

Registered number: 1300409

Currie & Brown UK Limited

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Company Information

Directors	W Allan D J Ward A J Manuel S N McEwan D Ross N G Brierley M S Syrett
Company Secretary	S Hogg
Registered Number	1300409
Registered Office	40 Holborn Viaduct London EC1N 2PB
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Bankers	HSBC Bank Plc 8 Canada Square London E14 5HQ

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

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Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

The principal activity of the company during the year was that of construction consultancy, cost and project management, primarily in the UK.

Results for the year and business review

The directors are satisfied with the results of the year and the company's financial position at year end. The business delivered on its strategy by continuing to grow its project management and infrastructure offerings, maintain its high levels of winning long-term sustainable work and growth in the healthcare, high-tech and public sector infrastructure industries.

Management continues to monitor the impact of various political and economic risks in the region and to adjust its operating plan accordingly where necessary. These include the impact of Brexit on business activity which led to a slow down in activity in the last few months of the year. Profit for the year after taxation is £4,591,000 (2018: £4,863,000). It is hoped that the result of the UK General Election in December 2019 will lead to greater clarity for decision making on major projects although the impact of the coronavirus on markets in 2020 and beyond will be substantial (see below).

Coronavirus

During early 2020, the Company began to see a significant impact on operations arising from the spread of coronavirus and the consequent temporary closure of offices and delays or cancellations to major projects. The full effects of which will not be understood for many months.

We moved seamlessly to a work at home solution which meant there was no disruption in our service delivery to clients. However, we still expect that both turnover and profit will reduce during 2020. The Board believes that Currie & Brown's business will be resilient to any short term impact on turnover caused by the coronavirus due to the high proportion of public sector work undertaken and our focus on strong private sector clients across a range of industry sectors. Management has also taken a number of actions to address cash and profit shortfalls including salary reductions, minimising any discretionary expenditure and taking full advantage of government concessions and incentives wherever they are available.

Key performance indicators

Key performance measures have been identified to bring focus to the delivery of the company's objectives, including the following:

- Turnover growth
- Growth in gross and net margins
- Cash generation and working capital control
- Training delivery and uptake

The company continues to invest in training in order to deliver on its aim of upskilling its staff, whether that be via internal training programs or the use of third parties to support its annual intake of graduate staff through master's degrees, and subsequent training to achieve professional qualification.

The long-term objective continues to be to grow profits, margins and cash. The Board routinely monitors company's performance measures at their monthly meetings and takes action wherever necessary to ensure that revenues and costs are appropriately matched.

Strategic Report (continued)

Principal risks and uncertainties

During the year, the company operated as part of the Currie & Brown group of companies (the 'group'), and the directors identified the following risks and uncertainties:

Coronavirus risk

As above, the directors' started to see evidence of a significant impact of Covid-19 pandemic on operations in early 2020. In late January 2020, a committee was formed which included participants from the operational executive from each region and central services including group heads of our People & IT teams. Immediate measures were put in place to protect our people welfare and to agree actions that would minimise the impact of the pandemic on our respective regional businesses as the virus spread globally. Alongside measures to protect trading outlined above, the committee agreed actions in relation to temporary office closures, facilitating home working and ensuring all our people understood health and safety aspects of visiting client sites and premises.

Delivery risk

The company manages the delivery of services to clients in accordance with cost and service quality requirements by implementing controls to monitor project progress and profitability.

Credit risk

In order to manage credit risk, all significant new clients are required to be referred to the Group's credit control function for a financial reference. In addition, the credit control function reviews overdue balances on a daily, weekly and monthly basis.

Currency risk

In addressing foreign exchange risk, transaction exposures, including those associated with forecast transactions, are hedged when known, by holding designated foreign currency cash balances against future known commitments.

Liquidity risk

The company seeks to manage liquidity risk by ensuring sufficient liquidity (including allowances for contingencies) is available to meet foreseeable needs by recourse to inter-company funding available via the parent undertaking.

Pension risk

The company operates a defined benefit pension scheme which was closed to new members in 1999 and for which benefits for existing members ceased to accrue in 2003. The size of the company's legacy pension obligations is typically related to changes in the long-term outlook for interest rates, inflation and life expectancy. The size of the obligations could also be adversely influenced by regulatory or legislative changes. The company constructively engages with the trustees of the pension scheme to ensure that the assets and liabilities of the scheme are managed in a way which seeks to reduce the likelihood of unexpected costs to the company.

Strategic Report (continued)

Directors Statement of responsibilities under Section 172 Companies Act 2006

The directors are cognisant of their duties under Section 172 of the Companies Act 2006 in their deliberations and decisions on all matters affecting the company. Decisions made by the directors take into account the interests of all key stakeholders and reflect the directors' belief that the long term sustainable success of the company is linked directly to its key stakeholders.

Long term approach

The directors are focused on the success of the company over the long term through the implementation of a long term strategy for the company to develop in key targeted offerings where the company can bring a strong value proposition, leveraging its strengths.

People

Our people are key to our business and we work to put them at the heart of our business strategy. We enable them to thrive through a challenging and supportive working environment and encourage entrepreneurship and creative thinking.

Employees are invited to periodically submit queries and ideas to senior management and company directors through 'Staff Voice', they are discussed at board level and responses are published on the company's intranet. There are regular roadshows where Directors visit offices across the country and engage directly with employees enabling a two way conversation.

The company undertakes annual staff remuneration reviews which are benchmarked with our peers, this ensures the company offers staff competitive pay and benefits. In addition, the directors ensure pay across genders at all levels of the business is equal.

The Board of directors oversee a continual program of staff training and development, starting with recruitment of apprentices and graduates, provision of pre and post qualification training to all staff and ongoing professional mentorship.

Suppliers

The Board encourages strong, long term supplier relationships to allow the business to provide an excellent service to our clients. Key supplier contracts are discussed by the Board as appropriate. The directors commit to treating all suppliers fairly, supplier payment practices are discussed at board level, the results of which have driven system and process improvements.

Customers

Our continued success is due to our ability to maintain focus on and a disciplined approach to supporting clients in the key service areas of cost and project management, advisory services and building surveying. We routinely undertake client satisfaction surveys, the feedback received is cascaded through business from board level and any necessary actions that result are reported and measured. The directors take a hands on approach to client engagement and our services are underpinned by traditional values, a commitment to excellence and innovation, and staff loyalty. We leverage our global experience to achieve tangible benefits that inspire confidence and consistently deliver added value for our clients.

Strategic Report (continued)

Section 172 statement (continued)

Society and the environment

The company is a market leader in construction and asset management and our understanding of the need for sustainability and how these issues relate to our core services is a fundamental part of our approach to project delivery. The Directors encourage environmental best practice in our advice to clients and supporting clients, consultants and contractors in considering sustainable buildings, materials, products and construction methodologies. We protect the environment and reduce any pollution impacts associated with our business activities, embracing the principles of 'reduce – reuse – recycle'. The Directors are responsible for the implementation of this policy on the projects and within offices under their management and ensuring that this policy is brought to the notice of all employees.

Parent and Other Group Companies

The Company's Chief operating officer chairs a committee whose purpose is to ensure greater collaboration between companies with the same ultimate parent.

The Company also seeks to increase trade within the Currie & Brown group of companies and has seen intra group trade and bidding increase.

On behalf of the Board



D J Ward
Director
26 November 2020

Directors' Report

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

Directors

The directors who served the company during the year and up to the date of this report are set out below.

D J Ward
W Allan
C J Bishop (resigned 30 April 2020)
A J Manuel
S N McEwan
D Ross
N G Brierley
M S Syrett (appointed 24 September 2020)

Dividends

The directors do not recommend payment of a dividend (2018: £nil).

Indemnity insurance

The group has purchased insurance for the directors and officers of the company against liability arising for wrongful acts in relation to the company, subject to the conditions set out in s234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Report (continued)

Going Concern

The financial statements have been prepared on the going concern basis. In making their assessment of appropriateness, the directors have reviewed the company's cashflow forecasts and have considered the funding available from the intermediate parent undertaking, Currie & Brown Holdings Limited ("CBH" or "The Group").

The uncertainty as to the future impact on the Group headed by CBH of the ongoing Covid-19 pandemic has been considered as part of the Company's adoption of the going concern basis. The Group performed a number of downside scenarios on its cash-flow forecasts for the period to 30 November 2021 to consider the potential impact of Covid-19 on the results of the Group, making assumptions around reduced revenue and also reduction in expenditure, for example with offices being vacant as well as available government support. The Group is confident that it can take sufficient mitigating action, where necessary, to ensure that resources remain sufficient over the forecast period and that it has adequate resources to continue operations and provide financial support to Currie & Brown UK Limited, should it be required, for a period of at least 12 months from the date of approval of the financial statements. This support has been confirmed in writing.

The directors have a reasonable expectation therefore, that the company, in light of the immediate parent company's support, has adequate resources to continue operations for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed to reappoint Ernst & Young LLP as auditors of the company.

Post balance sheet events

Subsequent to 31 December 2019, the World Health Organisation declared a pandemic due to the global outbreak of the coronavirus disease (COVID-19). The impact on the public's health and the economy continues to evolve and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, the Company has not seen a significant impact from the virus but as the disease continues to impact the global economy, the resulting financial and economic market uncertainty could have a negative impact to the Company's financial position which may be of a material value but the extent of this is highly uncertain and cannot be predicted.

On behalf of the Board



D J Ward
Director
26 November 2020

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements until 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Currie & Brown UK Limited

Opinion

We have audited the financial statements of Currie & Brown UK Limited for the year ended 31 December 2019 which comprise the income statement and statement of other comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 20, 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 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Emphasis of Matter – Effects of COVID-19

We draw attention to Notes 2 and 20 of the financial statements, which describe the economic consequences the Company may face as a result of COVID-19 and the potential impact on the directors' assessment of the Company's ability to continue to operate as a going concern, and the impact of subsequent events respectively. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Currie & Brown UK Limited (continued)

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 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 or 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

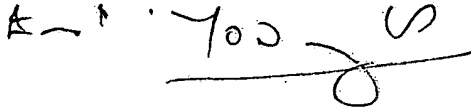
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Independent auditor's report to the members of Currie & Brown UK Limited (continued)

Use of our report

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

A handwritten signature in black ink, appearing to read 'A. Mulea', with a horizontal line underneath it.

Adrian Mulea (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 November 2020

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Income statement and statement of other comprehensive income

	Notes	2019 £000's	2018 £000's (restated)
Turnover	3	58,242	57,322
Cost of sales		<u>(43,407)</u>	<u>(41,572)</u>
Gross profit		14,835	15,750
Administrative expenses		<u>(10,211)</u>	<u>(10,214)</u>
Operating profit	4	4,624	5,536
Interest payable and similar expenses	8	(156)	-
Interest receivable and similar income	7	<u>663</u>	<u>59</u>
Profit before income tax		5,131	5,595
Income tax	9	<u>(540)</u>	<u>(732)</u>
Profit for the year		<u>4,591</u>	<u>4,863</u>
Other comprehensive loss			
Remeasurement loss on defined benefit pension scheme (not to be reclassified to profit or loss in subsequent periods)	15	(207)	(613)
Deferred tax thereon	9	<u>34</u>	<u>51</u>
Other comprehensive loss for the year		<u>(173)</u>	<u>(562)</u>
Total comprehensive income for the year		<u>4,418</u>	<u>4,301</u>

All of the activities of the company are classed as continuing.

The notes on pages 14 to 47 form part of these financial statements.

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Statement of financial position

	Notes	2019 £000's	2018 £000's
Fixed Assets			
Intangible assets	11	11,267	11,267
Right of use asset	16	3,298	-
Tangible assets	10	1,005	1,387
		15,570	12,654
Current assets			
Trade and other receivables	12	37,784	33,604
Amounts falling due after one year	12	-	759
		37,784	34,363
Cash at bank and in hand		1,218	732
Total current assets		39,002	35,095
Creditors: amounts falling due within one year	13	(10,297)	(10,893)
Net current assets		28,705	24,202
Total assets less current liabilities		44,275	36,856
Creditors: amounts falling due after more than one year	14	(2,984)	-
Retirement benefit obligation	15	(1,551)	(1,534)
Net assets		39,740	35,322
Capital and reserves			
Called up share capital	17	37,059	37,059
Retained earnings / (accumulated losses)		2,681	(1,737)
Equity shareholders' funds		39,740	35,322

The financial statements were authorised for issue by the board of directors on 26 November 2020 and were signed on its behalf.



D J Ward

Director

Date: 26 November 2020

The notes on pages 14 to 47 form part of these financial statements.

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Statement of changes in equity

	Share capital	(Accumulated losses) / retained earnings	Total
	£000's	£000's	£000's
As at 1 January 2018	37,059	(6,038)	31,021
Profit for the year	-	4,863	4,863
Other comprehensive loss for the year	-	(562)	(562)
As at 31 December 2018	37,059	(1,737)	35,322
As at 1 January 2019	37,059	(1,737)	35,322
Profit for the year	-	4,591	4,591
Other comprehensive loss for the year	-	(173)	(173)
As at 31 December 2019	37,059	2,681	39,740

The notes on pages 14 to 47 form part of these financial statements.

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Currie & Brown UK Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 26 November 2020 and the balance sheet was signed on the board's behalf by David Ward. Currie & Brown UK Limited is a private company limited by shares, incorporated and domiciled in England and Wales.

The Company's financial statements are presented in Pounds Sterling, which is also the Company's functional currency, and to the nearest thousand (£'000).

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Currie & Brown Holdings Limited. These financial statements present information about the company and not its group.

The results of the Company are included in the consolidated financial statements of Currie & Brown Holdings Limited, which are available from 12 Dumaresq Street, St Hellier, Jersey, JE2 3RL.

An amount of £3,157,000 in relation to administrative staff payroll costs has been reclassified from cost of sales to administrative costs in the income statement for the comparative period ended 31 December 2018, to correct an error in presentation and to reflect more appropriately the amounts involved. There is no impact on profit before tax, the taxation charge or any balance sheet amounts for the comparative period as a result of this restatement.

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

2. Accounting Policies

2.1 Basis of preparation of financial statements

The financial statements of the Company are prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have also been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (c) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) Paragraph 79(a) of IAS 1;
 - (ii) Paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and;
 - (iii) Paragraph 118(e) of IAS 38 *Intangible Assets*.
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 IAS 1;
- (e) the requirements of IAS 7 *Statement of Cash Flows*;
- (f) the requirements of paragraphs 30-31 of IAS 8 *Standards issued but not yet effective*;

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.1 Basis of preparation of financial statements (continued)

- (g) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) – 134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.
- (i) The requirements of the second sentence of paragraph 110 and paragraphs, 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

Going Concern

The financial statements have been prepared on the going concern basis. In making their assessment of appropriateness, the directors have reviewed the company's cashflow forecasts and have considered the funding available from the intermediate parent undertaking, Currie & Brown Holdings Limited ("CBH" or "The Group").

The uncertainty as to the future impact on the Group headed by CBH of the ongoing COVID-19 pandemic has been considered as part of the Company's adoption of the going concern basis. The Group performed a number of downside scenarios on its cash-flow forecasts for the period to 30 November 2021 to consider the potential impact of COVID-19 on the results of the Group, making assumptions around reduced revenue and also reduction in expenditure, for example with offices being vacant as well as available government support. The Group is confident that it can take sufficient mitigating action, where necessary, to ensure that resources remain sufficient over the forecast period and that it has adequate resources to continue operations and provide financial support to Currie & Brown UK Limited, should it be required, for a period of at least 12 months from the date of approval of the financial statements. This support has been confirmed in writing.

The directors have a reasonable expectation therefore, that the company, in light of the immediate parent company's support, has adequate resources to continue operations for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations effective for annual period beginning on or after 1 January 2019:

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

	<u>2019</u>
	<u>£000's</u>
Assets	
Right-of-use assets	3,412
Total assets	<u>3,412</u>
Liabilities	
Lease liabilities	3,556
Deferred tax liabilities	-
Trade and other payables	(144)
Total liabilities	<u>3,412</u>
Total adjustment to equity:	
Retained earnings	-
Non-controlling interests	-

The impact on the results for the year ended 31 December 2019 was to reduce profit by £82,415.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations effective for annual period beginning on or after 1 January 2019: (continued)

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Company has lease contracts for offices and equipment used in its operations. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the Standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Applied the low value leases exemptions (less than £3k)

Based on the above, as at 1 January 2019:

Right-of -use assets of £3.4m were recognised and presented separately in the statement of financial position. Lease liabilities of £3.6m were recognised and presented separately in the statement of financial position. Trade and other payables of £144k related to previous operating leases were derecognised

The net effect of these adjustments is that there is no impact on retained earnings as at 1 January 2019.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	2019
	£000's
Assets	
Operating lease commitments as at 31 December 2018	2,978
Weighted average incremental borrowing rate as at 1 January 2019	4.57%
Discounted operating lease commitments as at 1 January 2019	2,681
Less:	
Commitments relating to short-term leases	(858)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	1,733
Lease liabilities as at 1 January 2019	<u>3,556</u>

2.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, financial assets and liabilities and disclosure of contingent liabilities. However, the nature of estimation means that actual outcomes could differ from the estimates.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Intangible assets

Goodwill is recognised in the financial statements in accordance with the accounting policy given below. The initial capitalisation of goodwill as an intangible asset is based on management's judgement of the fair value of the net assets acquired and the consideration paid. Judgement is also required on an ongoing basis in connection with the determination of impairment indicators and the calculation of value-in-use compared with the carrying value. Further details are disclosed in Note 11

Deferred tax assets

Deferred tax assets are recognised for tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Further details are disclosed in Note 9.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.3 Judgements and key sources of estimation uncertainty (continued)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit ('CGU') exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cashflow model. The cashflows are derived from the Company's budgets and business plans for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset performance of the CGU being tested. The calculation of value in use also reflects the present value of cashflows beyond the forecast period at a perpetual growth rate. The recoverable amount is most sensitive to the discount rate used for the discounted cashflow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Revenue

The company recognises revenue in accordance with IFRS 15 as set out in Note 2.3 below. The amounts of revenues to recognise on claims and variations to contracts are determined on the basis of expected values. The company reviews work orders and tasks, assessing any requirement for these to be grouped where a single performance obligation has been identified.

Impairment of trade receivables and unbilled work in progress

An estimate of the collectible amount of trade accounts receivables and unbilled work in progress is made when collection of the full amount is no longer considered probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past, based on historical recovery rates. Further details are disclosed in Note 12.

Covid-19 is materially a 2020 event but management is confident the processes in place to manage and collect outstanding debt have been sufficient to mitigate any potential increased risk from Covid-19. In addition, the strong public sector client base has benefitted from the government directives these public sectors have been operating under, namely early release and in some cases advance payment.

Accruals

Assumptions have been made with regard to the calculation of accruals. Any future changes in the circumstances surrounding the calculation of accruals may cause the carrying amount to be adjusted. Further details are disclosed in Note 13.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.3 Judgements and key sources of estimation uncertainty (continued)

Provisions

Provisions are recognised when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The expense relating to a provision is presented in the statement of profit or loss and the present obligations are reflected in the statement of financial position within current or non-current liabilities, depending on the expected outflow of resources.

The provisions for incentive schemes' obligations follow the treatment of IAS 19 and are accrued in full as at the balance sheet date. The company recognises that it has a constructive obligation to settle obligations in respect of incentive (including loyalty) payments in full based on scheme rules as these are not subject to vesting conditions.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR by calculating the secured yield curve and adjusting for term and currency. The secured yield curve is determined by selecting the appropriate reference rate, determining the credit spread, and then adjusting for the term and currency of the lease.

Notes to the financial statements (continued)

2.4 Significant accounting policies

a) Revenue and cost recognition

Rendering of services

The company is in the business of providing cost management, project management, building surveying, PFI/PPP services, asset management and other associated advisory services. Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services. The company acts as the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The Company's contracts generally consist of a single performance obligation or series of distinct services which in substance represent a single performance obligation. Contracts with multiple performance obligations have pre-agreed consideration for each performance obligation reducing the need to manually allocate transaction price using stand-alone selling prices.

Applying the input method

IFRS 15 provides two alternative methods for recognising revenue i.e. the output method or the input method. The Company decided to adopt the input method since it faithfully depicts the Company's performance in transferring control of the goods and services to the customer, provides meaningful information in respect of satisfied and unsatisfied performance obligations towards the customer and also enables management to better analyse estimation accruals. Contract contingency is a component of the cost-to-complete estimate which makes allowance for known and unknown risks associated with the project.

Variable consideration

Under IFRS 15 management decided to use the expected value approach to assess / re-assess variable consideration at contract inception and at each reporting date

b) Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit and loss and comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Departure from company law

The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the directors, that is a finite useful economic life. However, under FRS 101, goodwill is not amortised. Consequently, the Company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in UK company law. If this departure from company law had not been made, the profit for the financial year would have been reduced by the amortisation of goodwill. However, the Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets on a straight-line basis over their expected useful lives as follows:

Computers and machinery	– over 3 years
Furniture and equipment	– over 5 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Tangible fixed assets are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of profit and loss and other comprehensive income in the period of derecognition.

c) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the statement of profit and loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets 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, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the statement of profit and loss and other comprehensive income, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

d) Leases

From 1 January 2019

The Company has applied IFRS 16 – leases effective 1 January 2019. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies under 'Impairment of non-financial assets.'

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value (value of £3,000 or less when new). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

d) Leases (continued)

Before 1 January 2019

The Company had applied IAS 17 – leases before 1 January 2019. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right-of-use asset or assets, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.4 Significant accounting policies (continued)

e) Financial Instruments

Financial assets

All purchases or sales of financial assets are recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets at amortised cost:

Financial assets are measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes fees and other amounts receivable, amounts due from related parties, other financial assets and bank balances.

Impairment of financial assets:

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date. The reassessment of expected credit losses does not have any material impact.

The Company recognises lifetime expected credit losses for trade receivables which generally do not have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected period to settlement of a trade receivable.

Notes to the financial statements (continued)

2. Accounting Policies (continued)

2.4 Significant accounting policies (*continued*)

e) Financial Instruments (continued)

Measurement and recognition of expected credit losses:

The measurement of expected credit losses is a function of the probability of default, the anticipated loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date: for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract at the accounting period end and all the cash flows that the Company expects to receive, discounted at the original effective profit rate.

The Company recognises an impairment loss in statement of income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition:

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership but it does not retain control of the financial asset.

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities in accounts payable and other liabilities, and gross amount due to customers for contract work paid in advance.

Initial recognition:

All financial liabilities are measured at amortised cost using the effective interest method ('EIR').

Subsequent measurement:

Accounts payable and other liabilities, and gross amount due to customers for contract work paid in advance are recognised for amounts to be paid in the future for goods or services received at the date of the balance sheet, whether billed by the supplier or not.

Derecognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the financial statements (continued)

2.4 Significant accounting policies (continued)

f) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

g) Pension benefits

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Notes to the financial statements (continued)

2.4 Significant accounting policies (continued)

g) Pension benefits (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements;
- Net interest expense or income.

h) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits, i.e. those with a maturity period of less than three months.

Notes to the financial statements (continued)

3. Turnover

Turnover by geographical area	<u>2019</u> £000's	<u>2018</u> £000's
Middle East	521	452
Europe	<u>57,721</u>	<u>56,870</u>
	<u>58,242</u>	<u>57,322</u>

The following table shows how much of the revenue recognised in the current accounting period relates to carried forward contract liabilities.

	<u>2019</u> £000's	<u>2018</u> £000's
Revenue recognised that was included in contract liabilities at the beginning of the period	94	148
Rendering of services	<u>58,148</u>	<u>57,174</u>
	<u>58,242</u>	<u>57,322</u>

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

	<u>2019</u> £000's	<u>2018</u> £000's
Contract assets	7,256	5,224
Contract liabilities	135	94

Contract assets have increased due to an increase in turnover and higher proportion of time charge contracts.

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Notes to the financial statements (continued)

4. Operating profit

Operating profit is stated after charging:

	<u>2019</u> £000's	<u>2018</u> £000's
Depreciation of tangible fixed assets (Note 10)	776	591
Depreciation of right of use asset (Note 16)	696	-
Net foreign currency exchange gains	11	22

5. Auditor's remuneration

The fee for the audit of the Company's financial statements for the year of £83,370 (2018: £75,000) was borne by Currie & Brown International Limited, a fellow group undertaking.

Fees due to the auditors for non audit services for the year ended 31 December 2019 totalled £nil (2018: £nil).

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Notes to the financial statements (continued)

6. Staff costs and directors' remuneration

(a) Staff Costs

	<u>2019</u>	<u>2018</u>
	£000's	£000's
Wages and salaries	28,611	28,373
Social security costs	3,032	2,745
Other pension costs	1,478	1,346
	<u>33,121</u>	<u>32,464</u>

The average monthly number of employees during the year was made up as follows:

	<u>2019</u>	<u>2018</u>
	No.	No.
Fee earning staff	453	466
Administrative staff	73	72
	<u>526</u>	<u>538</u>

(b) Directors' remuneration

	<u>2019</u>	<u>2018</u>
	£000's	£000's
Aggregate remuneration	<u>1,336</u>	<u>1,208</u>
Employer pension contributions	72	59
In respect of the highest paid director:		
Aggregate remuneration	331	269
Employer pension contributions	25	14

The highest paid director is not a member of the defined benefit pension scheme (see note 15).

The number of directors who are accruing benefits under company pension schemes as at 31 December 2019 was as follows:

	<u>2019</u>	<u>2018</u>
	No.	No.
Defined contribution scheme	<u>7</u>	<u>7</u>

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Notes to the financial statements (continued)

7. Interest receivable

	<u>2019</u> £000's	<u>2018</u> £000's
Interest receivable and similar income	663	59

8. Interest payable and similar expense

	<u>2019</u> £000's	<u>2018</u> £000's
Lease liabilities	156	-

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

9. Taxation

(a) Tax charged in the income statement

	<u>2019</u> £000's	<u>2018</u> £000's
Current income tax:		
UK corporation tax	677	-
Current income tax charge	677	-
Amounts over provided in previous years	-	(2)
Total current income tax charge/(credit)	<u>677</u>	<u>(2)</u>
Deferred tax:		
Origination and reversal of temporary differences	(103)	751
Adjustment in respect to prior years	(7)	79
Impact of change in tax laws and rates	(27)	(96)
Total deferred tax (credit)/charge	<u>(137)</u>	<u>734</u>
Tax charge in the income statement	<u>540</u>	<u>732</u>

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Notes to the financial statements (continued)

9. Taxation (continued)

(b) Tax relating to items charged or credited to other comprehensive income

	2019	2018
	£000's	£000's
Current tax:		
Tax on defined benefit pension plans	-	-
Total current income tax	-	-
Deferred tax:		
Actuarial gains on defined benefit pension plans	(34)	(51)
Tax credit in the statement of other comprehensive income	(34)	(51)

(c) Reconciliation of the total tax charge

The tax charge in the income statement for the year is different from than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000's	£000's
Profit from continuing operations before taxation	5,131	5,595
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	975	1,063
Expenses not deductible for tax purposes	33	24
Group relief	(303)	(251)
Non-taxable income	(97)	(85)
Tax over provided in previous years	-	(2)
Previously disallowed costs deductible on a cash basis	(34)	-
Deferred tax adjustment in respect to prior years	(7)	79
Change in tax laws and rates	(27)	(96)
Total tax charge reported in statement of profit and loss	540	732

Notes to the financial statements (continued)

9. Taxation (continued)

(d) Recognised tax losses

The Company has utilised all of its losses brought forward against tax losses against taxable income from the year.

No losses are carried forward at 31 December 2019 (2018: £nil).

(e) Other factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). Deferred tax has been considered at 19% despite the new law only being substantively enacted after the balance sheet date on 17 March 2020, as the difference is not considered material. All tax balances are therefore recognised at 19%.

Deferred Tax Asset

The movement in deferred income tax assets and liabilities during the year, without taking into account the offsetting of balances within the same tax jurisdiction, is as follows:

	2019	2018
	£000's	£000's
Deferred tax asset		
At 1 January	486	1,169
Credited/(charged) to income statement - current year	130	(655)
Adjustment in respect to prior years	7	(79)
Credited to other comprehensive income in respect of the defined benefit pension scheme - current year	34	51
At 31 December	<u>657</u>	<u>486</u>
Deferred tax provided in the financial statements is as follows:		
Capital allowances in advance of depreciation	240	162
Other timing differences	123	64
Defined benefit pension scheme	<u>294</u>	<u>260</u>
	<u>657</u>	<u>486</u>

Notes to the financial statements (continued)

9. Taxation (continued)

Deferred Tax Asset
(continued)

Deferred tax assets	Accelerated Depreciation	Other timing differences	Pension Scheme	Total
	£000's	£000's	£000's	£000's
At 31 December 2018	162	64	260	486
Credited to income statement	64	66	-	130
Credited to other comprehensive income	-	-	34	34
Adjustment in respect to prior years	14	(7)	-	7
At 31 December 2019	240	123	294	657

There are no unrecognised deferred tax assets 31 December 2019 (2018: £nil). The deferred tax asset in respect of capital allowances in advance of depreciation is expected to be recovered based on the company's current expected pattern of capital expenditure. The deferred tax asset in respect of other timing differences relates to bonus and other provisions which are expected to reverse within one year.

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Financial statements for the year ended 31 December 2019

Notes to the financial statements (continued)

10. Tangible fixed assets	Furniture & Equipment	Computer & Machinery	Total
	£000's	£000's	£000's
Cost or valuation			
At 1 January 2019	1,705	794	2,499
Additions	25	369	394
Disposals	-	-	-
At 31 December 2019	1,730	1,163	2,893
Depreciation and impairment			
At 1 January 2019	761	351	1,112
Depreciation charge for the year	540	236	776
Disposals	-	-	-
At 31 December 2019	1,301	587	1,888
Carrying amount			
At 31 December 2018	944	443	1,387
At 31 December 2019	429	576	1,005

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Notes to the financial statements (continued)

11. Intangible assets

	<u>Goodwill</u>
	<u>£000's</u>
Cost	
At 1 January 2019 and 31 December 2019	<u>11,267</u>
Carrying amount	
At 31 December 2018 and 31 December 2019	<u>11,267</u>

Goodwill arose on the acquisition of the assets and liabilities of Currie & Brown Widnell (SW) Limited and the transfer of the net assets of Sweett (UK) Limited, a fellow group undertaking, pursuant to a Business Transfer Agreement agreed during 2016. The goodwill transferred from Sweett (UK) Limited arose on its acquisition of the business formerly carried on by Sweett Group plc on 1 April 2008 and by the acquisition of Nisbet LLP, Nisbet Project Safety Limited and Roger Richards Partnership. The trades of each of these entities were integrated and formed the single trade of Sweett (UK) Limited, which was subsequently transferred to the Company.

The company is considered a single cash generating unit and the key assumptions used in value in use calculations are

- Growth rates, including terminal rate used to extrapolate cashflows over the forecast period
- Discount rates
- Capital expenditure

Growth rates are based on management views on market opportunities and the outlook across relevant market sectors, both in the short-term for 2020 and 2021, and the longer term for 2022 onwards. A growth rate in perpetuity of 2% per annum for the UK has been used beyond the five-year forecast period. Management believes that underpinning the forecasts are significant opportunities in collaboration with the Company's ultimate parent and the CBH Group.

In assessing value-in-use, a discount rate of 10% was used. This represents an average of the current market assessment of the risks of the Company as a whole and is based on the specific circumstances of the Company.

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Financial statements for the year ended 31 December 2019

Notes to the financial statements (continued)

12. Trade and other receivables

	<u>2019</u>	<u>2018</u>
	<u>£000's</u>	<u>£000's</u>
Trade Debtors	9,012	10,222
Amounts owed by group undertakings	19,522	16,201
Contract assets	7,256	5,224
Deferred Tax (see note 9)	657	486
Other receivables	1,337	1,471
Trade and other receivables	<u>37,784</u>	<u>33,604</u>
Amounts falling due after more than one year included above are:		
Amounts owed by Group undertakings	<u>-</u>	<u>759</u>

Interest is receivable on loans to group undertakings charged at 2% above the Bank of England base rate. Other amounts due by group undertakings are interest free, unsecured and repayable on demand.

13. Trade and other payables

	<u>2019</u>	<u>2018</u>
	<u>£000's</u>	<u>£000's</u>
Trade payables	1,516	1,639
Lease liability (see note 16)	541	-
Amounts owed to group undertakings	1,851	3,317
Other taxes and social security	2,813	2,624
Corporation tax	677	-
Other payables	259	554
Contract liabilities	135	94
Accruals	2,505	2,665
	<u>10,297</u>	<u>10,893</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Notes to the financial statements (continued)

14. Creditors due after more than one year

	<u>2019</u>	<u>2018</u>
	£000's	£000's
Lease liability (note 16)	2,984	-
	<u>2,984</u>	<u>-</u>

Currie & Brown UK Limited
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Notes to the financial statements (continued)

15. Retirement benefit obligation

	<u>2019</u>	<u>2018</u>
	£000's	£000's
Retirement benefit obligation		
At 1 January	1,534	1,231
Net interest cost on the net defined benefit liability	38	27
Actuarial (gain)/loss	207	613
Contribution by employer	(228)	(337)
At 31 December	<u>1,551</u>	<u>1,534</u>

The liability above is in respect of the Cyril Sweett Group Pension Scheme which was acquired as part of the Sweett Group PLC acquisition in August 2016.

This funded defined benefit pension scheme was closed to new members from 1 January 1999 and with effect from 30 June 2003 Sweett Group plc stopped making contributions to the scheme for current members in respect of their future service. Contributions that previously would have been paid into the scheme are now being paid into the Sweett Group Personal Pension Scheme, which is a defined contribution pension scheme.

A full actuarial valuation of the scheme was carried out as at 30 June 2017 and an updated actuarial valuation was carried out at 31 December 2019 by an independent actuary, for the purposes of inclusion of information about the pension scheme in these financial statements. The main assumptions used by the actuary were:

	<u>2019</u>	<u>2018</u>
Discount rate	1.9%	2.7%
RPI price inflation	3.2%	3.4%
CPI price inflation	2.2%	2.4%
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment	3.1%	3.3%
Statutory revaluation of deferred benefits	2.2%	2.4%
	2019	2018
Assumed life expectancies on retirement at age 65 are:		
Retiring today - males	22.9	23.1
Retiring today - females	24.4	24.1
Retiring in 20 years' time - males	23.9	24.1
Retiring in 20 years' time - females	25.5	25.3

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Notes to the financial statements (continued)

15. Retirement benefit obligation (continued)

Sensitivity analysis of actuarial assumptions:	2019	2018
	£000s	£000s
Assumptions adjustment		
Discount rate before and after retirement decreased by 0.1%	279	255
Inflation increased by 0.1%	201	176
10% fall in growth based assets	671	619
Members assumed to live on year longer	839	707
Gap between RPI and CPI decreased (with CPI unchanged) by 0.1%pa	(178)	(148)

The assumptions used by management are best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The trustees of the Cyril Sweett Group Pension Scheme govern the defined benefit pension scheme.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are inherently uncertain, were:

Major categories of plan assets as a percentage of total assets

	Value at 31 December 2019		Value at 31 December 2018	
Equities with property	40.6%	6,718	40.4%	6,195
Bonds	20.4%	3,361	48.7%	7,453
Gilts	38.4%	6,342	10.5%	1,600
Cash	0.6%	92	0.3%	56
Total		<u>16,513</u>		<u>15,304</u>

The amounts recognised in the balance sheet (£000s)	Value at 31 December 2019		Value at 31 December 2018	
Present value of funded obligations		18,064		16,838
Fair value of plan assets		<u>(16,513)</u>		<u>(15,304)</u>
Net liability recognised in the balance sheet		<u>1,551</u>		<u>1,534</u>
Deferred tax asset (note 9)		294		260
Net liability recognised in the balance sheet (post tax)		<u>1,257</u>		<u>1,274</u>

The amounts recognised in the income statement (£000s)

Net interest cost	<u>38</u>	<u>27</u>
Total pension expense	<u>38</u>	<u>27</u>

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Notes to the financial statements (continued)

15. Retirement benefit obligation (continued)

The amounts in the statement of other comprehensive income (£000s)	Value at 31 December 2019 £000s	Value at 31 December 2018 £000s
Net Remeasurement - due to experience	53	(1)
Net Remeasurement - due to demographic assumptions	137	-
Net Remeasurement - due to financial assumptions	(1,667)	334
Actuarial gain on plan assets	1,270	(946)
Deferred tax	34	51
Total gain/(loss) in statement of other comprehensive income	<u>(173)</u>	<u>(562)</u>

Changes in the present value of the defined benefit obligation (£000s)

	Value as at 31 December 2019 £000s	Value at 31 December 2018 £000s
Defined benefit obligation at the start of the year	16,838	17,397
Interest expense	445	427
Actuarial gain	1,477	(333)
Benefits paid	(696)	(653)
Defined benefit obligation at the end of the year	<u>18,064</u>	<u>16,838</u>

Changes in the fair value of plan assets

	Value as at 31 December 2019 £000s	Value at 31 December 2018 £000s
Fair value of plan assets at the start of the year	15,304	16,166
Interest income	407	400
Return on assets, excluding interest income	1,270	(946)
Contributions by the employer	228	337
Benefits paid	(696)	(653)
Fair value of plan assets at the end of the year	<u>16,513</u>	<u>15,304</u>

Analysis of return on plan assets

Interest income	407	400
Actuarial gain on plan assets	1,270	(946)
Return on plan assets	<u>1,677</u>	<u>(546)</u>

The contributions to be paid by during the financial year to 31 December 2020 are expected to amount to £188,000 (2019: £228,000) and this includes a deferral of £62,000 agreed with the Trustees due to the impact of COVID-19 on short term cashflows.

Unpaid pension contributions to the Company's defined contribution scheme as at 31 December 2019 were £234,000 (31 December 2018: £223,000)

Currie & Brown UK Limited
Financial statements for the year ended 31 December 2019

Notes to the financial statements (continued)

16. Leases

The carrying amounts of right-of-use assets recognised and the movements during the year is as follows:

	<u>2019</u> £000's
As at 1 January 2019	3,412
Additions	582
Depreciation expense	(696)
As at 31 December 2019	<u>3,298</u>

The carrying amounts of lease liabilities and the movements during the year is as follows:

	<u>2019</u> £000's
As at 1 January	3,556
Additions	582
Accretion of interest	157
Payments	(770)
As at 31 December	<u>3,525</u>
Current (note 13)	541
Non-current (note 14)	2,984
	<u>3,525</u>

The following are the amounts recognised in profit or loss:

	<u>2019</u> £000's
Amortisation expense of right-of-use assets	696
Interest expense on lease liabilities	157
Expense relating to short-term leases (included in operating costs)	483
Expense relating to leases of low-value assets (included in administrative expenses)	36
Total amount recognised in profit or loss	<u>1,372</u>

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Notes to the financial statements (continued)

16. Leases (continued)

	<u>2019</u>
	£000's
Cash outflow for leases	770

There are no future cash outflows relating to leases that have not yet commenced.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date.

	<u>2019</u>	<u>2018</u>
	£000's	£000's
Not later than one year	824	1,175
Later than one year and not later than five years	2,291	1,803
Later than five years	1,169	-
Total undiscounted lease payments	<u>4,284</u>	<u>2,978</u>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

The movement on leased property, plant and equipment is as follows:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost			
At 1 January 2019	2,879	533	3,412
Additions	527	55	582
At 31 December 2019	<u>3,406</u>	<u>588</u>	<u>3,994</u>
Accumulated depreciation			
At 1 January 2019	-	-	-
Depreciation for the year	(574)	(122)	(696)
At 31 December 2019	<u>(574)</u>	<u>(122)</u>	<u>(696)</u>
Net book value at 31 December 2019	<u><u>2,832</u></u>	<u><u>466</u></u>	<u><u>3,298</u></u>

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Notes to the financial statements (continued)

17. Share capital

	2019		2018	
	No. 000s	£000's	No. 000s	£000's
Allotted, called up and fully paid				
Ordinary shares of £1 each	37,059	37,059	37,059	37,059

18. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and the largest group in which the Company is consolidated is that headed by Dar Al-Handasah Consultants Shair and Partners Holdings Limited which is incorporated in Dubai International Finance Centre (DIFC). These consolidated financial statements are not available to the public.

The smallest group in which the Company is consolidated is headed by Currie & Brown Holdings Limited. The consolidated financial statements of Currie & Brown Holdings Limited are available from 12 Dumaresq Street, St Helier, Jersey, JE2 3RL.

The Company's immediate parent is Currie & Brown International Limited, a company registered in the United Kingdom.

19. Related party transactions

During the year the Company entered into transactions in the ordinary course of business, with related parties. The Company has taken advantage of the exception under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly-owned subsidiaries of the Dar Al-Handasah Consultants Shair and Partners Holdings Limited Group. Transactions with other related parties are detailed below:

	Invoices issued		Amounts Receivable	
	Year ended 31 December 2019 £000's	Year ended 31 December 2018 £000's	31 December 2019 £000's	31 December 2018 £000's
ACP: North Hub Limited	452	747	157	160

Receivables stated net of VAT are the aggregate of trade receivables, contract assets and contract liabilities.

Hub North Scotland Limited is a subsidiary of ACP: North Hub Limited, a joint venture of Currie & Brown Equitix Limited. Currie & Brown UK Limited and Currie & Brown Equitix Limited are members of the same corporate group.

Notes to the financial statements (continued)

20. Post balance sheet events

Subsequent to 31 December 2019, the World Health Organisation declared a pandemic due to the global outbreak of the coronavirus disease (COVID-19). The impact on the public's health and the economy continues to evolve and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, the Company has not seen a significant impact from the virus but as the disease continues to impact the global economy, the resulting financial and economic market uncertainty could have a negative impact to the Company's financial position which may be of a material value, but the extent of this is highly uncertain and cannot be predicted.