

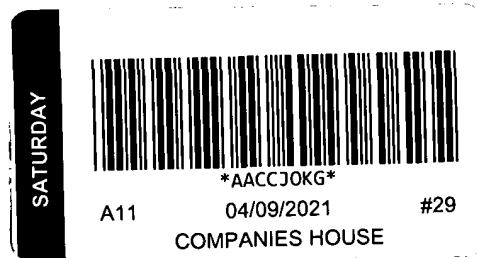


A member of the Aukett Swanke Group

**Veretec Limited**

**Annual report**

**For the year ended 30 September 2020**



Registered number England & Wales 01959521

# Veretec Limited

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# **Veretec Limited**

## **Company information**

### **Directors**

JB Atha  
AJ Barkwith  
K Morgan  
GF Mcquade  
JNE Thompson

### **Registered office**

10 Bonhill Street  
London  
EC2A 4PE

### **Registered number**

England & Wales 01959521

### **Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### **Bankers**

Coutts & Co  
440 Strand  
London  
WC2R 0QS

# **Veretec Limited**

## **Directors' report**

### **Principal activity**

The Company provides integrated professional design services specialising in architecture and interior design.

### **Business review**

The results of the Company for the year are set out in the statement of profit and loss and other comprehensive income on page 9.

Aukett Swanke Group Plc is the ultimate controlling party and manages the Group's operations on a segmental basis. The development, performance and position of Aukett Swanke Group Plc's UK activities are discussed in the Group's annual report, which does not form part of this report.

In preparing this directors' report advantage has been taken of the small companies' exemption.

### **Going Concern**

The impact of measures taken around the world to restrict the spread of the COVID-19 virus have had a significant impact to which the business has to date stood up well.

Actions taken in the Spring and Summer of 2020, resulted in new working practices to allow existing projects to continue and to for the Company to continue to bid for new work. The cost cutting actions taken also mitigated the financial impact of the above on the Company and the Group continues to operate within its banking limits, with an anticipated breach of the debt servicing covenant having been waived prior to this occurring for the year ended 30 September 2020.

More details of the actions taken, and the results of forecasting performed by the Group (upon which the going concern assessment of the Company is dependent) in response to the COVID-19 pandemic are summarised in the Going Concern section of note 2. The Group has provided a letter of support to the Company to confirm the ongoing availability of such financial support and liquidity as is required for 12 months from the date of signing off these financial statements to enable the Company to meet its obligations as they fall due. The letter of support also confirms that balances due from the Company to the Group will not be recalled until the Company is in a position to do so without compromising its liquidity.

In addressing any going concern issues the Directors are required to consider likely cashflows over at least a 12 month period following the date of the approval of the Financial Statements.

While the business is currently operating within its banking limits, should there be any material delays in projects under way or should the Group stop winning its share of new projects there may be a need for further action.

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At year-end, the Company had net assets of approximately £107k.

Based on forecasts prepared and reviewed for the period to 30 September 2022 the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. However there remains a risk that in the current COVID-19 environment, the Group may find itself as the result of unexpected levels of delays on project work beyond its control or depending on the outcome of overdraft facility renewals scheduled for November 2021, requiring additional financing.

## **Veretec Limited**

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis however given the lack of certainty involved in preparing these cash flow forecasts, there is a material uncertainty which may cast significant doubt on the Group's (and consequently the Company's) ability to continue as a going concern.

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

### **Directors**

The following Directors have held office during the year:

JB Atha  
AJ Barkwith  
K Morgan  
GF Mcquade  
JNE Thompson

### **Dividends**

No interim dividend has been paid during the year (2019: £nil). The Directors do not recommend the payment of a final dividend.

### **Statement as to disclosure of information to auditor**

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### **Independent auditors**

The auditors, BDO LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

The Directors' report was approved by the Board on 26 July 2021 and signed on its behalf by



AJ Barkwith  
Director

## **Veretec Limited**

### **Directors' responsibilities in the preparation of financial statements**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Veretec Limited

### **Independent auditor's report to the members of Veretec Limited**

#### **Opinion**

We have audited the financial statements of Veretec Limited ("the Company") for the year ended 30 September 2020 which comprise the statement of profit and loss and other comprehensive income; statement of financial position; statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to note 2 to the financial statements which indicates the Directors' assessment of going concern.

This assessment of going concern is based upon forecasts prepared by the Group headed up by Aukett Swanke Group Plc, the ultimate parent entity. A letter of support has been issued from the Group to the Company that confirms dependence of the Company on the Group as part of this going concern assessment. In the current COVID-19 environment, the Group may find itself as a result of unexpected levels of delays on project work beyond its control requiring additional financing. As stated in note 2, these events or conditions along with other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's (and consequently, the Company's), ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Independent auditor's report to the members of Veretec Limited**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors report and from the requirement to prepare a Strategic report.

### **Responsibilities of directors**

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

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



Veretec Limited

## **Independent auditor's report to the members of Veretec Limited**

### **Auditor's responsibilities for the audit of the financial statements**


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

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

DocuSigned by:  
  
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Nicholas Carter-Pegg (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
Date: 26 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Veretec Limited

### Statement of profit and loss and other comprehensive income for the year ended 30 September 2020

Continuing operations	Note	2020 £'000	2019 £'000
Turnover	3	3,985	4,526
Sub consultant costs		(28)	(65)
Turnover less sub consultant costs	3	3,957	4,461
Other operating charges		(4,125)	(4,565)
Operating loss		(168)	(104)
Loss before taxation		(168)	(104)
Taxation credit	7	30	116
(Loss) / profit after taxation		(138)	12
Total comprehensive (deficit) / income		(138)	12

There was no other comprehensive income in these financial statements other than that noted above.

The notes on pages 12 to 25 form part of these financial statements.

**Veretec Limited**

Company registration number 01959521

**Statement of financial position  
as at 30 September 2020**

	Note	2020 £'000	2019 £'000
Non current assets			
Tangible assets	8	2	-
Deferred tax	11	90	60
Total non current assets		92	60
Current assets			
Trade and other receivables	9	871	3,766
Contract assets		44	37
Cash at bank and in hand		1	-
Total current assets		916	3,803
Trade and other payables	10	(719)	(3,134)
Contract liabilities		(182)	(484)
Net current assets		15	185
<b>Net assets</b>		<b>107</b>	<b>245</b>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		107	245
<b>Equity shareholder's funds</b>		<b>107</b>	<b>245</b>

The financial statements on pages 9 to 25 were approved by the Board of Directors and authorised for issue on 26 July 2021 and are signed on its behalf by



AJ Barkwith  
Director

The notes on pages 12 to 25 form part of these financial statements.

**Veretec Limited**

Company registration number 01959521

**Statement of changes in equity  
as at 30 September 2020**

	Called up share capital £'000	Profit and loss account £'000	Equity shareholder's funds £'000
<b>At 30 September 2018</b>	-	<b>233</b>	<b>233</b>
Total comprehensive income	-	12	12
<b>At 30 September 2019</b>	-	<b>245</b>	<b>245</b>
Total comprehensive deficit	-	(138)	(138)
<b>At 30 September 2020</b>	-	<b>107</b>	<b>(107)</b>

The notes on pages 12 to 25 form part of these financial statements.

# Veretec Limited

## Notes to the financial statements for the year ended 30 September 2020

### 1 Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Veretec Limited (the "Company") for the year ended 30 September 2020 were authorised for issue by the Board of Directors on 26 July 2021 and the balance sheet was signed on the Board's behalf by A J Barkwith. Veretec Limited is incorporated and domiciled in England and Wales

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The principal accounting policies adopted by the Company are set out in note 2.

### 2 Accounting policies

#### 2.1 New accounting standards, amendments and interpretations applied

IFRS 16 *Leases* became effective for the Company beginning 1 October 2019. No adjustments are made to the Company's financial statements in respect of this new standard as it has no lease arrangements.

IFRIC 23 *Uncertainty over income tax treatments* has had no impact on the Company on adoption beginning 1 October 2019.

#### 2.2 New accounting standards, amendments and interpretations not yet applied

A review has been undertaken of new accounting standards, amendments and interpretations to existing standards which have been issued but have an effective date making them applicable to future financial statements. The following standards are effective for accounting periods beginning on or after 1 January 2020 and have not yet been adopted by the Company:

- (i) IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)
- (ii) IFRS 3 *Business Combinations* (Amendment – Definition of Business)
- (iii) Revised Conceptual Framework for Financial Reporting

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

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

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

# **Veretec Limited**

## **Notes to the financial statements for the year ended 30 September 2020**

### **2.3 Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£). The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of Property, Plant and Equipment and Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements, concerning the Company's objectives, policies and processes for managing capital;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures, to present remuneration of key management personnel;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

### **2.4 Going Concern**

The Directors' assessment of going concern is based upon the going concern status of the Group headed up by Aukett Swanke Group Plc. The nature of the Group's treasury, finance and lending functions mean that going concern is managed on a centralised basis and therefore all assessments below are made in the context of the Group as a whole.

The Group has provided a letter of support to the Company to confirm the ongoing availability of such financial support and liquidity as is required for 12 months from the date of signing off these financial statements to enable the Company to meet its obligations as they fall due. The letter of support also confirms that balances due from the Company to the Group will not be recalled until the Company is in a position to do so without compromising its liquidity.

The Group currently meets its day to day working capital requirements through its cash balances. It maintains an overdraft facility of £500k for additional financial flexibility and foreign currency hedging purposes. This overdraft facility is renewed annually and was renewed for a further 12 months in November 2020, with a review in May 2021.

The processes the directors have undertaken, and the reasons for the conclusions they have reached, regarding the applicability of a going concern basis are explained below. In undertaking their assessment the directors have followed the guidance issued in March 2020 by the Financial Reporting Council, "FRC guidance for companies and auditors during the COVID-19 crisis".

Forecasts for the Group have been prepared on a monthly basis which comprise detailed income statements, statements of financial position and cash flow statements for each of the Group's operations, as well as an assessment of covenant tests.

## **Veretec Limited**

### **Notes to the financial statements for the year ended 30 September 2020**

As the COVID-19 pandemic developed through 2020 and into 2021 it affected all of the territories in which the Group operates to varying extents and other countries in which the Group has clients and projects. In March 2020 the Group moved to remote working without any significant disruption, ensuring that staff could continue to work efficiently and service active projects.

With the economic uncertainty that the pandemic presents, the Groups' operational management took preventative steps including: implementing pay reductions in the UK and UAE operations, and the central administrative operation of varying percentages and durations; furloughing permanent staff; releasing temporary or freelance staff; and encouraging unpaid leave and part time working - all of which provided management with a range of tools that can be implemented at short notice and with immediate effect. The Group has also sought to remove non-essential or deferrable expenditure. Entities deferred operational cash flows where possible to provide short term support to the Groups' working capital and therefore avoid any new external borrowings and limited use of existing facilities. However, those deferrals unwind in 2021, and haven't as yet been replaced with similar assistance.

The Groups' principal banker is Coutts & Co with whom the Group has an excellent long-term relationship extending through previous business cycles. Coutts & Co has again renewed the Group's overdraft facility as described above, and we have no reason not to expect that the overdraft facility would not be renewed again in November 2021.

Due to the uncertainty in forecasting profits during the COVID-19 pandemic Coutts & Co have agreed to waive the debt servicing covenant for the year ended 30 September 2020 and to remove the debt servicing covenant from the facility agreement for the year ending 30 September 2021 and as such if this covenant is reintroduced in the November 2021 renewal this covenant would next be due for assessment following the year ending 30 September 2022 (assessed on completion of the annual audit, anticipated in January 2023).

During the year Coutts & Co supportively agreed to extend the terms of repayment of the outstanding US Dollar loan. This loan was originally scheduled to be cleared in November 2020, but was extended to July 2021. As at 30 April 2021 the balance on this loan was USD 60k.

The other covenants applicable relate to a measure of the Groups' gearing, and maintaining a level of UK eligible debtors. The Groups' Directors are confident that the structure of the Group ensures that the covenants will continue to be satisfied so long as the Group operates within the £500k overdraft limit.

Certain Governments have brought in support packages for businesses during the pandemic such as the UK government backed Coronavirus Business Interruption Loan Scheme (CBILS), followed from April 2021 by the Recovery Loan Scheme.

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The Group has managed cash flow within its existing facilities to date. In March 2021 the Group applied for a CBILS loan of £500k through Coutts & Co, and drew down this loan in May 2021.

Our forecast assumes that no additional external financing is received when measuring the Groups ability to continue to operate.

## **Veretec Limited**

### **Notes to the financial statements for the year ended 30 September 2020**

The Group forecasts on the basis of earnings and billings from i) secure contractual work, ii) known potential work which is deemed to have a greater than 50% chance of being undertaken and is predominantly follow on stages of currently instructed work, on which a factoring is applied; and iii) new work from known sources such as competitive tenders and submitted fee proposals, or new work to be achieved based on historical experience of market activity and timescales in which work can be converted from an enquiry to an active project which varies by territory and the service each office in the Group provides.

Aware that the risk of the COVID-19 pandemic could lead to recessions and delays in clients making financial investment decisions, the forecasts assessed by the Directors then apply sensitivities based on levels of earnings reductions sustained over the next 12 months, making controllable adjustments to the cost base through structural adjustments to staffing numbers and deferring and removing non-essential costs. We also assess overall cash levels across the Group and how those can be best deployed to ensure each of the entities in the Group has sufficient cash to operate.

The above cost planning exercise and focus on near term secure income and contract extensions has resulted in the Group reforecasting based on cash inflows from turnover less sub consultant costs reduced by an average of 10% against management accounts over the next 12 months. This reforecasting ensures that where the business is sensitive to expected declines in cash inflows from work, management are able to plan ahead for this and manage cost outflows effectively.

In the event that the level of turnover falls by more than the 10% indicated above, management have identified further cash flow initiatives around the Group which could be utilised to generate additional free cash to allow the company to continue to trade. This could include options to sublet, administrative staff and discretionary overhead cost savings and freeing up liquidity in our German associate and joint venture.

In the shorter term management reviewed a number of scenarios, including a scenario modelling a pause on short term expected work amounting to 21.4% of income for 3 months, then followed by the same reductions in workload from the 12 month model (averaging out to over 14% across 12 months). The short-term impact would necessitate the Group moving a level of cash from the investments in joint ventures and associates into the Group, and an improved debtor collection rate than we normally forecast to remain within the limits of our facilities.

The Directors note that the UK and other governments in the territories in which the Group operates, have been supportive in their efforts to enable construction and infrastructure projects to continue throughout the pandemic so far including whilst lock-down measures have been imposed. With the measures put in place by contractors and sites to date combined with lessons learnt from companies to enable continued operations through remote working, we see the industry now better positioned to reduce the risks of impact from further COVID-19 spikes.

The Board, after applying the processes and making the enquiries described above, has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. However there remains a risk that in the current COVID-19 environment, the Group may find itself as the result of unexpected levels of delays on project work beyond its control requiring additional financing.

For this reason, the Board considers it appropriate to prepare the financial statements on a going concern basis, however given the lack of certainty involved in preparing these cash flow forecasts, there is a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the normal course of business.



## **Veretec Limited**

### **Notes to the financial statements for the year ended 30 September 2020**

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

#### **2.5 Critical accounting estimates and judgements**

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Recognition of contractual revenue**

Revenue from contracts is assessed on an individual basis with revenue earned being ascertained based on the stage of completion of the contract which is estimated using a combination of the milestones in the contract and the proportion of total time expected to be required to undertake the contract which had been performed.

Estimates of the total time expected to be required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

#### **Recognition of fee claim revenue**

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

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

The Company has limited numbers of situations where we are entitled to a fee claim, on which estimation of the amount we would be entitled to in such a claim is considered on a case by case basis, and only recognised when it is highly probable that there will not be a subsequent reversal of the estimated turnover of a probable outcome under the requirements of IFRS 15 for variable consideration.

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In the current year no material fee claim revenue has been recognised at 30 September 2020.

# Veretec Limited

## Notes to the financial statements for the year ended 30 September 2020

### 2.6 Significant accounting policies

#### Turnover

Turnover represents the value of services performed for customers under contract (excluding value added taxes). Revenue from contracts is assessed on an individual basis with turnover earned being ascertained based on the stage of completion of the contract which is estimated using each performance obligation within the contract and the proportion of total time expected to be required to undertake each performance obligation which had been or is being performed.

##### Step 1) Identification of the contract

Contracts with clients are mostly on a fixed basis with the consideration generally being stipulated based on a percentage of the build cost.

Contract variations are treated as variations to a specific performance obligation, with any additional fees associated with that variation, and the time and cost required to fulfil the variations, included within the overall assessment to time required to complete the overall performance obligation. This is on the basis that those variations are normally not distinct in themselves (modifications to existing elements of the obligations) and therefore are repriced as if they were part of the original contract.

##### Step 2) Identification of performance obligations

Whilst the nature of performance obligations may vary from project to project, they are generally split by identification of Royal Institute of British Architects ('RIBA') work stages (delivered as either an individual work stage or a group of work stages depending on the exact nature of the contract), which constitute individual and distinctive promises within the contract. These are capable of being delivered independently. Local equivalents of RIBA apply depending on the jurisdiction of the contract, and may be identified.

##### Step 3) Identify the consideration

Consideration is generally fixed and agreed within the contract for services between Veretec Limited and the client, subject to modifications as noted above in step 1.

##### Step 4) Allocate the transaction price

The performance obligations within the contract are billed on the basis of a fee allocated to each element of the project, however turnover is allocated to the performance obligations based on the total expected time cost and contract cost expected to be required to undertake each performance obligation within the contract. This leads to recognition of turnover being reallocated between work stages where Management assess that the billing milestones associated to specific stages as stated in the contract do not fairly reflect the total time and cost required to complete those tasks.

Estimates of the total time expected to be required to undertake the contracts are made on a regular basis and subject to management review. These estimates may differ from the actual results due to a variety of factors such as efficiency of working, accuracy of assessment of progress to date and client decision making.

##### Step 5) Recognition of revenue

For all contracts undertaken by Management, the measurement of turnover follows an "over time" pattern.

# **Veretec Limited**

## **Notes to the financial statements for the year ended 30 September 2020**

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

The amount by which revenue exceeds progress billings is classified as amounts due from customers for contract work and included in contract assets. To the extent progress billings exceed relevant revenue, the excess is classified as advances received from customers for contract work and included in contract liabilities.

### **Foreign currency translation**

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Gains and losses arising on retranslation are included in the statement of profit and loss and other comprehensive income for the year.

### **Financial instruments**

The company only has financial assets under IFRS 9 meeting the criteria to be held at amortised cost (i.e. being held for collection and passing the solely payments of principal and interest test). These financial assets include trade receivables, amounts owed by group undertakings, other receivables and cash at bank and in hand.

Impairment provisions against trade receivables are assessed on the basis of two stages – firstly, historical loss data (stratified by invoice age and payment data) is used to derive historically experienced loss rates and this is then applied to the year-end gross trade receivables balance to calculate an impairment provision based on this data. Secondly and as required under IFRS 9, a forward looking element of provisioning is added to the provision. Since the company trades with a diverse range of clients, establishment of a forward looking portfolio approach is not considered to be relevant and instead receivables are assessed on a case by case basis for evidence of further deterioration in credit risk and hence the requirement for additional provisions to be booked.

Similarly the company also assesses the recoverability of amounts owed by group undertakings and other receivables at the year-end for evidence of further impairment by reference to the financial position of those entities.

All of the company's financial liabilities under IFRS 9 are recognised at amortised cost, and these include trade payables, amounts owed to group undertakings, accruals and other payables.

The company has no financial liabilities which are designated at fair value through profit and loss (either mandatorily, for instance derivative financial instruments, or designated optionally) and thus all financial liabilities of the company are designated at amortised cost.

Trade payables and accruals represent obligations to pay for services and goods that have been acquired in the ordinary course of business from suppliers, classified as current liabilities as these are generally due on presentation of an invoice from those suppliers. These are recognised initially at their transaction price and subsequently accounted for at amortised cost.

Amounts due to group undertakings are payable on demand and so are classified as being due within one year and are accounted for initially at transaction price before subsequently being accounted for at amortised cost.

## **Veretec Limited**

### **Notes to the financial statements for the year ended 30 September 2020**

#### **Taxation**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on tax rates and laws enacted by the balance sheet date.

## Veretec Limited

### Notes to the financial statements for the year ended 30 September 2020

#### 3 Turnover

The Company's turnover was all derived from its principal activity and the geographical split of turnover based on the location of project sites was:

	2020 £'000	2019 £'000
United Kingdom	3,813	4,231
Middle East	172	295
Total	3,985	4,526

#### Revenue from contracts with customers

##### *Assets and liabilities related to contracts with customers*

The Company has recognised the following assets and liabilities related to contracts with customers:

	2020 £'000	2019 £'000
Current contract assets relating to professional services contracts	44	37
Total contract assets	44	37
Contract liabilities relating to professional services contracts	182	484
Total contract liabilities	182	484

##### *Significant changes in contract asset and liabilities*

Contract liabilities have decreased as the timing of invoicing for services based on agreed payment schedules for contracts ahead of providing services decreased.

##### *Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	£'000
Total contract liabilities as at 1 October 2019	(484)
Revenue recognised that was included in the contract liability balance at the beginning of the period	416
Credits issued relating to the contract liability balance at the beginning of the year, previously invoiced but not recognised as revenue.	28
Cash received in advance of performance and not recognised as revenue in the period	(142)
Total contract liabilities as at 30 September 2020	(182)

The Company did not recognise any revenue in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

# Veretec Limited

## Notes to the financial statements for the year ended 30 September 2020

### 4 Auditor's remuneration

The audit fees for the UK members of the Aukett Swanke Group have been charged entirely to Aukett Swanke Limited. The fee that would have been charged to this Company would have been approximately £11,000 (2019:£11,000).

### 5 Employee information and staff costs

The Company had no employees during either the current or previous year.

The provision of services of other staff is provided by Aukett Swanke Limited. Management charges made to the Company include the costs of these employees.

### 6 Directors' emoluments

All of the directors were employed by other members of the Aukett Swanke Group and no specific allocation of their remuneration has been made to this Company.

### 7 Taxation

The taxation charge for the year was as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on profits of the year	-	-
Adjustments in respect of previous periods	-	(156)
Total current tax credit	-	(156)
Deferred taxation:		
Origination and reversal of timing differences	(30)	(19)
Adjustments in respect of previous periods	-	59
Change in tax rate	-	-
Total deferred tax (credit)/charge	(30)	40
Total taxation credit	(30)	(116)

The standard rate of corporation tax in the United Kingdom is 19% (2019: 19%)

## Veretec Limited

### Notes to the financial statements for the year ended 30 September 2020

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

	2020 £'000	2019 £'000
Loss before taxation	(168)	(104)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(32)	(20)
Effects of:		
Impact on deferred tax of change in UK tax rate	2	1
Adjustment to tax charge in respect of prior year	-	(97)
Total tax credit for the year	(30)	(116)

#### 8 Tangible fixed assets

	Furniture and equipment £'000	Total £'000
Cost		
At 1 October 2019	-	-
Additions	2	2
Disposals	-	-
At 30 September 2020	2	2
Depreciation		
At 1 October 2019	-	-
Charge for the year	-	-
Disposals	-	-
At 30 September 2020	-	-
Net book value		
At 30 September 2020	2	2
At 30 September 2019	-	-

## Veretec Limited

### Notes to the financial statements for the year ended 30 September 2020

#### 9 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due after more than one year		
Deferred tax (note 11)	90	60
	90	60
Amounts falling due within one year		
Trade receivables	807	1,042
Amounts owed by group undertakings	51	2,565
Corporate tax asset	-	156
Prepayments and accrued income	13	3
	871	3,766
Total	961	3,826

The amounts due by group undertakings are non-interest bearing and repayable on demand.

#### Impairment allowances

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

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

The Company engages with clients who are creditworthy, liquid developers. Whilst the specific terms each contract the Company engages in may be different, certain common characteristics can be applied.

Provisions on bad and doubtful debts in the Company have been immaterial in the historical period reviewed in order to establish the expected loss rate at 30 September 2020. The Company generally builds up advances for contract work recognised as a credit to the balance sheet which reduces the impact of potential bad debts. Amounts due for contract work not yet billed are generally not material. No loss allowance provision has been made for trade receivables and contracts assets owed to the Company.



# Veretec Limited

## Notes to the financial statements for the year ended 30 September 2020

### 10 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	31	276
Amounts owed to group undertakings	374	2,590
Other taxation and social security	237	152
Accruals and deferred income	77	116
Total	719	3,134

The amounts owed to group undertakings are secured by a debenture over all the assets of the Company. This debenture ranks after the debenture securing any bank overdraft. The amounts are non-interest bearing and repayable on demand.

### 11 Deferred tax asset

A deferred tax asset of £90,000 has been recognised at 30 September 2020 (2019: £60,000). The directors are of the opinion, based on forecast trading, that the level of profits in the foreseeable future will be sufficient to fully utilise the corporation tax losses carried forward.

	2020 £'000	2019 £'000
Tax losses	90	60
Total	90	60

	£'000
1 October 2019	60
Profit and loss account (note 7)	30
30 September 2020	90

### 12 Called up share capital

	2020 £	2019 £
Authorised		
100 (2019: 100) ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 (2019: 100) ordinary shares of £1 each	100	100

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

# **Veretec Limited**

## **Notes to the financial statements for the year ended 30 September 2020**

### **13 Guarantees, contingent liabilities and other commitments**

A cross guarantee and offset agreement is in place between the Company and other UK members of the Aukett Swanke Group in respect of the loan and overdraft facilities from Coutts & Co. The Company has access, as required, to the funds available under the overdraft facility from Coutts & Co. At 30 September 2020 the loans and overdrafts of related undertakings guaranteed by the company totalled £155,000 (2019: £400,000).

The Company and other UK members of the Aukett Swanke Group are members of a group for Value Added Tax purposes. At 30 September 2020 the net VAT payable balance of other members of this VAT group was £85,000 (2019: £94,000).

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

### **14 Related party transactions**

The Company trades with Aukett sro, a joint venture incorporated in the Czech Republic which is owned 50% by Aukett Swanke Group Plc. Transactions during the year totalled £nil (2019: £nil). At the year end, £nil (2019: £nil) was owed to Aukett sro.

### **15 Ultimate parent company**

The ultimate parent company and controlling party is Aukett Swanke Group Plc, which is the parent company of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Aukett Swanke Group Plc may be obtained from the company's registered office at 10 Bonhill Street, London, EC2A 4PE or from its website at [www.aukettswanke.com](http://www.aukettswanke.com).