

McBains Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Company Registration No. 03094139 (England and Wales)

McBains Limited

Company Information

Directors	R J Davies	(Appointed 1 January 2019)
	C E Docwra	
	A Lee	(Appointed 1 October 2019)
	M Leeson	
	A C Southgate	(Appointed 1 January 2019)
Secretary	L S Roberts	
Company number	03094139	
Registered office	5th Floor 26 Finsbury Square London EC2A 1DS	
Auditor	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	

McBains Limited

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McBains Limited

Strategic Report

For the year ended 31 December 2019

The Directors present their report and financial statements for the year ended 31 December 2019.

Fair review of the business

The company is a multi-disciplinary property and construction consultancy firm, operating in an inter-disciplinary way. It provides a broad suite of surveying and design related services to a wide selection of clients, across both the private and public sectors.

Investment in digital hardware and processes, people, training and initiatives such as social value underpin our keenness to support the growth of the business with appropriate tools and to maintain the constant evolution of the company as a modern and dynamic company with people at its heart.

Whilst Clive Docwra and Mark Leeson continued in their roles as Managing Director and Operations Director respectively, there have been two new appointments to the board over the period. In January 2019, both Adrian Southgate, with regional responsibilities and Richard Davies, with oversight of all fund advisory services, joined the board, supporting the company's aspirations for sustainable growth. There have been a number of further promotions across the business, supporting both our desire to promote from within and to create a platform for growth.

Trader developer activity is still an area of interest albeit suppressed due to political uncertainty. Accordingly, the company remained focussed on public sector and corporate entities, where clients have developed either global and/or long-term strategies that are more stable, giving the company the opportunity to plan and align our resources more strategically to our client's forecast activity.

Access to major public sector frameworks and our track record in delivering large programmes has enabled the company to capitalise on new multiple nationwide real estate programmes of work.

Services on behalf of funds, high street banks and specialist property lenders has grown as have master planning and regeneration services. The company's reputation in these specialist markets has delivered premium margins and continues to self-support the business growth in these fields through word of mouth and repeat business.

Development and performance

Despite the uncertainty associated with Brexit, ongoing political changes and ultimately, the election in December 2019, the company performed well in 2019.

Gross revenue for 2019 was £16.2m compared to a 12-month equivalent figure for 2018 of £14.9m (2018 was an 18 month reporting period, with c. £1.25m average gross revenue per month). This represents approximately 8% growth in gross revenue in 2019 vs the equivalent prior period.

EBITDA for 2019 was £0.9m with an EBITDA margin of 6%. EBITDA for the equivalent 12 months in the prior reporting period was £1.2m, with an EBITDA margin of 8%. The reason for the reduction in EBITDA in 2019 was the application of a management charge from the group that was more than double that of the charge during the period to 31 December 2018.

Throughout the reporting period, the company continued to maintain a strong cash flow position. Rigorous financial controls, including close management of aged debt delivered an overall reduction in accounts receivable, even while gross revenue was rising.

McBains Limited

Strategic Report (Continued)

For the year ended 31 December 2019

Principal risks and future outlook

The UK has been subject to a prolonged period of suppressed activity in the private trader developer market, initially triggered by the Brexit vote in 2016 and then protracted by political uncertainty, comprising leadership changes and ultimately the election in 2019.

Whilst the recent election along with progress made regarding Brexit has helped to raise optimism for 2020, the unfolding Covid-19 crisis is creating new uncertainties. Risks in this regard are mitigated through the robust and embedded business continuity plans. Additionally, secured workload for the year, at this stage, is largely unaffected by either short term financial decisions or by practical limitations brought about through changing work patterns.

Notwithstanding the immediate challenges, the company plans to continue developing relationships with its existing client base in both the public sector and corporate markets, cementing itself as the 'trusted adviser' to these entities and in the event the current crisis subsides, preparing to re-engage with the trader/developer market, upon which to build sustainable growth.

Recognising the importance of people, we will continue to invest in training and initiatives that challenge and drive our industry, so that both our clients and colleagues maintain a positive learning trajectory and that we learn to 'find the better way'.

Internal promotions at all levels of management will support the aspirations of talented people in the business - with the company continuing to be a place where careers are planned, and talent is recognised.

Finally, the company will capitalise on the opportunities derived through being part of the RSBG group, including synergies and investments in joint initiatives such as 5D BIM and digitalisation. These initiatives will keep the company at the forefront of technological progress in the industry.

Maintaining the culture of the business throughout 2020 and beyond will be central to all activities and we will continue to embrace and promote our core values of flexibility, understanding and integrity in everything that we do; resulting in the delivery of high-quality solutions to our ever-broadening range of clients and their challenges.

On behalf of the board

A Lee
Director
23 March 2020

McBains Limited

Directors' Report

For the year ended 31 December 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of provision of professional consulting services to the property and construction industry. The services include Project Management, Architecture, Cost Management, Mechanical and Electrical Engineering, Building Surveying, Civil and Structural Engineering and Asset Management.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G Hird	(Resigned 28 January 2020)
R J Davies	(Appointed 1 January 2019)
C E Docwra	
A Lee	(Appointed 1 October 2019)
M Leeson	
A C Southgate	(Appointed 1 January 2019)

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £475,000. The directors do not recommend payment of a further dividend.

Auditor

Moore Kingston Smith LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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). 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, subject to any material departures disclosed and explained in the financial statements;
- 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.

McBains Limited

Directors' Report (Continued)

For the year ended 31 December 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

A Lee

Director

23 March 2020

McBains Limited

Independent Auditor's Report

To the Members of McBains Limited

Opinion

We have audited the financial statements of McBains Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the 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 United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

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 this regard.

McBains Limited

Independent Auditor's Report (Continued)

To the Members of McBains Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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
- the Strategic Report and the Directors' Report have 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 Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where 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.

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.

McBains Limited

Independent Auditor's Report (Continued)

To the Members of McBains Limited

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Rebecca Shields (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

23 March 2020

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

McBains Limited

Statement of Comprehensive Income

For the year ended 31 December 2019

		Year ended 31 December 2019	18 month period ended 31 December 2018 as restated
	Notes	£	£
Turnover	3	16,174,857	22,365,142
Cost of sales		(9,190,547)	(13,289,316)
Gross profit		6,984,310	9,075,826
Administrative expenses		(6,313,496)	(7,630,020)
Other operating income		26,032	-
Operating profit	4	696,846	1,445,806
Interest receivable and similar income	8	53	1,514
Interest payable and similar expenses	9	(140)	-
Profit before taxation		696,759	1,447,320
Taxation	10	-	(360,187)
Profit for the financial year		696,759	1,087,133

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

McBains Limited

Statement Of Financial Position

As at 31 December 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	12		21,202		49,794
Tangible assets	13		345,157		453,425
Investments	14		2		2
			<u>366,361</u>		<u>503,221</u>
Current assets					
Debtors	16	7,782,091		8,287,808	
Cash at bank and in hand		731,716		448,173	
		<u>8,513,807</u>		<u>8,735,981</u>	
Creditors: amounts falling due within one year	17	(5,224,025)		(5,808,985)	
Net current assets			<u>3,289,782</u>		<u>2,926,996</u>
Total assets less current liabilities			<u>3,656,143</u>		<u>3,430,217</u>
Provisions for liabilities	18		(87,613)		(83,446)
Net assets			<u><u>3,568,530</u></u>		<u><u>3,346,771</u></u>
Capital and reserves					
Called up share capital	21	1,000,000		1,000,000	
Profit and loss reserves		2,568,530		2,346,771	
Total equity			<u><u>3,568,530</u></u>		<u><u>3,346,771</u></u>

The financial statements were approved by the board of directors and authorised for issue on 23 March 2020 and are signed on its behalf by:

A Lee
Director

Company Registration No. 03094139

McBains Limited

Statement of Changes in Equity

For the year ended 31 December 2019

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 July 2017		1,000,000	1,659,638	2,659,638
Period ended 31 December 2018:				
Profit and total comprehensive income for the period		-	1,087,133	1,087,133
Dividends	11	-	(400,000)	(400,000)
Balance at 31 December 2018		1,000,000	2,346,771	3,346,771
Period ended 31 December 2019:				
Profit and total comprehensive income for the period		-	696,759	696,759
Dividends	11	-	(475,000)	(475,000)
Balance at 31 December 2019		1,000,000	2,568,530	3,568,530

McBains Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1 Accounting policies

Company information

McBains Limited is a private company limited by shares incorporated in England and Wales. The registered office is 5th Floor, 26 Finsbury Square, London, England, EC2A 1DS.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The information is included in the consolidated financial statements of RAG-Stiftung, a company registered in Germany, as at 31 December 2019 and these financial statements may be obtained from RAG-Stiftung, Ruttenschneider Strasse 1 - 3, 45128 Essen, Germany.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10% straight line or over the life of the lease if shorter
Fixtures and fittings	25% straight line
Computers	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

1.6 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

An element of the pension costs charged in the financial statements relate to a defined benefit scheme, inasmuch as there is a Guaranteed Money Purchase underpin, but this has not been brought on to the balance sheet as it is not material at the last formal valuation date at 6 April 2018,

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

1 Accounting policies

(Continued)

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.17 Prior year restatement

A prior year restatement was recognised to better reflect the true cost of sales and administrative aspects of specific employees' salaries. This resulted in a decrease in cost of sales and an increase in administrative expenses of £3,107,900 for the 18 month period ending 31 December 2018.

2 Judgements and key sources of estimation uncertainty

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Gross amounts due from contract customers

Gross amounts due from contract customers 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 time spent to date. This is compared to the total time expected to be required to undertake the contract. Estimates of the total time 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.

3 Turnover and other revenue

The whole of turnover is attributable to the company's principal activity.

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	16,174,857	22,365,142

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Operating profit

	2019	2018
Operating profit for the period is stated after charging/(crediting):	£	£
Exchange losses	3,711	2,745
Depreciation of owned tangible fixed assets	177,567	253,559
Amortisation of intangible assets	28,592	59,177
Operating lease charges	500,513	617,843

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	30,000	40,000
Other services	6,000	16,000
	36,000	56,000

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Operational staff	99	104
Management and administrative staff	38	30
	137	134

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	8,017,921	10,967,466
Social security costs	947,729	1,351,206
Pension costs	289,243	394,361
	9,254,893	12,713,033

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	728,846	1,189,810
Company pension contributions to defined contribution schemes	80,019	102,648
	<u>808,865</u>	<u>1,292,458</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2018 - 8).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	171,317	414,824
Company pension contributions to defined contribution schemes	12,038	15,000
	<u>183,355</u>	<u>429,824</u>

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	53	1,514
	<u>53</u>	<u>1,514</u>

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	140	-
	<u>140</u>	<u>-</u>

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	-	348,920
Adjustments in respect of prior periods	-	10,514
	<u>-</u>	<u>359,434</u>
Total current tax	<u>-</u>	<u>359,434</u>

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

10 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences

-	753
<u> </u>	<u> </u>

Total tax charge

-	360,187
<u> </u>	<u> </u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	696,759	1,447,320
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)</i>	132,384	274,991
Tax effect of expenses that are not deductible in determining taxable profit	5,816	8,607
Adjustments in respect of prior years	-	10,514
Group relief	(158,919)	(19)
Fixed asset differences	20,719	66,182
Adjust deferred tax opening rate	-	1,827
Adjust deferred tax to closing rate	-	(1,915)
Taxation charge for the period	-	360,187

11 Dividends

	2019 £	2018 £
Final paid	475,000	400,000

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

12 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2019 and 31 December 2019	571,848
Amortisation and impairment	
At 1 January 2019	522,054
Amortisation charged for the year	28,592
At 31 December 2019	550,646
Carrying amount	
At 31 December 2019	21,202
At 31 December 2018	49,794

13 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 January 2019	384,739	102,872	449,953	937,564
Additions	5,614	2,856	60,829	69,299
At 31 December 2019	390,353	105,728	510,782	1,006,863
Depreciation and impairment				
At 1 January 2019	135,057	41,017	308,065	484,139
Depreciation charged in the year	67,067	23,166	87,334	177,567
At 31 December 2019	202,124	64,183	395,399	661,706
Carrying amount				
At 31 December 2019	188,229	41,545	115,383	345,157
At 31 December 2018	249,682	61,855	141,888	453,425

14 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	15	2	2

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held	
			Direct	Indirect
McBains Cooper Consulting Limited	Dormant	Ordinary	100.00 0	0 0

The registered office of the subsidiary is the same as the company.

16 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	3,214,296	3,607,780
Gross amounts due from contract customers	667,439	585,423
Corporation tax recoverable	37,242	-
Amounts due from group undertakings	3,277,140	3,571,220
Other debtors	102,671	77,637
Prepayments and accrued income	483,303	445,748
	<u>7,782,091</u>	<u>8,287,808</u>

17 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	267,277	741,348
Amounts due to group undertakings	2,818,214	2,935,720
Corporation tax	-	162,759
Other taxation and social security	648,144	847,553
Other creditors	201,352	99,839
Accruals and deferred income	1,289,038	1,021,766
	<u>5,224,025</u>	<u>5,808,985</u>

18 Provisions for liabilities

	Notes	2019 £	2018 £
Dilapidations		71,334	67,167
Deferred tax liabilities	19	16,279	16,279
		<u>87,613</u>	<u>83,446</u>

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

18 Provisions for liabilities

(Continued)

The dilapidations provision relates to the anticipated costs for restoring the company offices to their original state on termination of the leases.

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	22,456	22,456
Other timing differences	(6,177)	(6,177)
	<u>16,279</u>	<u>16,279</u>

There were no deferred tax movements in the year.

20 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>289,243</u>	<u>394,361</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,000,000</u>

McBains Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	456,134	391,842
Between two and five years	334,171	1,540,635
In over five years	-	225,585
	<u>790,305</u>	<u>2,158,062</u>

23 Related party transactions

The company has taken advantage of the exemption available in accordance with FRS 102 'Related party disclosures' not to disclose transactions with other group companies.

24 Controlling party

The ultimate controlling party of the company is RAG-Stiftung, a company registered in Germany.

The largest group of undertakings which prepares consolidated financial statements including the company is RAG-Stiftung. These financial statements may be obtained from RAG-Stiftung, Ruttenscheider Strasse 1-3, 45128 Essen, Germany.

The smallest group of undertakings which prepares consolidated financial statements including the company is RSBG UK Ltd. These financial statements may be obtained by RSBG UK Ltd, 5 Manchester Square, London, W1U 3PD.

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