

**Alexander Proudfoot (Europe) Limited**

Annual report and financial statements  
for the year ended  
31 December 2017  
Registered number 02452071



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## **Company Information**

### **Directors:**

- N Stagg
- P Hackett

### **Company Secretary:**

- C Partridge

**Company Registration Number - 02452071**

### **Registered Address:**

St Paul's House  
10 Warwick Lane  
London  
EC4M 7BP

**Country of Incorporation – United Kingdom**

### **External Auditor:**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

## Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### Business review

The loss after tax for the year was £1,366,866 (2016: profit of £6,657,603).

The performance of the business in 2017 has been stable with client revenues increasing by 5% and the gross profit percentage decreasing by 2% from 34% to 32%. The company made an operating loss of £3,549,256 compared with a profit in 2016 of £4,734,232 (2016 operating loss was £1,336,554 pre-dividend income). However if one off items recognised in the 2016 results are excluded from operating results, there is a 37% improvement on operating loss and a 10% improvement in operating margin.

**Table 1: 2017 Key Performance Indicator (KPI) Comparisons:-**

| KPIs                  | 2017        | 2016        | % change |
|-----------------------|-------------|-------------|----------|
| Client Revenue        | 6,505,944   | 6,209,379   | 5%       |
| Staff on Loan Revenue | 2,226,980   | 3,058,935   | (27%)    |
| Total Turnover        | 8,732,924   | 9,268,314   | (6%)     |
| Operating Loss*       | (3,549,256) | (1,136,554) | 212%     |
| Operating Loss Margin | (41%)       | (12%)       |          |

\* Before dividend in kind income

### Principal Risks and Uncertainties

Changes in demand for Alexander Proudfoot's services can significantly impact revenues and profits. Alexander Proudfoot operates in a number of industry sectors and demand for our services can be affected by global, regional or national macro-economic conditions and conditions within individual industry sectors. Proudfoot operates in a competitive environment, where other consulting firms seek to provide similar services to our clients.

Alexander Proudfoot seeks to monitor demand for its services, to anticipate changes in demand and competitive pressures where possible, and to develop a strategy and offering to exploit opportunities for growth in sectors where demand is increasing. The diversity of Alexander Proudfoot's businesses provides some protection against adverse trends in individual sectors and Alexander Proudfoot retains some flexibility in its ability to deploy staff to areas of higher demand to optimise utilisation.

Alexander Proudfoot is dependent on the recruitment and retention of key personnel to develop and maintain relationships with clients and to deliver high quality services. Any failure to attract and retain such personnel which results in their unforeseen departure from the business may have detrimental consequences on Alexander Proudfoot's financial performance.

Alexander Proudfoot seeks to develop remuneration policies and structures that reward good performance and promote continued employment with Alexander Proudfoot's consistent with prevailing market levels of remuneration.

## **Strategic Report** *(continued)*

### **Principal risks and uncertainties** *(continued)*

The intellectual capital of Alexander Proudfoot including its methodologies and its track record of successful sale and delivery of assignments to clients, is a key asset which must be maintained, continually developed and protected, so that its offerings remain distinctive and attractive to clients. It is possible that employees who exit the business may appropriate this intellectual capital for use by themselves or Alexander Proudfoot's competitors.

Alexander Proudfoot protects its intellectual property through appropriate contractual arrangements with employees and others, and through legal action where necessary.

### **Future Developments**

In light of our strong client prospects in the business pipeline, the directors expect the general level of activity to increase in the forthcoming year. Furthermore, the Board of Management Consulting Group PLC, the parent company of Alexander Proudfoot, has concluded that development and investment are now required to provide Alexander Proudfoot with a firm platform for profitable growth in the future. Over time these initiatives should help to build a more stable and predictable revenue base and drive top-line growth.

### **Events after the balance sheet date**

There are no significant events after the balance sheet date.

Approved by the Board of Directors and signed on its behalf by:



N Stagg  
*Director*

St Paul's House  
10 Warwick Lane  
London  
EC4M 7BP

27 September 2018

## **Directors' report**

The directors present their annual report on the affairs of the Company, together the Audited financial statements and auditor's report for the year ended 31 December 2017.

### **General information**

Alexander Proudfoot (Europe) Limited is a private company limited by shares registered in England under the Companies Act 2006.

### **Principal activity**

The Company's principal activity during the year was the provision of management consultancy services.

### **Going concern**

The current economic conditions create uncertainty particularly over the level of demand for the Company's services. The Company has been loss making in 2017 and at year end it was in a net liabilities position; therefore it relies on support from the ultimate parent company, Management Consulting Group PLC. ("MCG PLC"). The 2017 annual report and accounts of the parent had a material uncertainty which casted significant doubt on the group's ability to continue as a going concern. The Board of MCG PLC have during 2018 successfully completed a Placing and Open offer which raised £10m gross of new equity capital. Through this fundraising the board addressed the risks and uncertainties to the short term funding position highlighted in the 2017 MCG PLC annual report and accounts. The directors of Alexander Proudfoot (Europe) Ltd have received written confirmation that the ultimate parent company will continue to provide support for 12 months from the date of approving these financial statements. The directors believe that Management Consulting Group PLC has the financial resources to fulfil this commitment.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Going concern is discussed further in Note 1 to the financial statements.

### **Employees**

The Company operates predominantly in the United Kingdom, however employees are required to work abroad on occasion. Employment practices meet legal requirements in the United Kingdom and in addition and where appropriate, vary to meet local requirements.

It is Company policy that all people be treated with dignity and respect. The Company is committed to providing and fostering a working environment that is free from harassment, discrimination, victimisation or bullying.

Our ability to become a high-performing organisation depends on our inclusion of people who come from diverse backgrounds. It is the Company's policy to ensure equal opportunities exist without discrimination for all employees, irrespective of their race, colour, creed, religion, gender, ancestry, citizenship, sexual preference, marital status, national origin, age, pregnancy, or any other reason prohibited by the law in the United Kingdom. This applies with respect to recruitment, promotion, remuneration, transfer, retention, training and other employment actions. Wherever possible, the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

Employees have a written job description and are appraised by their manager quarterly or semi-annually using a formal process. The Company is committed to providing support to help realise the full potential

## **Directors' report** *(continued)*

### **Employees** *(continued)*

of all its employees, whilst recognising that the ultimate responsibility for personal development must rest with the individual. There are executive and management development programmes for the leaders and future leaders of the business, training programmes for client facing staff and an induction programme for all staff. There is regular communication via internal meetings, email, intranets and an in-house magazine.

### **Financial risk management**

The Company does not use derivatives to manage its financial risks. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk. Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the only financial risk the directors consider relevant to this Company is credit risk. This risk is mitigated by the Company's credit controls policies.

The Company has operating and financial policies and procedures designed to maximise value within a defined risk management framework. The key risks to which the Company is exposed are reviewed regularly by senior management and the Board.

The major risks the Company faces are related to the demand for consultancy services; maintaining and extending our client base; attracting and retaining talented employees; and not using our intellectual capital to full advantage.

These risks are managed by anticipating consultancy trends; identifying new sectors in which the Company might operate; maximising staff utilisation; having remuneration policies which reward performance and promote continued employment with the Company or other group companies; and maintaining a comprehensive knowledge management system.

Potential contractual liabilities arising from client engagements are managed through careful control of contractual conditions and appropriate insurance arrangements. There is no material outstanding litigation against the Company, of which the directors are aware, which is not covered by insurance, or provided for in the financial statements.

### **Directors**

The directors who held office throughout the year and up to the date of this report were as follows:

N Stagg

P Hackett (appointed 10 April 2018)

M Comras (appointed 7 September 2017, resigned 9 May 2018)

C W Ansley (resigned 7 September 2017)

C Povey (resigned 7 September 2017)

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Directors' report** *(continued)*

**Auditor** *(continued)*

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:



N Stagg  
Director

27 September 2018

St Paul's House  
10 Warwick Lane  
London  
EC4M 7BP

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; and
- 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.

## **Independent auditor's report to the members of Proudfoot Consulting (Europe) Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Proudfoot Consulting (Europe) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **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 Financial Reporting Council's (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.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Independent auditor's report to the members of Proudfoot Consulting (Europe) Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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 respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

### **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 FRC's website at: [www.frc.org.uk/auditors\\_responsibilities](http://www.frc.org.uk/auditors_responsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

**Independent auditor's report to the members of Proudfoot Consulting (Europe) Limited (continued)**

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

**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.



Peter Saunders (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

27 September 2018

**Profit and loss account**  
*for the year ended 31 December 2017*

|   | <i>Notes</i> | <b>2017</b><br>£          | 2016<br>£               |
|---|--------------|---------------------------|-------------------------|
| <b>Turnover</b>   | <i>1</i>     | <b>8,732,924</b>          | <b>9,268,314</b>        |
| Cost of sales   |              | <u>(5,931,416)</u>        | <u>(6,128,820)</u>      |
| <b>Gross profit</b>   |              | <b>2,801,508</b>          | <b>3,139,494</b>        |
| Administrative expenses                                     | <i>5</i>     | <b>(6,350,764)</b>        | <b>(7,445,539)</b>      |
| Other income  |              | -                         | <b>9,040,277</b>        |
| <b>Operating (loss)/profit</b>                              | <i>2</i>     | <b>(3,549,256)</b>        | <b>4,734,232</b>        |
| Interest receivable and similar income                      | <i>6</i>     | <b>6,395,520</b>          | <b>2,185,108</b>        |
| Interest payable and similar charges                        | <i>7</i>     | <b>(4,188,011)</b>        | <b>(5,414,441)</b>      |
| Dividend Income   |              | -                         | <b>5,521,049</b>        |
| <b>(Loss)/profit on ordinary activities before taxation</b> |              | <b>(1,341,747)</b>        | <b>7,025,948</b>        |
| Tax on loss on ordinary activities                          | <i>8</i>     | <b>(25,119)</b>           | <b>(368,345)</b>        |
| <b>(Loss)/profit for the year</b>                           |              | <b><u>(1,366,866)</u></b> | <b><u>6,657,603</u></b> |

There was no other comprehensive income or expense in either year other than those shown in the profit and loss account therefore no statement of comprehensive income is presented.

The transactions are all derived from continuing operations.

The Notes to the Financial Statements on Pages 14 to 20 form an integral part of the Financial Statements.


## Balance sheet

as at 31 December 2017

|   | Notes | 2017<br>£           | 2016<br>£           |
|---|-------|---------------------|---------------------|
| <b>Fixed assets</b>                                   |       |                     |                     |
| Tangible assets                                       | 9     | <u>20,185</u>       | <u>27,154</u>       |
| <b>Total fixed assets</b>                             |       | <u>20,185</u>       | <u>27,154</u>       |
| <b>Current assets</b>                                 |       |                     |                     |
| Debtors   | 10    | 3,948,190           | 8,280,830           |
| Cash at bank and in hand                              |       | <u>407,410</u>      | <u>236,152</u>      |
|   |       | 4,355,600           | 8,516,982           |
| <b>Creditors: amounts falling due within one year</b> | 11    | <u>(25,428,356)</u> | <u>(28,229,841)</u> |
| <b>Net current liabilities</b>                        |       | <u>(21,072,756)</u> | <u>(19,712,859)</u> |
| <b>Total assets less current liabilities</b>          |       | <u>(21,052,571)</u> | <u>(19,685,705)</u> |
| <b>Net liabilities</b>                                |       | <u>(21,052,571)</u> | <u>(19,685,705)</u> |
| <b>Capital and reserves</b>                           |       |                     |                     |
| Called up share capital                               | 12    | 2                   | 2                   |
| Profit and loss account                               |       | <u>(21,052,573)</u> | <u>(19,685,707)</u> |
| <b>Shareholders' deficit</b>                          |       | <u>(21,052,571)</u> | <u>(19,685,705)</u> |

The Notes to the Financial Statements on Pages 14 to 20 form an integral part of the Financial Statements.

The financial statements of Alexander Proudfoot (Europe) Limited, registered number 02452071 were approved and authorised for issue by the Board of Directors on 27/9/18. They were signed on its behalf by:



N Stagg  
Director

27 September 2018

**Statement of Changes in Equity**  
*for the year ended 31 December 2017*

|   | <b>Called up<br/>share<br/>capital<br/>£</b> | <b>Profit and loss<br/>account<br/>£</b> | <b>Total<br/>deficit<br/>£</b> |
|---|--|--|--------------------------------|
| <b>Balance as of 1 January 2016</b>     | <u>2</u>                                     | <u>(26,343,312)</u>                      | <u>(26,343,310)</u>            |
| Total Comprehensive income for the year | -  | 6,657,603                                | 6,657,603                      |
| <b>Balance as of 1 January 2017</b>     | <u>2</u>                                     | <u>(19,685,707)</u>                      | <u>(19,685,705)</u>            |
| Total Comprehensive loss for the year   | -  | (1,366,866)                              | (1,366,866)                    |
| <b>Balance as of 31 December 2017</b>   | <u>2</u>                                     | <u>(21,052,573)</u>                      | <u>(21,052,571)</u>            |

## Notes to the financial statements

### 1 Accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year in dealing with items which are considered material in relation to the Company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical costs basis of accounting and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly-owned subsidiary of a parent company which prepares consolidated financial statements which are publicly available from the address which is shown in note 16.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### *Going concern*

The current economic conditions create uncertainty particularly over the level of demand for the Company's services. The Company has been loss making in 2017 and at year end it was in a net liabilities position; therefore it relies on support from the ultimate parent company, Management Consulting Group PLC. ("MCG PLC"). The 2017 annual report and accounts of the parent had a material uncertainty which might cast significant doubt on the group's ability to continue as a going concern. The Board of MCG PLC have during 2018 successfully completed a Placing and Open offer which raised £10m gross of new equity capital. Through this fundraising the board addressed the risks and uncertainties to the short term funding position highlighted in the 2017 MCG PLC annual report and accounts. The directors of Alexander Proudfoot (Europe) Ltd have received written confirmation that the ultimate parent company will continue to provide support for 12 months from the date of approving these financial statements. The directors believe that Management Consulting Group PLC has the financial resources to fulfil this commitment.

In light of strong client prospects in the business pipeline, the directors expect the general level of activity to increase in the forthcoming year.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Critical accounting judgements and key sources of estimation uncertainty**

Critical accounting policies are defined as those that are reflective of significant judgements and uncertainties and potentially result in materially different results under different assumptions and conditions.

Management have not applied any significant judgements in accounting policies.

There are no key sources of estimation uncertainty which could change materially change in the next 12 months.

#### *Cash flow statement*

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements.

## Notes to the financial statements (*continued*)

### 1 Accounting policies (*continued*)

The Company is consolidated in the financial statements of its parent, further details can be found in note 16. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### ***Fixed asset investments***

Fixed asset investments, comprising shares in and loans to Group undertakings, are stated at cost less provision for impairment.

#### ***Financial Instruments***

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at their transaction price (including transaction costs). This includes financial assets and liabilities classified as financing transactions under FRS 102 as the company has opted to apply the recognition and measurement provisions of IAS 39 from IFRS. This is a permissible accounting policy choice under FRS 102.

#### ***Tangible fixed assets and depreciation***

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                       |   |                       |
|-----------------------|---|-----------------------|
| Fixtures and fittings | - | between 3 and 7 years |
| Hardware              | - | 3 years               |

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

#### ***Turnover***

Turnover arises in the UK and represents the value of services provided to third parties and is stated net of sales taxes. It is recognised when services have been provided and the right to consideration has been earned. When a service has been provided to third parties but no billing made, the amount receivable is estimated. This estimate is based on the nature of the service supplied and the terms of the contract.

#### ***Pensions***

The employees of the Company are eligible to join the Group defined contribution schemes. The amount charged against profits represents the contributions payable to the scheme in respect of the financial year.

#### ***Taxation***

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Notes to the financial statements *(continued)*

### 2 Operating loss

|  | 2017<br>£     | 2016<br>£     |
|--|---------------|---------------|
| Operating loss is stated after charging: |               |               |
| Depreciation of tangible fixed assets    | <u>21,435</u> | <u>34,800</u> |

Fees payable to the Company's auditor for the audit of the Company's annual accounts pursuant to legislation amount to £36,000 (2016: £43,200) and were borne by the parent company Management Consulting Group PLC in both years.

### 3 Remuneration of directors

The directors did not receive any remuneration in respect of their services to the Company and no director was a member of the Company's defined contribution pension scheme in the current or prior financial year.

### 4 Staff numbers and costs

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

|                     | 2017<br>No | 2016<br>No |
|---------------------|------------|------------|
| Sales and marketing | 15         | 14         |
| Administration      | 11         | 9          |
| Consultants         | 19         | 25         |
|                     | <u>45</u>  | <u>48</u>  |

The aggregate payroll costs of these persons were as follows:

|                       | 2017<br>£        | 2016<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 3,165,159        | 4,434,682        |
| Social security costs | 499,508          | 720,719          |
| Other pension costs   | 162,711          | 317,168          |
|                       | <u>3,827,378</u> | <u>5,472,569</u> |

## Notes to the financial statements *(continued)*

### 5 Exceptional income

|                             | 2017<br>£ | 2016<br>£ |
|-----------------------------|-----------|-----------|
| Redistribution of severance | -         | 255,140   |

### 6 Interest receivable and similar income

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Exchange gains on foreign currency balances | 6,395,520 | 2,185,108 |

### 7 Interest payable and similar charges

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Exchange losses on foreign currency balances | 4,188,011 | 5,414,441 |

### 8 Tax charge on loss on ordinary activities

|                   | 2017<br>£ | 2016<br>£ |
|-------------------|-----------|-----------|
| <b>Tax charge</b> |           |           |
| Foreign tax       | 25,119    | 368,345   |

#### *Factors affecting the tax charge for the period*

UK corporation tax is calculated at 19.25% (2016: 20%) but the tax charge differs from this rate as reconciled below:

## Notes to the financial statements *(continued)*

### 8 Tax charge on loss on ordinary activities *(continued)*

|   | 2017<br>£          | 2016<br>£        |
|---|--------------------|------------------|
| (Loss)/Profit on ordinary activities before tax                                   | <u>(1,341,747)</u> | <u>7,025,948</u> |
| Tax (credit)/charge at 19.25% (2016: 20.00%)                                      | (258,286)          | 1,405,190        |
| Factors affecting the tax charge:   |                    |                  |
| Foreign withholding tax   | 25,119             | 368,345          |
| Foreign withholding tax deduction   | (1,948)            | (73,669)         |
| Timing differences due to capital allowances                                      | 4,126              | 6,960            |
| Short-term timing differences   | (23,798)           | -                |
| Non-deductible expenditure  | 579,069            | (2,201,376)      |
| Utilisation of brought forward losses   | (424,032)          | -                |
| Group relief surrender  | 60,893             | -                |
| Tax losses not utilised and carried forward to<br>Future periods for tax purposes | 63,976             | 862,895          |
|   | <u>25,199</u>      | <u>368,345</u>   |

The Company has the following tax losses and other tax-deductible items carried forward. A deferred tax asset has not been recognised as there is insufficient evidence at the balance sheet date that the asset will be recovered in the near term.

|                            | 2017<br>£m | 2016<br>£m  |
|----------------------------|------------|-------------|
| Tax losses carried forward | <u>8.9</u> | <u>10.8</u> |
| Total                      | <u>8.9</u> | <u>10.8</u> |

From 1 April 2017 the main rate of UK corporation tax was reduced from 20% to 19%. From the year starting 1 April 2020, the main rate of UK corporation tax will be 18%.

## Notes to the financial statements (continued)

### 9 Tangible fixed assets

|                                 | Hardware and<br>software<br>£ | Fixtures and<br>fittings<br>£ | Total<br>£     |
|---------------------------------|-------------------------------|-------------------------------|----------------|
| <i>Cost</i>                     |                               |                               |                |
| At 1 January 2017               | 100,538                       | 164,580                       | 265,118        |
| Additions                       | 14,466                        | -                             | 14,466         |
| Disposals                       | (1,355)                       | -                             | (1,355)        |
| At 31 December 2017             | <u>113,649</u>                | <u>164,580</u>                | <u>278,229</u> |
| <i>Accumulated depreciation</i> |                               |                               |                |
| At 1 January 2017               | 74,451                        | 163,513                       | 237,964        |
| Charge for year                 | 20,897                        | 538                           | 21,435         |
| Disposals                       | (1,355)                       | -                             | (1,355)        |
| At 31 December 2017             | <u>93,993</u>                 | <u>164,051</u>                | <u>258,044</u> |
| <i>Net book value</i>           |                               |                               |                |
| At 31 December 2017             | <u>19,656</u>                 | <u>529</u>                    | <u>20,185</u>  |
| At 31 December 2016             | <u>26,087</u>                 | <u>1,067</u>                  | <u>27,154</u>  |

### 10 Debtors: Amounts falling due within one year

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 559,161          | 1,427,748        |
| Other debtors                      | 1,943            | 282,337          |
| Amounts owed by group undertakings | 3,299,003        | 6,524,228        |
| Prepayments and accrued income     | <u>88,083</u>    | <u>46,517</u>    |
|                                    | <u>3,948,190</u> | <u>8,280,830</u> |

Amounts owed by group undertakings are interest free and repayable in part or full at any time.

## Notes to the financial statements *(continued)*

### 11 Creditors: amounts falling due within one year

|                                    | 2017<br>£         | 2016<br>£         |
|------------------------------------|-------------------|-------------------|
| Trade creditors                    | 61,842            | 157,257           |
| Amounts owed to group undertakings | 24,212,947        | 26,419,441        |
| Taxes and social security          | 138,347           | 225,793           |
| Accruals and deferred income       | <u>1,015,220</u>  | <u>1,427,350</u>  |
|                                    | <u>25,428,356</u> | <u>28,229,841</u> |

Amounts owed to group undertakings are interest free and repayable in part or full at any time.

### 12 Called Up Share capital

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| <i>Allotted, called up and fully paid</i> |           |           |
| Two ordinary shares of £1 each            | <u>2</u>  | <u>2</u>  |

### 13 Pension scheme

The Company makes payments to defined contribution pension schemes on behalf of all eligible employees. The pension cost for the year represents contributions payable by the Company to the schemes and amounted to £325,775 (2016: £317,168).

### 14 Related party transactions

As the Company is a wholly-owned subsidiary of Management Consulting Group PLC, the Company has taken advantage of the exemption contained in FRS 102:33.1A and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). There were no other related party transactions requiring disclosure in the current or prior year. The consolidated financial statements of Management Consulting Group PLC, within which this Company is included, can be obtained from the address given in note 16.

### 15 Subsidiary undertakings

At 31 December 2017, the Company had one subsidiary, Alexander Proudfoot (Botswana) Pty Ltd. The shareholdings were 100% of the subsidiary undertakings ordinary shares and are held directly. The subsidiary's registered address is 1<sup>st</sup> Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana.

## Notes to the financial statements *(continued)*

### 16 Immediate and ultimate parent company

The Company's immediate and ultimate parent company and the ultimate controlling party is Management Consulting Group PLC, a company incorporated in Great Britain and registered in England and Wales.

The only group in which the results of the Company are consolidated is that headed by Management Consulting Group PLC. Copies of the financial statements of Management Consulting Group PLC may be obtained at the following address: Management Consulting Group PLC, St Paul's House, 10 Warwick Lane, London, EC4M 7BP.