McBains Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company Registration No. 03094139 (England and Wales)

McBains Limited

Company Information

Directors	A Coumidis	(Appointed 1 August 2020)
	R J Davies	
	C E Docwra	
	M Leeson	
	L S Roberts	(Appointed 1 January 2021)
	A C Southgate	
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

Contents

The Directors present their report and financial statements for the year ended 31 December 2020.

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.

The company works closely with RSBG UK Limited, the intermediate parent company, to develop and coordinate its central support services, including finance, IT and human resources, as well as paying close attention to its own highly valued brand, culture and identity.

The pandemic resulted in the UK entering lockdown in March 2020 and created significant turbulence in the market and, although there were periods where it appeared that the economy may be exiting the storm, the pandemic has continued to impact on every side of life and business throughout the year.

It is important to recognise at this stage the value of the investment that the company has historically made, and continues to make, in its IT systems and processes.

The business operations are increasingly becoming digitalised, but its people remain its most valuable resource. The company continues to invest in training and team culture. Trust and mutual support remain core values underpinning the company's success.

Investment in its people and IT has enabled the company to transition seamlessly to the remote working environment, maintaining its rhythm. This stands in contrast to the market the company operates in, which has been subject to significant upheaval.

Activity in the trader/developer market failed to gain traction, where potential growth had previously been targeted. The volume housing sector temporarily stalled, and funders grappled with difficult decisions over property development transactions that were struggling to make progress on site. Similar retrenchment in the advancement of new lines of funding was observed.

However, legacy projects did prevail and, by remaining close to its clients and providing timely advice and reassurance, the company continued to deliver excellent services and value. The company approach to keeping the brand alive through various media and regular communication with all its clients and partners, enabled the business to grow the order book and its resources. Strong success rates in the public sector market and targeted business development in the more robust private sectors kept the company's share of public and private sector work well balanced. This aligns with the long-term desire to create a sustainable and resilient business.

Board roles of Clive Docwra and Mark Leeson leading the business as Managing and Operations Directors respectively, Adrian Southgate with regional responsibility and Richard Davies overseeing the fund advisory services, remained unchanged. Anthony Coumidis joined the Board mid-way through the year, to drive the commercially focussed sales and bidding team.

Development and performance

Despite the challenges associated with the pandemic, including remote working, delays to projects and clients faced with tough decisions in an uncertain market, the company performed well in 2020.

Gross revenue for 2020 was £17.5m and EBITDA was £2.7m, reflecting a margin of approximately 15%.

The company delivered a growth in gross revenue of 8% from £16.2m in 2019 and an adjusted EBITDA, excluding group management charges, increase of 25%.

Net working capital has increased 36% in 2020 over 2019 as a result of increased sales, improved management of the purchase ledger and effective credit control.

Principal risks and future outlook

The pandemic masked the early shocks of Brexit at the beginning of 2020, and it is likely that the most disruptive Brexit related impacts should have settled considerably by the time offices reopen in 2021, albeit there will be implications for years to come.

The predominant influence over the market in 2021 will be the success of the vaccine programme on both a national and global scale. Local returns to offices will generate confidence and support the ecosystems of towns and cities. On a global level, returns to unrestricted movement will support the leisure, tourism, and travel industries.

Meanwhile, the impact of the pandemic has been widespread and considerable, and it is anticipated that many of the effects will result in long-term changes to the way we live our daily lives and therefore, the markets within which the company works. The company's strategy for 2021 and beyond will align closely with the growth sectors identified consequent to changes in markets that have now been accelerated and made more permanent by the pandemic.

Trust in people, speed of adaptation to change and digitalisation, including the automation of processes, have all influenced the way the company operated in 2020 and will continue to do so in 2021 and beyond. Further investment in the processes and strategic targets will aim to enhance the company's resilience to the turbulent environment.

Recognising the need to adapt at speed, the company will continue to develop strong relationships with its supply chain, which has significant impact on its ability to service clients' diverse needs in the most effective manner.

The company's ESG agenda will be developed further, with a more specific approach to Social Value and Carbon Neutral initiatives, along with the identification of resources to tackle these challenges in a meaningful manner.

The company will continue to maintain a balance between public and private sector clients and aspire to its mantra to 'find the better way'. The business will endeavour to broaden its reputation as the trusted adviser to these entities and ensure sustainable growth.

On behalf of the board

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C E Docwra

Director

25 May 2021

The directors present their annual report and financial statements for the year ended 31 December 2020.

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)
A Coumidis	(Appointed 1 August 2020)
R J Davies	
C E Docwra	
A Lee	(Resigned 1 January 2021)
M Leeson	
L S Roberts	(Appointed 1 January 2021)
A C Southgate	

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £1,500,000. The directors do not recommend payment of a further dividend.

Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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.

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

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L S Roberts

Director

Date: 25/5/2021............

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 2020 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 2020 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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

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.

Moore Kingston Smith LLP

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

25 May 2021

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

McBains Limited

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	3	17,482,466	16,174,857
Cost of sales		(10,422,836)	(9,190,547)
Gross profit		7,059,630	6,984,310
Administrative expenses		(4,883,431)	(6,313,496)
Other operating income		317,061	26,032
Operating profit	4	2,493,260	696,846
Interest receivable and similar income	8	-	53
Interest payable and similar expenses	9	-	(140)
Profit before taxation		2,493,260	696,759
Taxation	10	11,007	-
Profit for the financial year		2,504,267	696,759

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 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Goodwill	12		-		21,202
Tangible assets	13		367,961		345,157
Investments	14		2		2
			367,963		366,361
Current assets					
Debtors	16	11,131,334		7,782,091	
Cash at bank and in hand		1,178,057		731,716	
		12,309,391		8,513,807	
Creditors: amounts falling due within one year	17	(7,721,446)		(5,224,025)	
Net current assets			4,587,945		3,289,782
Total assets less current liabilities			4,955,908		3,656,143
Provisions for liabilities	18		(383,111)		(87,613)
Net assets			4,572,797		3,568,530
Capital and reserves					
Called up share capital	21		1,000,000		1,000,000
Profit and loss reserves			3,572,797		2,568,530
Total equity			4,572,797		3,568,530

The financial statements were approved by the board of directors and authorised for issue on 25/5/2021..............
and are signed on its behalf by:

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L S Roberts
Director

Company Registration No. 03094139

McBains Limited

Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 January 2019		1,000,000	2,346,771	3,346,771
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	696,759	696,759
Dividends	**11**	-	(475,000)	(475,000)
Balance at 31 December 2019		1,000,000	2,568,530	3,568,530
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	2,504,267	2,504,267
Dividends	**11**	-	(1,500,000)	(1,500,000)
Balance at 31 December 2020		1,000,000	3,572,797	4,572,797

1 Accounting policies

Company information

McBains Limited is a private company limited by shares, domiciled and 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 2020 and these financial statements may be obtained from RAG-Stiftung, Ruttenscheider Strasse 1 - 3, 45128 Essen, Germany.

1 Accounting policies (Continued)

1.2 Going concern

During the year the directors initiated robust business continuity plans in response to the COVID-19 pandemic. The secured workload for the year has been largely unaffected at this stage by either short term financial decisions or by practical limitations brought about from changing work patterns. The company has a large number of contracts with Public Sector clients which are all expected to proceed as planned. Contracts held with private clients are predominantly with large corporates who are more resilient and are still planning on proceeding with those projects.

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. The directors have assessed the impacts of the COVID-19 pandemic and have concluded that there is no significant impact to the going concern status of the company. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

1 Accounting policies **(Continued)**

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	Over the term of the lease
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.

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 Accounting policies (Continued)

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.

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

1 Accounting policies (Continued)

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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.

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.

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.

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.

Pension provision

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds and is based on an informal unaudited valuation performed at 6 April 2019 . The valuation methodology was based on 46 members with annual financial assumptions of discount rates of 4.0% before retirement and 1.2% after retirement, RPI of 3.7%, CPI of 2.8% and a maximum future increase to pensions in deferment of 5.0%. Management estimates these factors in determining the pension provision in the statement of financial position. The assumptions reflect historical experience and current trends.

3 Turnover and other income

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

3 Turnover and other income (Continued)

	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	17,482,466	16,174,857

	2020	2019
	£	£
Other significant income		
Other operating income	9,083	26,032
Research and development expenditure credit	220,000	-
Furlough grants claimed	87,978	-
	317,061	26,032

4 Operating profit

	2020	2019
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange (gains)/losses	(2,746)	3,711
Depreciation of owned tangible fixed assets	200,041	177,567
Amortisation of intangible assets	21,202	28,592
Operating lease charges	472,131	500,513

5 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	27,200	27,200
Other services	8,800	8,800
	36,000	36,000

6 Employees

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

	2020 Number	2019 Number
Operational	125	108
Management	8	8
Administration	21	21
	154	137

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	9,123,911	8,017,921
Social security costs	1,000,970	947,729
Pension costs	352,175	289,243
	10,477,056	9,254,893

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	888,175	728,846
Company pension contributions to defined contribution schemes	107,841	80,019
	996,016	808,865

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2019 - 5).

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

	2020 £	2019 £
Remuneration for qualifying services	216,150	171,317
Company pension contributions to defined contribution schemes	25,664	12,038

8 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	-	53

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest on bank overdrafts and loans	-	140

10 Taxation

	2020	2019
	£	£
Deferred tax		
Origination and reversal of timing differences	(11,007)	-

The actual (credit)/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:

	2020	2019
	£	£
Profit before taxation	2,493,260	696,759
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	473,719	132,384
Tax effect of expenses that are not deductible in determining taxable profit	2,346	5,816
Group relief	(464,356)	(158,919)
Research and development tax credit	(41,800)	-
Fixed asset differences	19,084	20,719
Taxation credit for the year	(11,007)	-

11 Dividends

	2020	2019
	£	£
Final paid	1,500,000	475,000

12 Intangible fixed assets

	Goodwill
	£
Cost	
At 1 January 2020 and 31 December 2020	571,848
Amortisation and impairment	
At 1 January 2020	550,646
Amortisation charged for the year	21,202
At 31 December 2020	571,848
Carrying amount	
At 31 December 2020	-
At 31 December 2019	21,202

13 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2020	390,353	105,728	510,782	1,006,863
Additions	-	8,128	214,717	222,845
At 31 December 2020	390,353	113,856	725,499	1,229,708
Depreciation and impairment				
At 1 January 2020	202,124	64,183	395,399	661,706
Depreciation charged in the year	67,440	24,903	107,698	200,041
At 31 December 2020	269,564	89,086	503,097	861,747
Carrying amount				
At 31 December 2020	120,789	24,770	222,402	367,961
At 31 December 2019	188,229	41,545	115,383	345,157

14 Fixed asset investments

	Notes	2020	2019
		£	£
Investments in subsidiaries	15	2	2

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

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

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

16 Debtors

Amounts falling due within one year:	**2020 £**	**2019 £**
Trade debtors	3,722,943	3,214,296
Gross amounts due from contract customers	475,133	667,439
Corporation tax recoverable	307,242	37,242
Amounts due from group undertakings	6,053,235	3,277,140
Other debtors	74,087	102,671
Prepayments and accrued income	498,694	483,303
	11,131,334	7,782,091

17 Creditors: amounts falling due within one year

	2020 £	**2019 £**
Trade creditors	424,363	267,277
Amounts due to group undertakings	4,304,949	2,818,214
Other taxation and social security	1,247,032	648,144
Other creditors	63,321	201,352
Accruals and deferred income	1,681,781	1,289,038
	7,721,446	5,224,025

18 Provisions for liabilities

	Notes	2020 £	2019 £
Dilapidations		98,334	71,334
Pension provision		179,505	-
Other provisions		100,000	-
		377,839	71,334
Deferred tax liabilities	20	5,272	16,279
		383,111	87,613

Movements on provisions apart from deferred tax liabilities:

	Dilapidations £	Pension provision £	Other provisions £	Total £
At 1 January 2020	71,334	-	-	71,334
Additional provisions in the year	27,000	186,020	-	213,020
Utilisation of provision	-	(6,515)	-	(6,515)
Transfers	-	-	100,000	100,000
At 31 December 2020	98,334	179,505	100,000	377,839

The dilapidations provision relates to the anticipated costs for restoring the company offices to their original state on termination of the leases and is expected to reverse in line with when the leases expire.

The pension provision relates to anticipated pension costs for the company pension. The provision is expected to reverse over the next 4 years.

19 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	352,175	289,243

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.

20 Deferred taxation

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

Balances:	Liabilities 2020 £	Liabilities 2019 £
Accelerated capital allowances	47,273	22,456
Other timing differences	(42,001)	(6,177)
	5,272	16,279

Movements in the year:	2020 £
Liability at 1 January 2020	16,279
Credit to profit or loss	(11,007)
Liability at 31 December 2020	5,272

21 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	1,000,000	1,000,000

22 Financial commitments, guarantees and contingent liabilities

There is a cross guarantee and debenture between the company and its fellow group companies.

23 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:

	2020	2019
	£	£
Within one year	303,832	456,134
Between one and five years	34,475	334,171
	338,307	790,305

24 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.

25 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.