the Vanti pipeline for delivery commencing in the final quarter of the current financial year and throughout next year.

TFG Stage Technology

The Stage Technology business (TFGST) is highly seasonal with many of its customers being educational institutions or indoor performance venues where major upgrades typically take place during the summer months when they are less busy.

Although TFGST was significantly loss making in the period under review it has a strong summer ahead and we expect the company will make up the first half loss. Furthermore, it is expecting a positive outcome on some large contracts for next year.

Anders + Kern

Anders + Kern (A+K) reported a significant and unexpected loss in the period under review.

The principal issue was the impact of new ownership at its largest supplier, which opened up other routes to market for them, which impacted a large proportion of A+K's sales. To counter this, we hired a new sales team to broaden the range of products the company sells and thus increasing costs, although the lost revenues were not replaced.

A+K has accordingly now returned to a lower overhead model to eliminate the possibility of future similar losses. In due course it has an important role to play in taking smart buildings technologies to the AV channel which is better placed to deliver them than other building services sectors.

EcoDriver

ecoDriver provides a software platform and related services to identify and eliminate waste energy in non-residential buildings. It has a particular base in hospitals and schools, and primarily targets the retrofit market.

It has yet to realise its potential but is showing encouraging signs of progress, including its acceptance on an Imperial College growth accelerator programme for companies in the climate sector.

Artificial Intelligence

Our Innovate UK-funded Responsible AI collaboration project continues, with Vanti people adding additional value.

Corporate activity

During the period under review, we completed two Smart Buildings acquisitions and one disposal.

On 17 October 2023 we acquired TR Control Solutions Limited (now renamed ecoDriver) for a mix of cash and shares. Deferred consideration of £44,500 is due this coming October.

On 27 December 2023 we disposed of the share capital of our Istanbul-based studio, Aukett Swanke Mimarlik AS, to local management. This was in return for a nominal sum, and a name licence agreement, which ensures we will no longer incur losses from Turkey and will instead receive a modest income stream based on its future revenues, with no associated costs.

On 21 March 2024 we acquired the Vanti assets. We have employed a number of their staff and taken on their central Birmingham premises. Deferred consideration of between £25,000 and £50,000 is payable in the coming months.

Financial review

Revenue

UK architecture

On revenue up 14% this reporting segment made a loss of £39k after management charges, compared to a £140k loss in the same period of the previous year.

Continental architecture

The German investments broadly broke even after management charges, although we suffered a one off charge of £83k in exiting our Turkish investment. This was a fall from profits of £180k in the same period last year. As part of tidying up our European interests, after the period end we received £4k from the sale of our residual 0.6% stake in our former Milan joint venture that was sold in 2004.

TFG / Vanti

TFG was purchased in March 2023 so the prior period only consolidated it for around ten days. This means its revenue of £3.83m in the period under review compares to just £0.21m in the prior period. The segmental loss of £0.91m includes the

£3.83m in the period under review compares to just £0.21m in the prior period. The segmental loss of £0.91m includes the provision for the loss on the building, seasonal losses in TFG Stage Technology, and costs for the 20 March 2024 acquisition of Vanti and some Vanti staff wages, with no Vanti revenues.

ecoDriver

Revenue of £216k was broadly as expected, with a £62k loss including Group management fees, the hiring of additional staff, and migration of the business to the Group's ERP systems.

Anders+Kern

As noted above revenue of £581k was lower than expected. As with ecoDriver, Group management fees, the hiring of additional staff, and migration of the business to the Group's ERP systems contributed to a loss of £154k.

Costs

Payroll

A high proportion of the Group's costs are payroll costs, which in the period under review increased by 55% compared to the corresponding period. A major drawback under the established professional services business model is both the need to maintain a high fixed salary cost base to conduct and seek new work but also the inability to pass on the costs of highly qualified but underused staff when project start dates slip with little or no notice.

Other

The costs of maintaining an AIM listing have also significantly increased, in particular our audit costs. We also incurred costs in establishing and operating three employee share schemes. These though have seen significant take up from employees at all levels in the Group, with everyone from our apprentices to senior management who have been here for decades taking meaningful ownership stakes. This has helped drive demand for our shares as investors see that management's confidence in the direction of travel for the Group is shared by the workforce.

Property Disposal

Post-period, on 24 June 2024 we were pleased to announce the planned sale of the Group's freehold property, the former headquarters site for Torpedo Factory Group, with completion expected in September 2024. While the £2.50 million sale price is a discount on the £3.08 million July 2023 valuation at which it is in our books, the sale will repay our £1.38 million mortgage that was due to expire in February 2025, and the balance should broadly eliminate our net debt and significant mortgage interest payments.

Although not due to complete until September 2024, the agreed property sale has triggered the requirement for a £0.59 million provision in these interim statements. The provision is not a cash expense and as noted above the overall cash impact of the building sale is positive.

Funding

During the period the Group retained four debt facilities: the £250,000 Coutts overdraft, the Natwest mortgage on the TFG freehold, and two pandemic-era CBILS-backed loans, one from Coutts and one from Natwest. As noted above the mortgage will be repaid by the sale of the property. The overdraft facility has been renewed to the end of September 2024, beyond the date when the sale completes. The ASG CBILS loan was repaid in accordance with its terms, with the final repayment occurring in May 2024. The TFG CBILS is at a fixed rate of 3.66%pa and continues to be paid down over the period to July 2026.

While bad debts have historically been rare, at times customers can be slow to pay, tying up funds in working capital. Since the period end, in recent weeks, we have been approved for an invoice discounting facility, allowing us, if required, to borrow funds secured against amounts due from customers. This facility offers more flexibility than a conventional loan or overdraft, as it can grow or shrink in line with the scale of the business, and thereby mitigates the challenge of an ever increasing working capital requirement as we grow. The initial maximum net advance under the facility is £540,000.

Going concern

The position with respect to the going concern assessment was set out in the financial statements for the year ended 30 September 2023, which were published on 28 March 2024, and remain valid. In considering the position again for these interim results the board believes that the conditional sale of the Group's freehold property announced on 24 June 2024 together with the additional funding facilities noted above significantly assist in assessing the Group's going concern status. The board has considered projections for a period of at least 12 months from the date of signing these financial statements which indicate that the Group is a going concern. The interim statement has not been audited.

Outlook

Full year expectations

The second half will be stronger than the first half, but it remains hard to predict, and unlike last year I suspect it may not be strong enough to make up for the first half losses.

Cost base

The board have identified in excess of £1 million of cost reductions to be removed from the Group's UK businesses to improve performance. These changes are largely being actioned in the second half of the current year, in order to ensure acceptable future performance. The savings include Group costs, lower property and finance costs following the sale of the TFG building, and some redundancies in underperforming parts of the business.

Closing remarks

I would like to thank all our staff for their efforts in the period under review. It is particularly frustrating when such efforts do not translate to profit and we look forward to changing that in the future.

I should particularly like to pay tribute to Keith Morgan, who retired as chairman of Veretec in December 2023 after a long career with the Group, starting at Aukett Associates in the 1980s shortly before the Group's IPO.

Additionally, I want to thank the large proportion of our UK workforce who are participating in the share ownership plan, showing their confidence in our new strategy by spending money each month buying our shares. I do believe we have a tremendous opportunity and look forward to delivering better results for us all.

Nick Clark
Chief Executive
27 June 2024

Consolidated income statement

For the six months ended 31 March 2024

	Note	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Continuing Operations				
Revenue	4	9,453	4,562	14,335
Sub consultant costs		(47)	(164)	(232)
Revenue less sub consultant costs		9,406	4,398	14,103
Cost of sales		(2,525)	-	(2,627)
Gross profit		6,881	4,398	11,476
Personnel related costs		(5,863)	(3,781)	(9,031)
Property related costs		(789)	(573)	(1,322)
Other operating expenses		(911)	(610)	(1,375)
Distribution costs		(132)	-	(141)
Other operating income	5	166	129	326
Operating loss		(648)	(437)	(67)
Finance income		3	-	9
Finance costs		(163)	(55)	(255)
Loss after finance costs		(808)	(492)	(313)
Share of results of associate and joint ventures		(1)	205	341
Trading (loss)/profit from continuing operations		(809)	(287)	28
Acquisition costs		(27)	(258)	(379)
Revaluation of freehold property	11	(585)	-	-
Loss on disposal of subsidiary		(83)	-	-
Loss before tax from continuing operations	4	(1,504)	(545)	(351)
Tax credit		195	54	433
(Loss)/profit from continuing operations		(1,309)	(491)	82
(Loss)/profit from discontinued operations	6	(8)	7	10
(Loss)/profit for the period		(1,317)	(484)	92
(Loss)/profit attributable to:				
Owners of Aukett Swanke Group Plc		(1,317)	(484)	92
Non-controlling interests		-	-	-
(Loss)/profit for the period		(1,317)	(484)	92
Basic and diluted earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:				
From continuing operations		(0.45p)	(0.29p)	0.04p
From discontinued operations		0.00p	0.00p	0.00p
Total (loss)/profit per share	7	(0.45p)	(0.29p)	0.04p

Consolidated statement of comprehensive income

For the six months ended 31 March 2024

	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
(Loss)/profit for the period	(1,317)	(484)	92
Other comprehensive income:			

Revaluation of freehold property	(60)	-	60
Deferred tax movement on revaluation	15	-	(15)
Goodwill impairment on fair value adjustment of share options	-	(222)	(222)
Currency translation differences of foreign operations	(2)	(1)	26
Currency translation differences on disposal recycled to gain on disposal of discontinued operation	-	-	-
Currency translation differences on translation of discontinued operations	-	34	-
Other comprehensive loss for the period	(47)	(189)	(151)
Total comprehensive loss for the period	(1,364)	(673)	(59)
Total comprehensive loss is attributable to:			
Owners of Aukett Swanke Group Plc	(1,364)	(673)	(59)
Non-controlling interests	-	-	-
Total comprehensive loss for the period	(1,364)	(673)	(59)
Total comprehensive (loss)/profit attributable to the owners of Aukett Swanke Group Plc arises from:			
Continuing operations	(1,356)	(714)	(69)
Discontinued operations	(8)	41	10
	(1,364)	(673)	(59)

Consolidated statement of financial position

At 31 March 2024

	Note	Unaudited at 31 March 2024 £'000	Unaudited at 31 March 2023 £'000	Audited at 30 September 2023 £'000
Non current assets				
Goodwill	3	2,084	1,381	1,502
Other intangible assets		390	273	404
Property, plant and equipment		239	3,218	238
Right-of-use assets		1,894	2,335	2,132
Investment in associate and joint ventures		949	1,081	1,071
Loans and other financial assets		68	162	89
Trade and other receivables		100	-	100
Deferred tax		699	332	625
Total non current assets		6,423	8,782	6,161
Current assets				
Trade and other receivables		3,874	4,843	3,847
Inventories		471	336	372
Contract assets		756	744	790
Cash at bank and in hand	10	279	805	522
		5,380	6,728	5,531
Assets in disposal groups classified as held for sale	11	2,435	-	3,208
Total current assets		7,815	6,728	8,739
Total assets		14,238	15,510	14,900
Current liabilities				
Trade and other payables		(4,651)	(4,978)	(4,589)
Contract liabilities		(2,284)	(1,720)	(1,398)
Borrowings	9, 10	(1,949)	(2,258)	(2,050)
Lease liabilities		(495)	(537)	(492)
		(9,379)	(9,493)	(8,529)
Liabilities directly associated with assets in disposal groups classified as held for sale		-	-	(148)
Total current liabilities		(9,379)	(9,493)	(8,677)
Non current liabilities				
Trade and other payables		(87)	-	(87)
Borrowings	9, 10	(483)	(858)	(642)
Lease liabilities		(1,499)	(1,961)	(1,750)
Deferred tax		(25)	(183)	(161)

Provisions		(210)	(256)	(210)
Total non current liabilities		(2,304)	(3,258)	(2,850)
Total liabilities		(11,683)	(12,751)	(11,527)
Net assets		2,555	2,759	3,373
Capital and reserves				
Share capital	12	3,207	2,754	2,754
Merger reserve		2,976	2,883	2,883
Revaluation reserve	11	-	-	45
Foreign currency translation reserve		(533)	(524)	(531)
Retained earnings		(4,589)	(3,848)	(3,272)
Other distributable reserve		1,494	1,494	1,494
Total equity attributable to equity holders of the Company		2,555	2,759	3,373

Consolidated statement of cash flows

For the six months ended 31 March 2024

	Note	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Cash flows from operating activities				
Cash generated from operations	8	221	328	1,013
Income tax credits received		-	-	196
Net cash inflow from operating activities		221	328	1,209
Cash flows from investing activities				
Purchase of property, plant and equipment		(62)	(73)	(154)
Net cash (paid)/received on acquisition of subsidiaries		(52)	790	367
Sale of subsidiaries		(50)	-	33
Dividends received		108	131	262
Net cash (paid)/received from investing activities		(56)	848	508
Net cash inflow before financing activities		165	1,176	1,717
Cash flows from financing activities				
Issue of shares		275	-	-
Principal paid on lease liabilities		(248)	(241)	(496)
Interest paid on lease liabilities		(33)	(33)	(72)
Repayment of bank loans		(290)	(125)	(459)
Interest paid		(106)	(22)	(93)
Net cash outflow from financing activities		(402)	(421)	(1,120)
Net change in cash and cash equivalents		(237)	755	597
Cash and cash equivalents at start of period		430	(204)	(204)
Currency translation differences		(28)	41	37
Cash and cash equivalents at end of period	10	165	592	430

Cash and cash equivalents are comprised of:			
Cash at bank and in hand	279	805	522
Net cash included in assets held for sale	-	-	30
Secured bank overdrafts	(114)	(213)	(122)
Cash and cash equivalents at end of year	165	592	430

Consolidated statement of changes in equity

For the six months ended 31 March 2024

For the six months ended 31 March 2024

	Share capital	Foreign currency translation reserve	Retained earnings	Other distributable reserve	Merger reserve	Revaluation reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2023	2,754	(531)	(3,272)	1,494	2,883	45	3,373
Loss for the period	-	-	(1,317)	-	-	-	(1,317)
Other comprehensive income	-	(2)	-	-	-	(45)	(47)
Total comprehensive loss	-	(2)	(1,317)	-	-	(45)	(1,364)
Issue of ordinary shares in relation to business combination	178	-	-	-	93	-	271
Share subscription	275	-	-	-	-	-	275
At 31 March 2024	3,207	(533)	(4,589)	1,494	2,976	-	2,555

For the six months ended 31 March 2023

	Share capital	Foreign currency translation reserve	Retained earnings	Other distributable reserve	Merger reserve	Revaluation reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2022	1,652	(557)	(3,364)	1,494	1,176	-	401
Loss for the period	-	-	(484)	-	-	-	(484)
Other comprehensive income	-	33	-	-	(222)	-	(189)
Total comprehensive profit/(loss)	-	33	(484)	-	(222)	-	(673)
Issue of ordinary shares in relation to business combination	1,102	-	-	-	1,707	-	2,809
Employee share schemes - Value issued in relation to business combination	-	-	-	-	222	-	222
At 31 March 2023	2,754	(524)	(3,848)	1,494	2,883	-	2,759

Consolidated statement of changes in equity - continued

For the year ended 30 September 2023

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

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 2024 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 Business combinations

Acquisition of ecoDriver

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

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

The operating results and assets and liabilities of the acquired company have been consolidated from 17 October 2023.

	Provisional 17 Oct-23 £'000
Goodwill	527
Trade and other receivables	52
Assets	579
Trade and other payables	149
Contract liabilities	24
Net overdraft	7
Interest bearing loans and borrowings	39
Liabilities	219
Total net assets	360

The fair values of the identifiable assets and liabilities acquired have only been provisionally determined and are subject to adjustment during the measurement period.

Fair value of consideration paid

Consideration for the acquisition comprises:

i) 17,800,000 Ordinary Shares in Aukett Swanke Group Plc at an issue price of 1.525p based on the closing price of Aukett Swanke Group Plc shares on 17 October 2023.

ii) £89,000 in cash. Half the cash consideration was payable on completion, with the remaining £44,500 payable on the first anniversary of completion.

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

Whilst fair value adjustments will result in recognised goodwill of less than £527k, it is expected that some goodwill will be recognised. The goodwill represents items, such as the assembled workforce, which do not qualify as assets.

Acquisition related costs of £27k are disclosed as acquisition costs in the consolidated income statement.

Acquisition of RTS Technology Solutions Limited

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

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

The financial effects of this transaction affecting the assets, liabilities, and financial performance of Torpedo Factory Ltd have been consolidated from 20 March 2024.

	Provisional 20 Mar-24 £'000
Property, plant and equipment	20
Goodwill	55
Other intangible assets	11
Inventories	1
Assets	87
Total net assets	87

The fair values of the identifiable assets and liabilities acquired have only been provisionally determined and are subject to adjustment during the measurement period.

Fair value of consideration paid

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

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

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

4 Operating segments

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

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

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

The Middle East segment has been re-presented as a discontinued operation and is set out in note 6.

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

Segment revenue	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
United Kingdom	4,780	4,191	8,858
Torpedo Factory Group	3,834	212	4,816
Anders + Kern	581	-	467
ecoDriver	216	-	-
Continental Europe	42	159	194
Revenue from continuing operations	9,453	4,562	14,335
Discontinued operations	-	-	2
Revenue	9,453	4,562	14,337

Segment revenue less sub consultant costs	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
United Kingdom	4,733	4,094	8,692
Torpedo Factory Group	3,834	212	4,816
Anders + Kern	581	-	467
ecoDriver	216	-	-
Continental Europe	[illegible]	[illegible]	[illegible]

Continental Europe	42	92	128
Revenue less sub consultant costs from continuing operations	9,406	4.398	14,103
Discontinued operations	-	-	-
Revenue less sub consultant costs	9,406	4,398	14,103

Segment result before tax	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
United Kingdom	(39)	(140)	(94)
Continental Europe [A]	(80)	183	277
Torpedo Factory Group [B E F]	(905)	(166)	401
Anders + Kern	(154)	-	62
ecoDriver	(62)	-	-
Group costs [C D E]	(264)	(422)	(997)
Loss before tax from continuing operations	(1,504)	(545)	(351)
(Loss)/profit from discontinued operations	(8)	7	10
Total loss before tax	(1,512)	(538)	(341)

Segment result before tax (before reallocation of group management charges)	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
United Kingdom	186	130	202
Continental Europe [A]	(14)	257	423
Torpedo Factory Group [B E F]	(779)	(166)	467
Anders + Kern	(128)	-	62
ecoDriver	(41)	-	-
Group costs [C D E]	(728)	(766)	(1,505)
Loss before tax from continuing operations	(1,504)	(545)	(351)
(Loss)/profit from discontinued operations	(8)	7	10
Total loss before tax	(1,512)	(538)	(341)

[A] Mar-24 segmental results before tax includes the £83k loss on disposal of the Turkish subsidiary Aukett Swanke Mimarlik AS.

[B] Mar 24 segmental results before tax includes the £585k loss on revaluation of The Old Torpedo Factory freehold property asset held for sale allocated within Torpedo Factory Group.

[C] Mar 24 segmental results before tax includes £27k of exceptional costs being transactional costs for the acquisition of TRCS (ecoDriver) allocated within Group costs.

[D] Sep 23 segmental results before tax includes £25k of exceptional costs being transactional costs for the acquisition of Anders + Kern allocated within Group costs.

[E] Sep-23 segmental results before tax include £260k of exceptional costs being transactional costs for the acquisitions of Torpedo Factory Group and Anders + Kern allocated as £210k within Group costs, and £50k within Torpedo Factory Group.

[F] Sep 23 TFG segmental result before tax includes £94k of one-off costs relating to the settlement of TFG employees' company share option costs and the loss on assets disposed of as part of the Live Events disposal.

5 Other operating income

Continuing operations	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Property rental income	79	44	163
Management charges to associate and joint ventures	66	68	134
Other sundry income	21	17	29
Total other operating income	166	129	326

6 Discontinued operations

6 (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.

6 (b) Financial performance and cash flow information

Result of discontinued operations

	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Revenue	-	-	2
Sub consultant costs	-	-	(2)
Revenue less sub consultant costs	-	-	-
Expenses	(8)	7	10
(Loss)/profit before tax	(8)	7	10
Tax charge	-	-	-
(Loss)/profit from discontinued operations	(8)	7	10
Exchange differences on translation of discontinued operation	-	34	-
Other comprehensive (loss)/gain from discontinued operations	(8)	41	10

Earnings per share from discontinued operations

	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Basic and diluted (loss)/gain per share	(0.00p)	0.00p	0.00p

Statement of cash flows

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

	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Net cash inflow from operating activities	-	-	-
Net cash inflow from investing activities	-	-	-
Foreign exchange movements	-	-	-
Net cash inflow from discontinued operations	-	-	-

7 Earnings per share

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

Earnings	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
Continuing operations	(1,309)	(491)	82
Discontinued operations	(8)	7	10
(Loss)/profit for the period	(1,317)	(484)	92

Number of shares	Unaudited six months to 31 March 2024 '000	Unaudited six months to 31 March 2023 '000	Audited year to 30 September 2023 '000
[illegible]	[illegible]	[illegible]	[illegible]

Weighted average number of shares	293,253	171,907	223,916
Effect of dilutive options	-	221	-
Diluted weighted average number of shares	293,253	172,128	223,916

8 Reconciliation of profit before tax to net cash from operations

	Unaudited six months to 31 March 2024 £'000	Unaudited six months to 31 March 2023 £'000	Audited year to 30 September 2023 £'000
(Loss)/profit for the period	(1,317)	(484)	92
Tax credit	(195)	(54)	(433)
Finance income	(3)	-	(9)
Finance costs	163	55	255
Share of results of associate and joint ventures	1	(205)	(341)
Intangible amortisation	17	6	31
Depreciation	61	24	92
Amortisation of right-of-use assets	240	193	435
Loss on revaluation of freehold property	585	-	-
Loss on disposal of property, plant & equipment	-	-	52
Decrease in trade and other receivables	124	161	1,405
(Increase)/decrease in inventories	(99)	-	61
Increase / (decrease) in trade and other payables	644	625	(617)
Change in provisions	-	7	(10)
Net cash generated from operations	221	328	1,013

9 Borrowings

	Unaudited at 31 March 2024 £'000	Unaudited at 31 March 2023 £'000	Audited at 30 September 2023 £'000
Secured bank overdrafts	(114)	(213)	(122)
Mortgage	(1,399)	(1,445)	(1,411)
Secured bank loan (Lloyds)	(31)	-	-
Secured bank loan (NatWest)	(846)	(1,166)	(992)
Secured bank loan (Coutts)	(42)	(292)	(167)
Total borrowings	(2,432)	(3,116)	(2,692)
Amounts due for settlement within 12 months	(1,949)	(2,258)	(2,050)
Current liability	(1,949)	(2,258)	(2,050)
Amounts due for settlement between one and two years	(364)	(392)	(350)
Amounts due for settlement between two and five years	(119)	(466)	(292)
Non current liability	(483)	(858)	(642)
Total borrowings	(2,432)	(3,116)	(2,692)

The bank loan (Coutts) 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.

TRCS (renamed ecoDriver) was acquired in Oct-23 with a Lloyds Banking Group loan facility guaranteed by the Bounce Back Loan Scheme (BBLS). The loan included a 6 month capital repayment holiday from Oct-23 to Mar-24, followed by 26 monthly instalments to May-26. The loan carries interest fixed at 2.5%pa for the term of the loan which is paid monthly.

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

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

10 Analysis of net deficit

	Unaudited at 31 March 2024 £'000	Unaudited at 31 March 2023 £'000	Audited at 30 September 2023 £'000
Cash at bank and in hand	279	805	522
Cash held within assets classified as held for sale	-	-	30
Secured bank overdrafts	(114)	(213)	(122)
Cash and cash equivalents	165	592	430
Mortgage	(1,399)	(1,445)	(1,411)
Secured bank loans	(919)	(1,458)	(1,159)
Net debt	(2,153)	(2,311)	(2,140)

11 Assets and liabilities classified as held for sale

	Unaudited at 31 March 2024 £'000	Unaudited at 31 March 2023 £'000	Audited at 30 September 2023 £'000
Non-current assets held for sale (i)	2,435	-	3,080
Current assets held for sale (ii)	-	-	128
Liabilities held for sale (ii)	-	-	(148)
Total assets held for sale	2,435	-	3,060

(i) Freehold Property

In June 2024 the Group's subsidiary Torpedo Factory Group Limited ("TFG") exchanged contracts, conditional upon a satisfactory valuation, for the sale of The Old Torpedo Factory at a price of £2.5m, with the buyer having paid a 10% refundable deposit. Exchange is expected to become unconditional by 5 July 2024. Under the terms of the contract completion is due to occur in September 2024.

The property was previously valued in July 2023 by a third party firm of surveyors at £3.08m.

Assuming agents and legal fee costs to sell of £65k, the fair value of the freehold property has been adjusted to £2,435k as at 31 March 2024.

The loss on revaluation and deferred tax movement have been recognised as:

- Other comprehensive income: Loss of £45k comprising:
    i) £60k loss on revaluation of freehold property.
    ii) Less £15k tax credit due to reduction of deferred tax liability.
- Income statement: Loss of £439k comprising:
    i) £585k loss on revaluation of freehold property.
    ii) less £146k tax credit due to reduction of deferred tax liability.

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

The sale of Aukett Swanke Mimarlik AS to local management was concluded on 27 December 2023 for a nominal sum, resulting in a loss on disposal of £83k.

12 Share capital

	Unaudited at 31 March 2024 £'000	Unaudited at 31 March 2023 £'000	Audited at 30 September 2023 £'000
Allocated, called up and fully paid 320,655,938 (31-Mar-2023 & 30-Sep-2023: 275,355,938) ordinary shares of 1p each	3,207	2,754	2,754

Number

At 1 October 2022	165,213,652
Issue for acquisition of subsidiary	110,142,286
At 31 March 2023 and 30 September 2023	275,355,938
Issue for acquisition of subsidiary	17,800,000
Share subscription	27,500,000
At 31 March 2024	320,655,938

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

In October 2023, the acquisition of TR Control Solutions Limited resulted in an increase in the share capital of 17,800,000 new ordinary shares of 1p, as disclosed in note 3.

In March 2024, the Group announced a share subscription raising an aggregate up to £425,000 through the issue and allotment of a total of up to 42,500,000 new ordinary shares of 1p. £275,000 was raised by way of direct subscriptions of 27,500,000 new ordinary by certain existing and institutional investors (the "Investors").

In addition, certain directors and managers of the Group indicated their intention to subscribe for up to 15,000,000 new ordinary shares of 1p, raising £150,000 on the same terms as the Investors (the "Subscription"). This subscription was completed after the period end in April 2024.

In aggregate the Subscription resulted in the issue and allotment of a total of up to 42,500,000 new ordinary shares of 1 penny each in the Company (the "Subscription Shares") at an issue price of 1 penny. Subscribers received warrants, exercisable for 3 years, to be issued (subject to certain conditions) on the basis of one warrant for every one Subscription Share with an exercise price of 1 penny. The Subscription Shares were issued under the Company's existing share authorities; the warrants required a specific authority to be sought which was approved at the annual general meeting in April 2024.

13 Employee Share Plans and Share Options

The Company has implemented two share plans and one share option plan over its Ordinary Shares to Group employees as follows:

All Employee Share Option Plan

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

Management Share Ownership Plan

In December 2023 the Company created a Management Share Ownership Plan ("MSOP"). The Company recognises that the management of the Group's businesses wish to build an ownership stake in excess of the limits the Government imposes on the AESOP scheme. Therefore, 34 members of the senior management of the Company and UK subsidiaries were invited to commit to purchasing shares. 32 of the 34 agreed and made a contractual commitment to spend an amount equivalent to between 2.5% and 10% of their gross annual salary on the purchase of Company shares, until such time as each of them own a minimum of either 0.25% or 0.5% of the Company's issued share capital - though they are free to acquire larger stakes if they wish. The shares are generally purchased on the open market. Three further members of staff have subsequently been invited to join the MSOP and accordingly there are now 35 members.

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

Company Share Option Plan and surrender of existing EMI options

In December 2023 the Company created a Company Share Option Plan ("CSOP"). Pursuant to the CSOP, an aggregate 25,591,666 options were granted to members of the senior management team of the company and UK subsidiaries who made commitments under the MSOP. The CSOP options are exercisable at 1.0p, being the nominal value of each share and a 17.6% premium to the closing mid-market price on 22 December 2023 (save for 1,000,000 CSOP replacement options granted to Antony Barkwith, Director, as detailed below). A further 4,125,000 options were granted to additional joiners of the MSOP scheme in April 2024 with an exercise at 1.25p, being the closing mid-market price on the day prior to the date of grant.

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

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

Antony Barkwith (Group Finance Director) surrendered 1,000,000 EMI options with an exercise price of 1.6p which were replaced with 1,000,000 CSOP options with an exercise price of 1.6p. He also surrendered 1,000,000 EMI options with an exercise price of 3.6p which were not replaced.

Freddie Jenner, Jason Brameld and Antony Barkwith also each received CSOP options in their capacity as parties who made the MSOP commitment.

CSOP Options granted to Directors/PDMRs were as follows:

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

All CSOP options vest between the third and tenth anniversary of grant. The total 29,716,666 CSOP options now outstanding represent 8.84% of the shares currently in issue. There are no EMI options outstanding and the company's EMI scheme will be closed.

14 Post balance sheet events

Freehold property

In June 2024 the Group's subsidiary Torpedo Factory Group Limited ("TFG") exchanged contracts, conditional upon a satisfactory valuation, for the sale of The Old Torpedo Factory at a price of £2.5m, with the buyer having paid a 10% refundable deposit. Exchange is expected to become unconditional by 5 July 2024. Under the terms of the contract completion is due to occur in September 2024.

The revaluation of the freehold property has been treated as an adjusting post balance sheet event in the reporting period and is disclosed in note 11.

Invoice discounting facility

Since the period end, subsidiaries Torpedo Factory Ltd and TFG Stage Technology Ltd have been accepted for an invoice discounting facility, enabling the Group to borrow funds secured against amounts due from customers thereby releasing working capital. The facility is backed by a cross guarantee and indemnity from Aukett Swanke Group Plc and Torpedo Factory Group Limited, £60,000 of cash cover to be deposited to a nominated bank account is also required to trigger the facility. The initial maximum advance under the facility is £600,000.

15 Status of Interim Report

The Interim Report covers the six months ended 31 March 2024 and was approved by the Board of Directors on 27 June 2024. 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 2023 have been extracted from the statutory accounts of the Group for that period.

The statutory accounts for the year ended 30 September 2023 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.

16 Further information

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

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