Arthur D. Little Limited

Registered number: 04375623

Annual Report

For the year ended 31 December 2018

ARTHUR D. LITTLE LIMITED

COMPANY INFORMATION

Directors	N B White I A Garcia Alves F Duval R J Eagar
Registered number	04375623
Registered office	55 Fetter Lane 2nd Floor New Fetter Place West London EC4A 1AA
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

ARTHUR D. LITTLE LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The principal activity of Arthur D. Little Limited ("ADL") is that of a global management consultancy firm which links strategy, innovation and technology to master complex business challenges while delivering sustainable results to our clients.

ADL has a collaborative client management style, exceptional people and a firm wide commitment to quality and integrity. ADL is proud to serve many of the Fortune 100 companies globally in addition to many other leading firms in a wide variety of industries and public sector organisations.

Business review

ADL revenues decreased by around 26%, from £19.3 million to £14.3 million with a reduction in profits compared with 2017. The reduction in revenues is partially a result of a decline in the use of subcontractors, and is partially the consequence of a general slow-down in business across all service lines in the second half of the year. The payroll expenses were higher due to salary increases and a larger staff base on average compared with 2017; though headcount fell between 1 January and 31 December, as departing staff were not replaced, given the overall slowdown in business and declining profitability. Various cost reduction measures were taken in addition to the reduction in headcount and subcontractors. One redundancy was made, as it was decided to exit one specific service line in the Risk practice, in which sales and profitability had been relatively low for the past few years.

Although there was a perceptible slowdown in the second half of the year, management considers that this was not specifically attributable to Brexit-related factors. Rather, it appears to have been the result of client-specific situations which led to delays in starting work on a small number of relatively large projects. For example, one client was involved in a transaction which delayed the start of a project, while other clients experienced managerial changes which led to re-prioritisation of various initiatives, the consequence of which meant that our projects were delayed and in some cases cancelled.

Principal risks and uncertainties

We will continue to exercise close control of the cost base and expand our staff numbers cautiously as market conditions permit. While we consider that the political uncertainty over Brexit was not the reason for declining sales in 2018, we recognise that it may result in some economic turbulence in the near and medium terms, and so any staff expansion will be managed carefully.

Risks associated with Brexit

The directors have assessed the impact of Brexit on the future performance of the company. The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the company's future performance and position. They anticipate that the impact on sales, contracts, personnel and financial planning will be minimal.

Financial key performance indicators ("KPIs")

The Board monitors the progress of the group by reference to the following KPIs:

	2018	**2017**
Gross Margin	£1,933,717	£3,791,193
Gross Profit Margin	13%	20%
Operating (loss)/profit	(£420,304)	£1,037,810
EBITDA	(£335,194)	£1,108,109

This report was approved by the board and signed on its behalf.

Nicholas White

N B White
Director

Date: 12/7/19

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the company is that of a global management consultancy firm which links strategy, innovation and technology to master complex business challenges while delivering sustainable results to clients.

Matters covered in the strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the strategic report on page 1. These matters relate to the review of the business, the principal risks and uncertainties and the financial key performance indicators.

Results and dividends

The loss for the year, after taxation, amounted to £378,657 (2017 : profit of £807,955).

During the year there were dividend payments of £nil (2017: £350,000). A final dividend is not recommended.

Directors

The directors who served during the year and to the date of this report were:

N B White
I A Garcia Alves
F Duval
F Valraud (resigned 18 December 2018)
R J Eagar (appointed 18 December 2018)

Financial risk management

Treasury management including currency and interest rate hedging is undertaken as part of the overall risk management strategy of the Group. There are currently no currency or interest rate hedges at the company level.

The company's principal financial assets are bank balance and trade debtors. The company has limited exposure to credit risk from concentration of its debtors as the amounts are spread over a large number of customers. The amounts presented in the Statement of financial position are net of provisions for doubtful debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The price risk is limited because the company must negotiate contracts which are favourable to the company. A key risk to sustaining the growth of the company is the securing of the new contracts and the nurturing of existing relationships with clients.

Future developments

ADL wishes to strengthen its operations in all current industry verticals, and potentially to add capabilities in an additional industry vertical, while also reinforcing its existing functional capacity, to better serve existing and potential new clients. A prudent approach to staff recruitment will be adopted, as in recent years, with staff additions being linked closely to successful sales activities.

Going concern

Going concern is assessed on a regular basis as part of the business management processes. Business plans and budgets are prepared annually. Cashflow, revenue and profitability forecasting is performed on a monthly basis, as well as reviews of the backlog of contracted work and the sales pipeline.

An ongoing policy of limited expansion in select areas is being adopted to allow growth in areas of the business which are in high demand while being very cautious elsewhere. The firm will continue a highly-focused strategy based on a limited number of industry verticals and functional offerings in which it has an enviable reputation.

The directors have assessed the going concern for a period of 12 months from the date of this report. A cashflow forecast has been prepared taking into account a best estimate of the impact of future events, demonstrating that the company will remain cash positive. Accordingly, the accounts have been prepared on the going concern basis.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Qualifying third party indemnity provisions

The directors benefit from a qualifying indemnity provision in the form permitted by The Companies Act (Audit, Investigations and Community Enterprise) 2004 ("CAICE") new sections 309A, 309B and 309C in respect of certain third party actions against directors. No claim or notice of claim in respect of these indemnities has been received in the year.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including FRS 102 (United Kingdom Generally Accepted Accounting Practice), 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments 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; and
- prepare the audited 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 to enable them to ensure that the audited 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.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Nicholas White

N B White
Director

Date: 12/7/19

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTHUR D. LITTLE LIMITED

Opinion

We have audited the financial statements of Arthur D. Little Limited (the 'company') for the year ended 31 December 2018 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the company and this is particularly the case in relation to Brexit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTHUR D. LITTLE LIMITED

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- 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 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 or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARTHUR D. LITTLE LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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

Rachel Lawton

Rachel Lawton (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 19 July 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	3	14,328,783	19,348,797
Cost of sales		(12,395,066)	(15,557,604)
Gross profit		1,933,717	3,791,193
Administrative expenses		(2,941,490)	(3,270,384)
Other operating income	4	587,469	517,001
Operating (loss)/profit	5	(420,304)	1,037,810
Interest receivable and similar income	9	7	76
Interest payable and similar charges	10	(31,049)	(38,092)
(Loss)/profit before tax		(451,346)	999,794
Tax on (loss)/profit	11	72,689	(191,839)
(Loss)/profit for the year		(378,657)	807,955
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(378,657)	807,955

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 26 form part of these financial statements.

ARTHUR D. LITTLE LIMITED
REGISTERED NUMBER: 04375623

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note		2018 £		2017 £
Fixed assets					
Intangible assets	13		-		-
Tangible assets	14		214,699		291,149
			214,699		291,149
Current assets					
Debtors: amounts falling due within one year	15	3,642,612		5,966,420	
Cash at bank and in hand		798,884		1,894,594	
		4,441,496		7,861,014	
Creditors: amounts falling due within one year	16	(2,528,440)		(5,645,751)	
Net current assets			1,913,056		2,215,263
Total assets less current liabilities			2,127,755		2,506,412
Net assets			2,127,755		2,506,412
Capital and reserves					
Called up share capital	18		100,000		100,000
Profit and loss account	19		2,027,755		2,406,412
Total equity			2,127,755		2,506,412

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Nicholas White

N B White
Director

Date: 12/7/19

The notes on pages 12 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital Note 18	Profit and loss account Note 19	Total equity
	£	£	£
At 1 January 2017	100,000	1,948,457	2,048,457
Comprehensive income for the year			
Profit for the year	-	807,955	807,955
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	807,955	807,955
Dividends: Equity capital	-	(350,000)	(350,000)
Total transactions with owners	-	(350,000)	(350,000)
At 1 January 2018	100,000	2,406,412	2,506,412
Comprehensive (loss)/income for the year			
Loss for the year	-	(378,657)	(378,657)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(378,657)	(378,657)
Total transactions with owners	-	-	-
At 31 December 2018	100,000	2,027,755	2,127,755

The notes on pages 12 to 26 form part of these financial statements.

1. Accounting policies

1.1 General information

Arthur D. Little Limited (the "company") is a private company limited by shares, incorporated in England and Wales. The address of its registered office and principal place of business is 55 Fetter Lane, 2nd Floor, New Fetter Place West, London, EC4A 1AA.

The principal activity of the company is that of a global management consultancy firm which links strategy, innovation and technology to master complex business challenges while delivering sustainable results to clients.

The financial statements have been presented in Pounds Sterling as this is the currency of the primary economic environment in which the company operates and is rounded to the nearest pound.

1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006, under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

1.3 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Arthur D. Little Partnership SCRL as at 31 December 2018 and these financial statements may be obtained from Banque Nationale de Belgique, Boulevard de Berlaimont 14, 1000 Brussels, Belgium.

1. Accounting policies (continued)

1.4 Going concern

Going concern is assessed on a regular basis as part of the business management processes. Business plans and budgets are prepared annually. Cashflow, revenue and profitability forecasting is performed on a monthly basis, as well as reviews of the backlog of contracted work and the sales pipeline.

An ongoing policy of limited expansion in select areas is being adopted to allow growth in areas of the business which are in high demand while being very cautious elsewhere. The firm will continue a highly-focused strategy based on a limited number of industry verticals and functional offerings in which it has an enviable reputation.

The directors have assessed the going concern for a period of 12 months from the date of this report. A cashflow forecast has been prepared taking into account a best estimate of the impact of future events, demonstrating that the company will remain cash positive. Accordingly, the accounts have been prepared on the going concern basis.

1.5 Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the Statement of financial position date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from clients in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

1.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	3	year straight line

1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

1. Accounting policies (continued)

1.7 *Tangible fixed assets (continued)*

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Fixtures & fittings	- 2 to 10 years straight line
Office equipment	- 3 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

1.8 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits receivable as operating lease incentives are recognised within profit and loss on a straight-line basis over the lease term.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and trading balances with related parties. Financial assets and liability debt instruments are initially measured at the transaction price, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. Where an arrangement constitutes a financing transaction, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is identified, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

1. Accounting policies (continued)

1.10 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and recoverable amount, which is an estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

1.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Pounds Sterling as this is the currency of the primary economic environment in which the company operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'administrative expenses'.

1.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

1. Accounting policies (continued)

1.13 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The assets of the plan are held separately from the company in independently administered funds.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid at the reporting date are shown in creditors in the Statement of financial position.

1.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.15 Debt factoring

The company enters into factoring arrangements in respect of certain trade debtors with third party providers. These arrangements facilitate working capital by accelerating cash receipts.

The arrangements do not result in the transfer of credit risk and the ultimate risks and rewards associated with the trade debtors remain with the company. As such the company continues to recognise these items in the Statement of financial position until they are settled or expire.

A liability is recognised in respect of advances and other amounts owing to factoring parties.

Assets and liabilities associated with these arrangements are not offset and are measured in accordance with the accounting policies for financial instruments as set out in the financial instruments accounting policy.

Interest arising on factoring liabilities is recognised within profit or loss within interest payable as it accrues using the effective interest rate. Other fees payable in respect of the arrangements are recognised in profit or loss within administrative expenses in the period to which they relate.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of debtors

The directors establish a provision for debtors that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of debtors, past experience of recoverability, and the credit profile of individual or groups of customers.

Determining residual values and useful lives of tangible fixed assets

The company depreciates tangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for fixtures & fittings and office equipment.

When determining the residual value management aims to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible this is done with reference to external market prices.

3. Turnover

All turnover is attributable to services rendered.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	10,045,927	13,954,022
Rest of Europe	1,869,891	2,203,310
Rest of the World	2,412,965	3,191,465
	14,328,783	19,348,797

4. Other operating income

All other operating income is attributable to rebilled overheads.

	2018 £	2017 £
Other operating income	587,469	517,001
	587,469	517,001

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	85,110	70,299
Exchange differences	(23,569)	103,232
Operating lease expenses	228,858	224,700

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the company's annual accounts	15,216	12,328

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	6,252,723	6,847,530
Social security costs	718,074	638,206
Cost of defined contribution scheme	402,789	435,205
	7,373,586	7,920,941

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Consultants	58	53
Administration	16	16
	74	69

8. Directors' remuneration

One director received remuneration from the company during the year.

	2018 £	2017 £
Directors' emoluments	359,184	339,356
	359,184	339,356

The highest paid director received remuneration of £359,184 (2017: £339,356).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid directors amounted to £nil (2017: £nil).

9. Interest receivable and similar income

	2018 £	2017 £
Interest receivable on cash and cash equivalents	7	76
	7	76

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	-	15
Interest payable on factoring charges	31,049	38,077
	31,049	38,092

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on (losses)/profits for the year	-	210,929
Adjustments in respect of previous periods	(119,413)	1,413
	(119,413)	212,342
Double taxation relief	-	(11,777)
	(119,413)	200,565
Foreign tax		
Foreign tax on income for the year	10,554	11,777
Foreign tax in respect of prior periods	-	(7,106)
Total current tax	(108,859)	205,236
Deferred tax		
Origination and reversal of timing differences	27,773	(13,856)
Adjustments in respect of prior periods	8,397	459
Total deferred tax	36,170	(13,397)
Taxation on (loss)/profit on ordinary activities	(72,689)	191,839

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
(Loss)/Profit on ordinary activities before tax	(451,346)	999,794
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 : 19.25%)	(85,756)	192,426
Effects of:		
Expenses not deductible for tax purposes	3,217	2,815
Losses carried back	113,579	-
Foreign tax credits	10,554	-
Adjustments to tax charge in respect of prior periods	(119,413)	(545)
Adjustments to tax charge in respect of previous periods - deferred tax	8,397	459
Adjust closing deferred tax to average rate of 19%/19.25%	493	5,333
Adjust opening deferred tax to average rate of 19%/19.25%	(3,760)	(3,501)
Adjustment in respect of prior periods – Tax rebate from 2016	-	(5,148)
Total tax (credit)/charge for the year	(72,689)	191,839

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% was substantively enacted in July 2015 and takes effect from 1 April 2017. A further reduction in the UK corporation tax rate to 17% from 1 April 2020, has been announced but has not been substantively enacted.

12. Dividends

	2018 £	2017 £
Dividend paid in the year	-	350,000
	-	350,000

13. Intangible assets

	Computer software £
Cost	
At 1 January 2018	18,601
At 31 December 2018	18,601
Amortisation	
At 1 January 2018	18,601
At 31 December 2018	18,601
Net book value	
At 31 December 2018	-
At 31 December 2017	-

14. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Total £
Cost			
At 1 January 2018	256,192	231,399	487,591
Additions	-	8,660	8,660
At 31 December 2018	256,192	240,059	496,251
Depreciation			
At 1 January 2018	79,363	117,079	196,442
Charge for the year	25,967	59,143	85,110
At 31 December 2018	105,330	176,222	281,552
Net book value			
At 31 December 2018	150,862	63,837	214,699
At 31 December 2017	176,829	114,320	291,149

15. Debtors: Amounts falling due within one year

	2018 £	2017 £
Trade debtors	1,914,608	4,566,715
Amounts owed by group undertakings	1,255,679	937,454
Other debtors	204,837	54,415
Prepayments and accrued income	105,270	199,618
Amounts recoverable on contracts	158,030	167,860
Deferred taxation	4,188	40,358
	3,642,612	5,966,420

Amounts owed by group undertakings relate to trading accounts, do not bare interest, are not secured and are deemed repayable on demand.

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Payments received on account	107,533	185,080
Trade creditors	405,609	658,387
Amounts owed to group undertakings	186,797	519,200
Corporation tax	-	103,567
Taxation and social security	329,853	397,684
Other creditors	949,565	1,775,600
Accruals and deferred income	549,083	2,006,233
	2,528,440	5,645,751

Amounts owed to group undertakings do not bear interest, are not secured and are deemed repayable on demand.

17. Deferred taxation

	2018 £	2017 £
At beginning of year	40,358	26,961
Charged to the profit or loss (note 11)	(36,170)	13,397
At end of year	4,188	40,358

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(5,611)	(13,955)
Short term timing difference	9,799	54,313
	4,188	40,358

There are no unused tax losses or unused tax credits.

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
100,000 (2017 : 100,000) ordinary shares of £1.00 each	100,000	100,000

The ordinary shares entitle each holder to one voting right and no right to fixed income.

19. Reserves

Profit & loss account

This reserve represents the cumulative profits and losses.

20. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Within 1 year	179,747	225,685
After 1 year but within 5 years	657,739	673,051
After 5 years	397,384	561,818
Total	1,234,870	1,460,554

21. Related party transactions

At 31 December 2018 the company was a wholly owned subsidiary of Arthur D. Little Partnership SCRL, and as such has taken advantage of the exemption permitted by Section 33 'Related party disclosures' not to provide disclosures of transactions entered into with other wholly owned members of the group.

22. Post balance sheet events

There have been no significant events affecting the company since the year end.

23. Parent undertaking and ultimate controlling party

The company's immediate parent undertaking is Arthur D. Little Services SAS, a company incorporated in France.

The company's ultimate controlling party is Arthur D. Little Partnership SCRL. Arthur D. Little Partnership SCRL is the parent company of the smallest and largest group which includes Arthur D. Little Limited in its consolidated financial statements.

Copies of the consolidated financial statements in which the company is included are available from Banque Nationale de Belgique, Boulevard de Berlaimont 14, 1000 Brussels, Belgium.