Alexander Proudfoot (Europe) Limited

Annual report and financial statements for the year ended 31 December 2021

Registered number 02452071

Contents

Company Information

Directors:

- N Stagg
- P Hackett (resigned 20 June 2022)

Company Secretary:

- C Partridge

Company Registration Number - 02452071

Registered Address:

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

Country of Incorporation – United Kingdom

External Auditor:

BDO LLP
55 Baker Street
Marylebone
London
W1U 7EU

Strategic report

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

Business review

The business continues to be impacted by the COVID-19 pandemic during 2021. Whilst revenues increased in 2021 from 2020, for Proudfoot to deliver its services, the consulting workforce needs to travel to client locations, wherever they may be. Despite travel restrictions in place in some locations where Proudfoot services are delivered to clients, some Project teams have been able to continue working at client sites. This has enabled some projects to continue and not be postponed. The impact of travel restrictions not only has an impact on delivering services but has also impacted the ability of Proudfoot to generate future sales and win more work.

The loss after tax for the year was £10,350,927 (2020: loss of £2,601,328).

Whilst the performance of the business in 2021 continues to be significantly affected by the COVID-19 pandemic, client revenues did increase by 32% to £8,300k compared to £6,292k in 2020. Gross margin has increased to 58% (2020: 45%) indicating that the business even in a period of business interruption can deliver projects with profitable margins. The company made an operating loss of £10,340,927, (2020: loss £2,558,078). Operating loss includes unrealised gains and losses on intercompany balances owing to/owed from other group companies the details of which can be found in Note 3 of the accounts on page 19. The impact of these foreign exchange gain and losses reduces the operating loss by £0.4m (2020: improved operating profit by £0.7m). Operating loss also includes provisions for intercompany provision expense, the impact of these provisions increases the loss by £10.0m (2020: increased loss by £2.0m).

When the impact of intercompany provision expense and net foreign exchange losses are removed, the adjusted operating profit for 2021 is £30,217 (2020: operating loss £1,304,691).

Table 1: 2020 Key Performance Indicator (KPI) Comparisons*:-

KPIs	2021	2020	% Change
Client Revenue	8,299,939	6,291,870	32%
Staff on Loan Revenue	600,692	640,612	(6%)
Total Revenue	8,900,631	6,932,482	28%
Cost of sales	(3,709,404)	(3,826,188)	(3%)
Gross Margin	58%	45%	67%
Operating Loss	(10,340,927)	(2,558,078)	
Adjusted operating profit /(loss) *	30,217	(1,304,691)	
Operating profit margin	(116%)	(37%)	
Adjusted operating profit margin*	0.3%	(19%)	

* Adjusted operating (loss)/profit is defined as operating (loss)/profit before intercompany provision expense and net foreign exchange gains and losses.

Strategic Report *(continued)*
Business Review *(continued)*

After many years within Proudfoot, Pam Hackett has decided to leave the business and pursue her focus on publishing her next book. The Board of MCG is very pleased to announce the appointment of Neil O'Brien as the new CEO for Proudfoot together with a new special advisor to the board Joost van de Meent.

Neil brings a wealth of experience and knowledge to our business. He joins us from Accenture where he led their Energy, Chemicals and Natural Resources business in the UK & Ireland, as well as leading a number of global accounts with operations in Europe, Africa, and North & South America.

Neil has had significant success across a wide global client base by originating and delivering consulting work, building high performing collaborative teams and establishing trusted client relationships.

Prior to Accenture, Neil was CEO of Chaucer Consulting, successfully leading a MBO followed by multi-year growth across 30+ clients in Europe and North America.

Joost has been working with the Board already for a couple of months and we are delighted that he will join as special advisor to the Board. Joost is a seasoned international leader who worked as Accenture's lead for Resources industries in EALA (Europe, Africa, Middle East, and Latin America) growing the business from US$ 1.5bn to US$ 2.5bn over a period of five years. Before that he was stationed in Japan and later in Australia to lead Accenture's Resources practice.

Prior to Accenture he started his own company (eFactory) and was a Managing Director in GE Capital. Currently, Joost also serves as the Chairman for a non-governmental organisation called Max Foundation.

Joost will be joining with immediate effect and Neil after the summer when he will formally join the Board.

Following consideration, Proudfoot is changing its sales model to that of a more traditional consulting business where business development and delivery are overseen by the same individual. This more integrated approach will provide a better client service and also lead to a significantly lower cost of business development as a large proportion will be covered by time charged to projects.

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

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

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

Strategic Report *(continued)*
Principal risks and uncertainties *(continued)*

Alexander Proudfoot seeks to develop remuneration policies and structures that reward good performance and provide a rewarding environment for employees which offers them long term careers.

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

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

Pandemic
For Proudfoot to deliver its services, the consulting workforce needs to travel to its clients' premises, which has been severely restricted during the Pandemic. Whilst the easing of restrictions during 2021 has enabled face to face consulting to recommence, the business is still susceptible to short term business interruption if clients suffer Covid outbreaks and have to temporarily close their places of work. However, to mitigate this interruption, wherever possible the Business can now adapt its working practices to deliver its services to clients remotely.

Events after the balance sheet date
As the revenue levels grow and we win further projects the working capital requirements of the Company increase as our cost base flexes upwards to deliver projects whilst payments from clients lag by approximately two months. The significant growth we are projecting requires further funding in order to meet this demand, therefore MCG, the parent Company of Alexander Proudfoot (Europe) Limited is raising approximately £2.1m by way of a new share issue which was approved at MCG PLC's AGM on 30 June 2022.

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

N Stagg
Director

St Paul's House
4th Floor, 10 Warwick Lane
London
EC4M 7BP

15th July 2022

Directors' report

The directors present their annual report on the affairs of the Company, together the Audited financial statements and auditor's report for the year ended 31 December 2021.

General information

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

Principal activity

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

Management have prepared a working capital model. This is based on the businesses known revenue won but still to be delivered plus a forecast of revenues to be secured during the period of assessment. This forecast includes percentage probabilities that projects will be successfully won. Forecasts are adjusted for sensitivities, which address the principal risks to which the business is exposed, and consideration is given to actions open to management to mitigate the impact of these sensitivities.

The assessment period for the purposes of considering going concern is the 12 months to 31st July 2023.

In assessing sensitivities, the Board took into account the previous slower than expected pace of change at Proudfoot and the disappointing results in past periods. The Board has, in particular, considered risks related to revenue and looked at assumptions both consistent with the recent past and the long-term changes in revenue. Forward looking forecasts reflect the change of sales model to that of a more traditional consulting business where business development and delivery are overseen by the same individual, which in time should see reductions in costs in business development. These forecasts also include the costs of the new CEO joining after the summer and the special advisor to the Board who joined the Group post year end, and an increase in the current pipeline of potential projects.

The impact of the pandemic over the last two years has had a significant impact on liquidity and the Company was in a net liabilities position, and it relies on support from the ultimate parent company, Management Consulting Group PLC. The company has obtained a letter of support from intercompany creditors that they will not recall debt owing to them within 12 months from sign off date of these accounts.

Notwithstanding the impact of COVID-19 identified above, and after taking into account the fundraise of £2.1m by way of a new share issue which was approved at MCG PLC's AGM on 30 June 2022, the Directors have a reasonable expectation that the Company will have sufficient cash flow through the going concern review period, and available resources to continue operating for at least twelve months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements

Dividend

The directors are not proposing a dividend and there were none declared during 2021 (2020: nil).

Events after the Balance Sheet Date have been considered within the Strategic Report on Page 4.

Directors' report *(continued)*

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

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

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

Employees have a written job description and are appraised by their manager quarterly or semi-annually using a formal process. The Company is committed to providing support to help realise the full potential of all its employees, whilst recognising that the ultimate responsibility for personal development must rest with the individual. There are executive and management development programmes for the leaders and future leaders of the business, training programmes for client facing staff and an induction programme for all staff. There is regular communication via internal meetings, email, intranets, and an in-house magazine.

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

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

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

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

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

Directors' report *(continued)*

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

N Stagg
P Hackett (resigned 20 June 2022)

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

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

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

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

N Stagg
Director
15th July 2022

St Paul's House
4th Floor, 10 Warwick Lane
London
EC4M 7BP

Directors' responsibilities statement

The directors are responsible for preparing the director's report, the strategic report, and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 ALEXANDER PROUDFOOT (EUROPE) LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Alexander Proudfoot (Europe) Limited (the 'Company') for the year ended 31 December 2021, which comprise the Profit and loss accounts, the balance sheet, the statement in changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain 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.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALEXANDER PROUDFOOT (EUROPE) LIMITED *(continued)*

Other information *(continued)*

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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 the Directors' report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALEXANDER PROUDFOOT (EUROPE) LIMITED *(continued)*

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Alexander Proudfoot (Europe) Limited. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102 and the Companies Act 2006), regulations impacting labour regulations and taxation in the United Kingdom.

- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers: including financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals, testing compliance with government support schemes utilised during the period and key areas of estimation uncertainty or judgement. These include estimations of accrued income relating to work performed in the year, recoverability of intercompany receivable balances, debtor balances and legal provisions.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALEXANDER PROUDFOOT (EUROPE) LIMITED *(continued)*

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Tim Neathercoat
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Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, United Kingdom

Date 15th July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and loss account

for the year ended 31 December 2021

	Notes	**2021**	2020
		£	£
Turnover	*2*	**8,900,631**	6,932,482
Cost of sales		**(3,709,404)**	(3,826,188)
Gross profit		**5,191,227**	3,106,294
Administrative expenses		**(15,581,229)**	(5,901,517)
Other income		**49,075**	237,145
Operating loss	*4*	**(10,340,927)**	(2,558,078)
Tax	*6*	**(10,000)**	(43,250)
Loss for the year		**(10,350,927)**	(2,601,328)

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

The transactions are all derived from continuing operations.

The Notes to the Financial Statements on Pages 16 - 25 form an integral part of the Financial Statements.

Balance sheet
as at 31 December 2021

	Notes	2021 £	2020 £
Non current assets			
Investments	9	**546**	546
Tangible assets	10	**3,240**	11,825
Total non current fixed assets		**3,786**	12,371
Current assets			
Debtors	11	**2,189,729**	7,998,312
Cash at bank and in hand		**693,308**	401,815
Total current assets		**2,883,037**	8,400,127
Total assets		**2,886,823**	8,412,498
Current liabilities			
Creditors: amounts falling due within one year	12	**(36,544,009)**	(31,727,758)
Tax creditor		**(10,000)**	
Total current liabilities		**(36,554,009)**	(31,727,758)
Non current liabilities			
Provisions	13	**(10,125)**	(11,124)
Non current liabilities		**(10,125)**	(11,124)
Total liabilities		**(36,564,134)**	(31,738,882)
Net liabilities		**(33,677,311)**	(23,326,384)
Capital reserves			
Called up share capital	14	**2**	2
Profit and loss account		**(33,677,313)**	(23,326,386)
Shareholders' deficit		**(33,677,311)**	(23,326,384)

The Notes to the Financial Statements on Pages 16 to 245 form an integral part of the Financial Statements.

The financial statements of Alexander Proudfoot (Europe) Limited, registered number 02452071 were approved and authorised for issue by the Board of Directors on 15th July 2022. They were signed on its behalf by:

N Stagg
Director

15th July 2022

Statement of Changes in Equity

for the year ended 31 December 2021

	Called-up share capital £	Profit and loss account £	Total Deficit £
Balance as of 1 January 2020	**2**	**(20,725,058)**	**(20,725,056)**
Loss for the year	–	(2,601,328)	(2,601,328)
Balance as of 1 January 2021	2	(23,326,386)	(23,326,384)
Loss for the year	–	(10,350,927)	(10,350,927)
Balance as of 31 December 2021	2	(33,677,313)	(33,667,311)

Notes to the financial statements

1. Accounting policies

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

Basis of preparation

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

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of a parent company which prepares consolidated financial statements which are publicly available from the address which is shown in note 17.

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report.

Management have prepared a working capital model. This is based on the businesses known revenue won but still to be delivered plus a forecast of revenues to be secured during the period of assessment. This forecast includes percentage probabilities that projects will be successfully won. . Forecasts are adjusted for sensitivities, which address the principal risks to which the business is exposed, and consideration is given to actions open to management to mitigate the impact of these sensitivities.

The assessment period for the purposes of considering going concern is the 12 months to 31st July 2023.

In assessing sensitivities, the Board took into account the previous slower than expected pace of change at Proudfoot and the disappointing results in past periods. The Board has, in particular, considered risks related to revenue and looked at assumptions both consistent with the recent past and the long-term changes in revenue. Forward looking forecasts reflect the change of sales model to that of a more traditional consulting business where business development and delivery are overseen by the same individual, which in time should see reductions in costs in business development. These forecasts also include the costs of the new CEO joining after the summer and the special advisor to the Board who joined the Group post year end, and an increase in the current pipeline of potential projects.

The impact of the pandemic over the last two years has had a significant impact on liquidity and the Company was in a net liabilities position, and it relies on support from the ultimate parent company, Management Consulting Group PLC. The company has obtained a letter of support from intercompany creditors that they will not recall debt owing to them within 12 months from sign off date of these accounts.

Notwithstanding the impact of COVID-19 identified above, and after taking into account the fundraise of £2.1m by way of a new share issue which was approved at MCG PLC's AGM on 30 June 2022, the Directors have a reasonable expectation that the Company will have sufficient cash flow through the going concern review period, and available resources to continue operating for at least twelve months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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

Going concern
As noted under the going concern statement on page 16 of the notes to the accounts, there are several areas of uncertainty in relation to assumptions made in regards to the impact of COVID-19 on the cash flow projections of the Proudfoot business, in particular the assumptions around when revenue will pick up and the uncertainty of any prolonged impact of COVID-19.

Cash flow statement
The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, further details can be found in note 16. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Recoverability of intercompany debts
Expected credit losses on intercompany receivables undergo an impairment review annually and a loss allowance is recognised where it is unlikely that another group company will be able to repay the debt. This judgement is based on historic ability to repay the Company, adjusted for current and forward-looking information, after taking into account revenue forecast and subsidiaries own working capital needs.

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

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

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

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

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Turnover

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

Pensions

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

Taxation

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

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

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

Government grants

Under the Coronovirus Job Retention Scheme, grant income is recognised on a systematic basis over the period in which the related costs for whch the grant is intended to compensate. Income from the grant is recognised on a straight line basis over the furlough period for each relevant employee. The income is shown within other income, where cash is not received from HMRC at period end, a debtor is recognised on the balance sheet.

Notes to the financial statements *(continued)*

2 Turnover

	2021 £	2020 £
Consulting Revenue	**8,299,939**	6,291,870
Staff on loan	**600,692**	640,612
	8,900,631	6,932,482

Consulting revenue were delivered in the following geographical locations:

	2021 £	2020 £
Bulgaria	**2,160,193**	389,330
Brazil	**1,252,381**	3,428,929
Democratic Republic of the Congo	**44,933**	302,279
Australia	**109,419**	–
Portugal	**133,851**	–
Ukraine	**1,188,586**	–
New Caledonia	**343,008**	1,446,757
Norway	–	623,948
United Kingdom	**2,920,941**	100,627
Guinea	**146,627**	–
	8,299,939	6,291,870

3 Operating loss

	2021 £	2020 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	**8,586**	12,022
Net foreign exchange losses /(gains)	**409,292**	(724,525)
Intercompany bad debt expense	**9,961,852**	1,977,912
Rental costs	**443,754**	403,235
Management fees	**618,780**	315,413

Fees payable to the Company's auditor for the audit of the Company's annual accounts pursuant to legislation amount to £36,000 (2020: £36,000) and were borne by the parent company Management Consulting Group PLC in both years.

4 Other income

Other income comprises grant income recognised in relation to the Coronavirus Job Retention Scheme of £49,075. (2020: £237,145) during the year.

Notes to the financial statements (continued)

5 Remuneration of directors

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

6 Staff numbers and costs

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

	2021	2020
	No	No
Sales and marketing	14	12
Administration	9	11
Consultants	10	15
	33	38

The aggregate payroll charges recognised in the profit and loss account include the net effect of the Company either loaning staff or borrowing staff from other Group companies. The level of staff on loan can vary from year to year and is dependant on where in the world Proudfoot has a requirement to staff projects from other Group companies. The total cost of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	3,141,867	3,443,301
Social security costs	291,560	375,219
Other pension costs	394,184	401,013
	3,827,611	4,219,533

In 2021, payroll costs, including social security costs, borne by the company totalled £2,796,278 (2020: £3,183,932).

7 Non-underlying

Exceptional expenses comprise employee severance accruals and restructuring provisions. Total exceptional expense included within administration expenses is £55,873, (2020: £67,607).

Notes to the financial statements (continued)

8 Tax charge on loss on ordinary activities

	2021 £	2020 £
Tax charge		
Foreign tax	**10,000**	43,639
Prior year adjustment	–	(389)

Factors affecting the tax charge for the period

UK corporation tax is calculated at 19% (2020: 19%) but the tax charge differs from this rate as reconciled below:

	2021 £	2020 £
Loss on ordinary activities before tax	**(10,340,927)**	(2,558,078)
Expected tax charge at 19 % (2020: 19%)	**(1,964,776)**	(486,035)
Factors affecting the tax charge:		
Foreign withholding tax	**10,000**	43,639
Foreign withholding tax deduction	–	(8,291)
Timing differences due to capital allowances	**1,631**	2,284
Short-term timing differences	**1,914,724**	29,964
Utilisation of brought forward losses	**(30,924)**	(137,102)
Tax losses not utilised and carried forward to future periods for tax purposes	**79,345**	599,180
Prior year adjustment	–	(389)
Current tax charge	**10,000**	43,250

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

	2021 £m	2020 £m
Tax losses carried forward	8.6	10.3
Total	8.6	10.3

Notes to the financial statements *(continued)*
***Tax charge on loss on ordinary activities** (continued)*

In the 2021 budget it was announced that the UK corporation tax rate is due to increase to 25% from 1 April 2023, however, this was not substantively enacted by the balance sheet date and therefore does not affect the rate used in the deferred tax recognition in these accounts.

9. Fixed asset investments

Shares in group companies

	2021 £
Cost	
At 1 January 2021	546
At 31 December 2021	546

The Company owns £546.00, equal to 100% of the shares of Alexander Proudfoot Kazakhstan LLP, Floor 3, Block A, Business Centre 10D Kunaeva Street, Esil District, Nur-Sultan, Kazakhstan. Alexander Proudfoot Kazakhstan LLP provides operational and financial management consultancy services and is a company registered in Kazakhstan.

The Company holds 3,000 shares with a nil par value, equal to 100% of the shares of Alexander Proudfoot Botswana, 1st Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana.

10 Tangible fixed assets

	Hardware and software £	Fixtures and fittings £	Total £
Cost			
At 1 January 2021	141,214	164,580	305,794
Additions	–	–	–
At 31 December 2021	141,214	164,580	305,794
Accumulated depreciation			
At 1 January 2021	129,388	164,580	293,968
Charge for year	8,586	–	8,586
At 31 December 2021	137,974	164,580	302,554
Net book value			
At 31 December 2021	3,240	–	3,240
At 31 December 2020	**11,825**	–	**11,825**

Notes to the financial statements *(continued)*

11 Debtors: Amounts falling due within one year

	2021 £	2020 £
Trade debtors	**871,802**	401,400
Other debtors	**134,783**	195,643
HMRC - Coronavirus Job Retention Scheme	**–**	20,559
Amounts owed by subsidiary undertakings	**962,406**	7,183,954
Prepayments and accrued income	**220,738**	196,756
	2,189,729	7,998,312

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

12 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	**326,164**	575,891
Amounts owed to parent undertakings	**23,142,744**	20,772,119
Amounts owed to subsidiary undertakings	**10,319,715**	8,659,725
Taxes and social security	**88,967**	83,778
Accruals and deferred income	**2,666,419**	1,636,245
	36,544,009	31,727,758

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

13 Provisions

Long term provisions total £10,125 (2020: £11,124) and consist of provisions held in respect of advisor fees relating to restructuring of other Group Companies.

14 Called up share capital and reserves

	2021 £	2020 £
Allotted, called up and fully paid		
Two ordinary shares of £1 each	**2**	2

The company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses.

15 Pension scheme

The Company makes payments to defined contribution pension schemes on behalf of all eligible employees. The pension cost for the year represents contributions payable by the Company to the schemes and amounted to £111,502 (2020: £121,831).

Notes to the financial statements *(continued)*

16 Related party transactions

As the Company is a wholly owned subsidiary of Management Consulting Group PLC, the Company has taken advantage of the exemption contained in FRS 102:33.1A and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). There were no other related party transactions requiring disclosure in the current or prior year. The consolidated financial statements of Management Consulting Group PLC, within which this Company is included, can be obtained from the address given in note 18.

17 Subsidiary undertakings

At 31 December 2021, the Company had two subsidiaries, Alexander Proudfoot (Botswana) Pty LTD and Alexander Proudfoot Kazahkstan LLP.

Alexander Proudfoot (Botswana) Lty LTD

The shareholdings were 100% of the subsidiary undertakings ordinary shares and are held directly. The subsidiary's registered address is 1st Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana. In May 2021, the deregistration of Alexander Proudfoot (Botswana) Pyt Ltd was confirmed.

Alexander Proudfoot Kazahkstan LLP.

The shareholdings were 100% of the subsidiary undertakings ordinary shares and are held directly. The subsidiary's registered address is Floor 3, Block A, Business Centre 10D Kunaeva Street, Esil District, Nur-Sultan, Kazakhstan.

18 Immediate and ultimate parent company

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

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

19 Post balance sheet events

After many years within Proudfoot, Pam Hackett has decided to leave the business and pursue her focus on publishing her next book. The Board of MCG is very pleased to announce the appointment of Neil O'Brien as the new CEO for Proudfoot together with a new special advisor to the board Joost van de Meent.
Neil brings a wealth of experience and knowledge to our business. He joins us from Accenture where he led their Energy, Chemicals and Natural Resources business in the UK & Ireland, as well as leading a number of global accounts with operations in Europe, Africa, and North & South America.
Joost has been working with the Board already for a couple of months and we are delighted that he will join as special advisor to the Board. Joost is a seasoned international leader who worked as Accenture's lead for Resources industries in EALA (Europe, Africa, Middle East, and Latin America) *growing the business from US$ 1.5bn to US$ 2.5bn over a period of five years. Before that he was* stationed in Japan and later in Australia to lead Accenture's Resources practice.
Joost will be joining with immediate effect and Neil after the summer when he will formally join the Board.
As the revenue levels grow and we win further projects the working capital requirements of the Company increase as our cost base flexes upwards to deliver projects whilst payments from clients lag by approximately two months. The significant growth we are projecting requires further funding

Notes to the financial statements *(continued)*

***Post balance sheet events** (continued)*

in order to meet this demand, therefore the MCG, the parent Company of Alexander Proudfoot (Europe) Limited is raising approximately £2.1m by way of a new share issue which was approved at MCG PLC's AGM on 30 June 2022.