

PÖYRY CAPITAL LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



PÖYRY CAPITAL LIMITED

COMPANY INFORMATION

Directors

T W S Blake
B Hammar
C R Moncayo-Quiros

Company secretary

Christine Mason

Registered number

03639550

Registered office

Portland House
Bressenden Place
21st Floor
London
SW1E 5RS

Independent auditor

James Cowper Kreston
Chartered Accountants and Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG

PÖYRY CAPITAL LIMITED

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PÖYRY CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. The principal activity of the company is the provision of corporate finance advisory services.

Results and Dividends

The results for the year are set out in the profit and loss account on page 8. The Directors do not recommend payment of a final dividend (2017 nil). During the year no interim dividend (2017: nil) was paid.

Business Review

The Company was established in 1999 as part of the Pöyry Group's commitment to provide M&A services to its forest industry based clients. Over the past 19 years, the Company has established itself as a leading provider of specialist corporate finance and advisory services in the forest industry sector, packaging and energy sectors, leading or participating in global transactions for market leaders in this field. 2018 saw very good activity with a significant increase in income and profitability. Some transactions mandated in 2017 continue into 2018 and the overall transaction pipeline is sound.

It is the intention of the Directors that the Company will continue to grow its principal business activity diversifying where appropriate into other industry sectors and geographic areas.

The buoyancy of the M&A market, increased competition, general economic conditions and industry specialisation are risk factors which can influence the business. The primary success factors are winning business and closing deals. These are managed as appropriate by the Directors. Expanding the client base and diversification into other industry and geographic segments are some of the ways in which the Directors manage these risks.

The Company generated fee income of £6,225,112 for the year ended 31 December 2018 (2017: £3,788,110), utilising the services of 13 professional and three support staff. Net assets of the Company have increased to £3,107,723 as at 31 December 2018 (2017: £1,999,070). The income statement, balance sheet and the order book of advisory mandates provide the key performance indicators to the Directors.

The Company is regulated by the Financial Conduct Authority (FCA).

Risk Management

The Board is responsible for risk and is responsible for oversight of the risk management process. The Board has considered the principal risks facing the Company and the exposure in relation to each of those risks. The Company operates within the governance framework of Pöyry Plc. It also has its own established governance framework, with clear terms of reference for the Board and a clear organisation structure, with delegated authorities and responsibilities.

The financial services industry remains closely regulated and the UK regulators may take actions that could result in changes to industry practices. The Company maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risks to the business.

There are formal Pöyry Group compliance and internal audit functions. These departments conduct monitoring of various business areas and control procedures. Any issues of significance are brought to the attention of the Board. Planned corrective actions are independently monitored for timely completion and reviewed by the Board.

The financial instruments of the Company comprise cash, short-term debtors and creditors, and equity shares

PÖYRY CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Exposure to credit, market and liquidity risk arises in the normal course of business. The Directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the year ended 31 December 2018.

Risk management is an integral part of Pöyry Group's business management and internal controls framework. The aim of risk management is to enable the achievement of strategic and financial objectives and targets in a controlled manner. Pöyry Group's risk management consists of a co-ordinated set of activities to identify, evaluate, treat and control all major risk areas of the Pöyry Group in a systematic and proactive manner. Risks are addressed in accordance with the following major risk categories – external risks and internal risks identified as strategic risks, operational risks and financial risks.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Company's only credit exposure is to debtors, which are frequently monitored for size and age. The balances with other companies within the Pöyry group have minimal credit risk. The nature of the Company's business and counterparties means that it is not exposed to significant credit risk. This is because its receivables are mainly short-term trading items or intercompany balances.

The Company's exposure to credit risk is represented by the carrying amount of its debtor balances.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income. The objective of the Company's market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to currency risk in respect of income and cash balances denominated in a currency other than sterling. The Company's exposure is kept to an acceptable level by managing the level of non-sterling cash balances on a regular basis. Material non sterling receivable balances are hedged as appropriate using forward FX contracts that are defined as derivative financial instruments and as such when revalued have any profit or loss recognised in the statement of total comprehensive income. There were no open FX contracts as at 31 December 2018 or 31 December 2017.

Interest on deposits and overdrafts is the only source of interest rate risk exposure.

Liquidity Risk

The Company's policy throughout the year has been to maintain sufficient liquidity in line with FCA regulations. The aim is to maintain an appropriate capital base to support the development of its business and to meet regulatory capital requirements at all times. The liquidity of the business depends on securing success fees which are small in number and high in value. The liquidity of the company would be at risk if sufficient success fees were not generated. In any year, should insufficient success fees be generated then the company may need to seek parental support and address its cost base. The Board monitors the level of dividends to the parent. There has been no change to the Company's approach to capital management during the year.

The Directors have reviewed the capital and cash positions of the business for the next 12 months and are comfortable that the forecasts, coupled with available support from the parent company should this be required, are adequate to support their assessment that the company can continue as a going concern.

PÖYRY CAPITAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

The Directors who served during the year were:

T W S Blake
B Hammar
C R Moncayo-Quiros

Directors' responsibilities statement

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,108,653 (2017 - £481,789).

The results for the year are set out in the profit and loss account on page 8. The Directors do not recommend payment of a final dividend (2017 nil). During the year no interim dividend (2017: nil) was paid.

Disclosure of information to auditor

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

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

PÖYRY CAPITAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**


Post balance sheet events

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

Auditor

The auditor, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15 April 2019 and signed on its behalf.


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Christine Mason
Secretary

PÖYRY CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PÖYRY CAPITAL LIMITED

Opinion

We have audited the financial statements of Pöyry Capital Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

PÖYRY CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PÖYRY CAPITAL LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 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 on page 3, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

PÖYRY CAPITAL LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PÖYRY CAPITAL 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.



James Pitt BA (Hons) ACA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

2 Chawley Park

Cumnor Hill

Oxford

Oxfordshire

OX2 9GG

Date: 16 April 2019

PÖYRY CAPITAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	5	6,225,112	3,788,110
Sub Consulting fees payable externally		(34,685)	(15,835)
Sub Consulting fees payable to group undertakings		(163,202)	(1,267)
Gross profit		6,027,225	3,771,008
Staff costs	8	(3,645,771)	(2,307,170)
Depreciation and amortisation		(6,599)	(7,617)
Other operating charges		(997,014)	(864,665)
Operating profit	6	1,377,841	591,556
Interest receivable and similar income	10	47,304	11,601
Interest payable and expenses	11	(2,017)	(2,354)
Other finance income		631	-
Profit before tax		1,423,759	600,803
Tax on profit	12	(315,106)	(119,014)
Profit for the financial year		1,108,653	481,789

There was no other comprehensive income for 2018 (2017:£NIL).

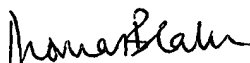
The notes on pages 12 to 26 form part of these financial statements.

PÖYRY CAPITAL LIMITED
REGISTERED NUMBER: 03639550

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	14	47,310	12,880
		<u>47,310</u>	<u>12,880</u>
Current assets			
Stocks - work in progress	15	20,799	29,513
Debtors: amounts falling due within one year	16	5,931,110	3,261,034
Cash at bank and in hand	17	231,588	-
		<u>6,183,497</u>	<u>3,290,547</u>
Creditors: amounts falling due within one year	18	(2,473,744)	(1,100,287)
Net current assets		<u>3,709,753</u>	<u>2,190,260</u>
Total assets less current liabilities		<u>3,757,063</u>	<u>2,203,140</u>
Creditors: amounts falling due after more than one year	19	(649,340)	(204,070)
Net assets		<u><u>3,107,723</u></u>	<u><u>1,999,070</u></u>
Capital and reserves			
Called up share capital	21	912,600	912,600
Share premium account		53,200	53,200
Profit and loss account		2,141,923	1,033,270
		<u><u>3,107,723</u></u>	<u><u>1,999,070</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 April 2019.



.....
T W S Blake
 Director

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

PÖYRY CAPITAL LIMITED

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

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2017	912,600	53,200	551,481	1,517,281
Comprehensive income for the year				
Profit for the year	-	-	481,789	481,789
At 1 January 2018	912,600	53,200	1,033,270	1,999,070
Comprehensive income for the year				
Profit for the year	-	-	1,108,653	1,108,653
At 31 December 2018	912,600	53,200	2,141,923	3,107,723

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

PÖYRY CAPITAL LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,108,653	481,789
Adjustments for:		
Depreciation of tangible assets	6,599	7,617
Interest paid	2,017	2,354
Interest received	(47,304)	(11,601)
Taxation charge	315,106	119,014
Decrease/(increase) in stocks	8,714	(26,219)
(Increase) in debtors	(187,178)	(260,007)
Increase in creditors	1,575,560	827,860
Corporation tax (paid)	(157,287)	(35,870)
Net cash generated from operating activities	<u>2,624,880</u>	<u>1,104,937</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(41,029)	-
Interest received	47,304	11,601
Net cash from investing activities	<u>6,275</u>	<u>11,601</u>
Cash flows from financing activities		
Interest paid	(2,017)	(2,354)
Cash transferred to group cash pool	(2,397,550)	(1,114,184)
Net cash used in financing activities	<u>(2,399,567)</u>	<u>(1,116,538)</u>
Net increase in cash and cash equivalents	<u>231,588</u>	<u>-</u>
Cash and cash equivalents at the end of year	<u>231,588</u>	<u>-</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	231,588	-
	<u>231,588</u>	<u>-</u>

Cash Pool Available

In addition the company has access to a group cash pooling arrangement. The total balance available at 31 December 2018 is £4,939,963 (2017: £2,542,413).

The notes on pages 12 to 36 form part of these financial statements.

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Pöyry Capital Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 21st floor Portland House, Bressenden Place, London, SW1E 5RS.

2. Statement of compliance

The individual financial statements of Pöyry Capital Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

3.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 4).

The Company's liquidity and regulatory capital position depends on the receipt of success fees which are small in number and high in value. The timing and certainty of these success fees is difficult to predict accurately, particularly in poor market conditions. A minimum level of regulatory capital of Euro 50,000 and appropriate liquidity are both essential for the operation of the business.

The following principal accounting policies have been applied:

3.2 Going concern

The Directors have reviewed the capital and cash positions of the business for the next 12 months and are comfortable that the forecasts, coupled with available support from the parent company should this be required, are adequate to support their assessment that the company can continue as a going concern.

3.3 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Pöyry Plc as at 31 December 2018 and these financial statements may be obtained from Jaakonkatu 3, FIN-01621, Vantaa, Finland.

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Accounting policies (continued)

3.4 Foreign currencies

Functional and presentational currency

The company's functional and presentational currency is pound sterling.

Transactions and balances

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. At each period end monetary assets and liabilities expressed in foreign currencies are converted to sterling at the rates of exchange ruling at the balance sheet date. Differences on foreign exchange gains and losses are included in the profit and loss account for the period. Exposure to movements in foreign exchange rates are hedged where appropriate using forward contracts.

3.5 Revenue

Revenue is measure at the fair value of the consideration received/receivable and represents the amount receivable for services rendered, net of value added taxes.

Success fees are recognised and reported as revenue when, under the terms of each engagement, they are unconditionally due.

Interest income is recognised using the effective interest rate method.

3.6 Interest receivable and payable

Interest receivable is earned on surplus cash balances and to the extent that bank balances are overdrawn interest then becomes payable.

3.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Accounting policies (continued)

3.8 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.9 Intangible assets

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

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

3.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- Remaining life of lease
Office furniture & equipment	- 3-8 years
Computer equipment	- 3-4 years

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

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

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Accounting policies (continued)

3.11 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount if the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher if the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit and loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

3.12 Stocks - work in progress

Stocks - work in progress represents recoverable expenses incurred in connection with advisory assignments.

3.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

3.14 Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand

3.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Accounting policies (continued)

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

3.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effects on amounts recognised in the financial statements.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile and historical experience. See note 16 for the new carrying amount of the debtors and associated impairment provision.

5. Turnover

Turnover, which includes foreign exchange gains and losses and excludes VAT, represents fees earned during the year together with the invoiced value of short term contracts completed in the year. Turnover also includes expenses reimbursed from clients.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	3,730,601	574,884
Rest of Europe	1,342,665	1,324,359
Rest of the world	1,151,846	1,888,867
	<u>6,225,112</u>	<u>3,788,110</u>

The whole of the turnover is attributable to the provision of corporate finance advisory services.

PÖYRY CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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6. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences	(85,737)	(138,620)
Depreciation and amortisation	6,599	7,617
	<u>6,599</u>	<u>7,617</u>

7. Auditor's remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,250	8,000
	<u>8,250</u>	<u>8,000</u>

Fees payable to the Company's auditor and its associates in respect of:

All other services	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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8. Employees

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

	2018	2017
	£	£
Wages and salaries	3,370,553	2,054,346
Social security costs	165,259	157,205
Cost of defined contribution scheme	109,959	95,619
	<u>3,645,771</u>	<u>2,307,170</u>

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

	2018	2017
	No.	No.
Administration	3	3
Professional	13	12
	<u>16</u>	<u>15</u>

9. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	1,318,123	771,224
Company contributions to defined contribution pension schemes	20,854	20,817
	<u>1,338,977</u>	<u>792,041</u>

During the year retirement benefits were accruing to 1 Director (2017 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £722,714 (2017 - £401,424).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £20,854 (2017 - £20,817).

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Interest receivable

	2018 £	2017 £
Other interest receivable	47,304	11,601

11. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	2,017	2,354

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	400,445	158,773
Adjustments in respect of previous periods	9	6,393
	400,454	165,166
Total current tax	400,454	165,166
Deferred tax		
Origination and reversal of timing differences	(85,348)	(46,152)
Total deferred tax	(85,348)	(46,152)
Taxation on profit on ordinary activities	315,106	119,014

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. Taxation (continued)

Factors affecting tax charge for the year

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

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,423,759</u>	<u>600,803</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	270,514	115,655
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,810	1,013
Capital allowances for year in excess of depreciation	(1,322)	(156)
Adjustments to tax charge in respect of prior periods	9	6,393
Other short term timing differences	125,443	42,261
Deferred taxation	(85,348)	(46,152)
Total tax charge for the year	<u><u>315,106</u></u>	<u><u>119,014</u></u>

Factors that may affect future tax charges

Legislation has been passed to reduce the main rate of Corporation tax to 17% from 1 April 2020. The future impact of the changes on to the deferred tax asset has been accounted for.

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Intangible assets

	Computer software £
Cost	
At 1 January 2018	14,347
At 31 December 2018	<u>14,347</u>
Amortisation	
At 1 January 2018	14,347
At 31 December 2018	<u>14,347</u>
Net book value	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Tangible fixed assets

	Long-term leasehold property £	Office equipment & Furniture £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2018	102,570	154,541	14,106	271,217
Additions	4,164	36,865	-	41,029
At 31 December 2018	106,734	191,406	14,106	312,246
Depreciation				
At 1 January 2018	102,078	142,927	13,332	258,337
Charge for the year on owned assets	363	5,720	516	6,599
At 31 December 2018	102,441	148,647	13,848	264,936
Net book value				
At 31 December 2018	4,293	42,759	258	47,310
At 31 December 2017	492	11,614	774	12,880

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Stocks - work in progress

	2018 £	2017 £
Work in progress	<u>20,799</u>	<u>29,513</u>

16. Debtors

	2018 £	2017 £
Trade debtors	759,153	555,694
Amounts owed by group undertakings	11,552	8,310
Cash pool account with group undertaking	4,939,963	2,542,413
Other debtors	-	21,589
Prepayments and accrued income	96,321	94,255
Deferred taxation	124,121	38,773
	<u>5,931,110</u>	<u>3,261,034</u>

Trade debtors are stated after provisions for impairment of £20,579 (2017: £Nil)

The amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

PÖYRY CAPITAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	231,588	-
	<u>231,588</u>	<u>-</u>

The Company operates a cash pool account arrangement where all of its cash balance is held with a third party bank but controlled by the parent company Pöyry Plc. The balance on this account at 31 December 2018 is receivable £4,939,963 (2017: £2,542,413) as disclosed in (note 16).

18. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	29,785	31,187
Amounts owed to group undertakings	171,319	102,603
Corporation tax	401,940	158,773
Other taxation and social security	143,660	37,998
Accruals and deferred income	1,727,040	769,726
	<u>2,473,744</u>	<u>1,100,287</u>

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Accruals and deferred income	649,340	204,070
	<u>649,340</u>	<u>204,070</u>

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Deferred taxation

	2018 £	2017 £
At beginning of year	38,773	(7,379)
Charged to profit or loss	85,348	46,152
At end of year	124,121	38,773

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	124,121	38,773
	124,121	38,773

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
905,000 (2017 - 905,000) 'A' shares of £1.00 each	905,000	905,000
7,600 (2017 - 7,600) 'B' shares of £1.00 each	7,600	7,600
	912,600	912,600

The A and B shares are separate classes of shares but rank *pari passu* in all respects with the exception that B shares are redeemable by the Company and A shares are not redeemable. Both hold dividend rights on a relative percentage basis.

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £109,959 (2017 - £95,619). Contributions totalling £10,418 (2017 - £8,421) were payable to the fund at the balance sheet date and are included in creditors.

PÖYRY CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. Related party transactions

The Company had the following Related Party Transactions during the year with entities within the Pöyry Group.

During the year ended 31 December 2018 the Company received income relating to recharged expenses of £53,002 (2017: £51,706), was recharged expenses of £148,854 (2017: £147,818), and was charged a service fee of £38,459, (2017: £38,108) by Pöyry Management Consulting (UK) Ltd. As at the 31 December 2018 the Company owed Pöyry Management Consulting (UK) Ltd £49,254 (2017: £48,971) and was owed £11,552 (2017: £5,110).

During the year ended 31 December 2018 the Company received income relating to recharged expenses of £Nil (2017: £3,202) and was recharged subconsulting expenses of £1,005 (2017: £Nil) from Pöyry Management Consulting Oy. As at the 31 December 2018 no amounts were due between the Company and Pöyry Management Consulting Oy (2017: £Nil).

During the year ended 31 December 2018 the Company received income relating to recharged subconsulting costs of £25,567 (2017: £15,110) and was recharged subconsulting costs of £2,939 (2017: £Nil) from Pöyry Management Consulting (Deutschland) GmbH. As at the 31 December 2018 the Company owed Pöyry Management Consulting (Deutschland) GmbH £2,943 (2017: £Nil).

During the year ended 31 December 2018 the Company was recharged subconsulting costs of £5,759 (2017: £27,000) from Pöyry (Beijing) Engineering and Consulting Company Limited. As at the 31 December 2018 the Company owed Pöyry (Beijing) Engineering and Consulting Company Limited £4,136 (2017: £85).

During the year ended 31 December 2018 the Company was recharged subconsulting costs of £153,488 (2017: £Nil) from Pöyry Tecnologia Ltd. As at the 31 December 2018 the Company owed Pöyry Tecnologia Ltd £116,492 (2017: £Nil).

During the year ended 31 December 2018 the Company received income relating to subconsulting of £Nil (2017: £26,803) by Pöyry Consultoria em Gestao e Negocios Ltda. As at the 31 December 2018 no amounts were owed to Pöyry Consultoria em Gestao e Negocios Ltd (2017: £Nil).

During the year ended 31 December 2018 the Company was recharged expenses of £630 (2017: £Nil) by, paid service and royalty fees of £250,446 (2017: £183,441), and received cash pool accounts interest of £47,334, (2017: £11,601) from Pöyry Plc. As at the 31 December 2018 the Company owed Pöyry Plc £630 (2017: £55,362). Pöyry Plc also controlled the cash pool account of £4,939,963 (2017: £2,542,413).

24. Controlling party

The immediate and, until 21 February 2019, ultimate parent undertaking and controlling party is Pöyry Plc, a company incorporated in Finland. Pöyry Plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of this company are available to the public and may be obtained from Jaakonkatu 3, FIN-01621, Vantaa, Finland.

On 21 February 2019, 99% of the share capital of Pöyry Plc was acquired by ÄF AB forming the ÄF Pöyry Group of companies. Since that date ÄF AB is the ultimate parent company of Pöyry Capital Limited.