



AHR MANAGEMENT SERVICES LLP

Consolidated Financial Statements

For the year ended 31 December 2016

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AHR MANAGEMENT SERVICES LLP

INFORMATION

Registration number:	OC396324
Registered office:	Norwich Union House High Street Huddersfield HD1 2LF
Designated members:	R R Blair S J Grayson B J Johnson A M Langan M Wright
Auditor:	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

AHR MANAGEMENT SERVICES LLP

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AHR MANAGEMENT SERVICES LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The designated members present their report together with the financial statements for AHR Management Services LLP for the year ended 31 December 2016.

Group Structure

AHR Management Services LLP is a limited liability partnership, registered in England and Wales. The consolidated financial statements include AHR Management Services LLP and its subsidiaries. The LLP has branches outside the UK in Poland and Kazakhstan.

Principal activities and review of the business

The members manage a group of companies that provide architectural, building consultancy and other related services as part of a network of similarly focused professional firms under the "AHR" name. All of the members of this network are separate legal entities operating in their own markets but working to common or consistent approaches.

Designated members

The following members have served as designated members during the year:

R R Blair
S J Grayson
B J Johnson
A M Langan
M Wright

Results

The business sectors in which the subsidiary undertakings operate continue to be affected by the downturn in the global economy with costs and operating capacity being closely managed. Profits have decreased from £1.4 million in 2015 to £0.9 million in 2016. Net assets have decreased from £8.3 million in 2015 to £7.3 million in 2016.

Members' drawings and subscription and repayment of members' capital

LLP members receive monthly drawings in arrears, based on an estimate of profits which will be allocated to them. The drawings are set at the beginning of each financial year, taking into account the cash requirements of the business.

New members are required to subscribe a minimum level of capital, which is determined by the banding structure that members are categorised in. On retirement, capital is repaid to members.

AHR MANAGEMENT SERVICES LLP

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The members are responsible for preparing the group and LLP financial statements in accordance with applicable law and regulations and have elected to prepare a Members' Report.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare group and LLP financial statements for each financial year. Under that law the members have elected to prepare both the group and LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 group and the LLP and of the profit or loss of the group and the LLP for that period. In preparing each of the group and LLP financial statements, the members are required to:

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

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Approved on behalf of the members



M. Wright

10 November 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AHR MANAGEMENT SERVICES LLP

Independent auditor's report to the members of AHR Management Services LLP

We have audited the group and LLP financial statements ("the financial statements") of AHR Management Services LLP for the year ended 31 December 2016 set out on pages 5 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Statement of Members' Responsibilities set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the group and of the LLP as at 31 December 2016 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AHR MANAGEMENT SERVICES LLP

Matters on which we are required to report by exception

We have nothing to report in relation to the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the LLP, or returns adequate for our audit opinion have not been received from branches not visited by us; or
- the LLP's individual financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

David Morritt (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA*

AHR MANAGEMENT SERVICES LLP

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	4	29,843,449	32,950,885
Other operating income		22,658	77,603
		29,866,107	33,028,488
Other external charges			
Staff costs	6	(11,896,754)	(11,946,646)
Depreciation and amortisation		(548,868)	(370,319)
Other operating expenses		(16,230,131)	(18,707,710)
Operating profit		1,190,354	2,003,813
Interest receivable and similar income		13,613	16,896
Interest payable and similar charges		(71,143)	(81,049)
Profit on ordinary activities before taxation		1,132,824	1,939,660
Tax on profit on ordinary activities		(261,369)	(536,946)
Profit on ordinary activities after taxation		871,455	1,402,714
Profit for the financial year after tax before members' remuneration and profit shares		871,455	1,402,714
Profit for the financial year available for discretionary division among members		871,455	1,402,714

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

The notes on pages 12 to 32 form part of the financial statements

AHR MANAGEMENT SERVICES LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Profit for the financial year available for discretionary division among members	871,455	1,402,714
Exchange differences on retranslation of foreign operations	(272,768)	281,202
Total comprehensive income for the financial year	598,687	1,683,916
Total comprehensive income for the financial year attributable to:		
Owners of the parent	592,700	1,669,122
Non-controlling interests	5,987	14,794
	598,687	1,683,916

AHR MANAGEMENT SERVICES LLP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	£	2016 £	£	2015 £
Fixed assets					
Intangibles	8		1,069,330		12,448
Tangible assets	9		510,366		578,567
Investments	10		16,755		16,755
			<u>1,596,451</u>		<u>607,770</u>
Current assets					
Debtors	11	11,141,779		11,849,341	
Cash at bank and in hand		2,081,584		2,670,587	
		<u>13,223,363</u>		<u>14,519,928</u>	
Creditors: amounts falling due within one year	12	<u>(7,059,643)</u>		<u>(6,138,243)</u>	
Net current assets			<u>6,163,720</u>		<u>8,381,685</u>
Total assets less current liabilities			<u>7,760,171</u>		<u>8,989,455</u>
Creditors: amounts falling due after more than one year	13		(211,991)		(512,674)
Provisions for liabilities	14		(271,268)		(205,548)
Net assets attributable to members			<u>7,276,912</u>		<u>8,271,233</u>
Represented by:					
Loans and other debts due to members within one year					
Members' capital classified as a liability			4,420,000		4,090,000
Other amounts due to members - equity			708,058		1,759,611
	16		<u>5,128,058</u>		<u>5,849,611</u>
			<u>5,128,058</u>		<u>5,849,611</u>
Members' other interests					
Members' other interest - other reserves classified as equity			2,148,854		2,421,622
	16		<u>7,276,912</u>		<u>8,271,233</u>
Total members' interests					
Loans and other debts due to members			5,128,058		5,849,611
Members' other interests			2,148,854		2,421,622
	16		<u>7,276,912</u>		<u>8,271,233</u>

We approve these accounts and confirm that we have made available all relevant records and information for their preparation.

The notes on pages 12 to 32 form part of the financial statements


M Wright

10 November 2017

LLP registration no: OC396324

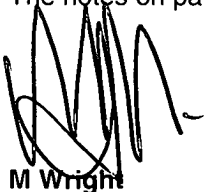
AHR MANAGEMENT SERVICES LLP

LLP STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	9		11,744		26,753
Investments	10		8,350,457		8,348,999
			<u>8,362,201</u>		<u>8,375,752</u>
Current assets					
Debtors	11	1,019,978		1,519,375	
Cash at bank and in hand		<u>1,082,514</u>		<u>913,735</u>	
		2,102,492		2,433,110	
Creditors: amounts falling due within one year	12	<u>(1,830,107)</u>		<u>(2,719,376)</u>	
Net current assets/(liabilities)			<u>272,385</u>		<u>(286,266)</u>
Total assets less current liabilities			<u>8,634,586</u>		<u>8,089,486</u>
Creditors: amounts falling due after more than one year	13		<u>(211,991)</u>		<u>(512,674)</u>
Net assets attributable to members			<u>8,422,595</u>		<u>7,576,812</u>
Represented by:					
Loans and other debts due to members within one year					
Members' capital classified as a liability			4,420,000		4,090,000
Other amounts			<u>1,862,177</u>		<u>1,346,394</u>
	16		<u>6,282,177</u>		<u>5,436,394</u>
Members' other interests					
Members' other interest - other reserves classified as equity			<u>2,140,418</u>		<u>2,140,418</u>
	16		<u>8,422,595</u>		<u>7,576,812</u>
Total members' interests					
Loans and other debts due to members			6,282,177		5,436,394
Members' other interests			<u>2,140,418</u>		<u>2,140,418</u>
	16		<u>8,422,595</u>		<u>7,576,812</u>

We approve these accounts and confirm that we have made available all relevant records and information for their preparation.

The notes on pages 12 to 32 form part of the financial statements



M Wright

10 November 2017

LLP registration no: OC396324

AHR MANAGEMENT SERVICES LLP

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Profit for the financial year available for discretionary division among members		871,455	1,402,714
Adjustments for:			
Amortisation of intangible assets		268,928	129,263
Depreciation of tangible assets		279,940	241,056
Foreign exchange (gains)/losses		(339,801)	380,579
Interest paid		71,143	81,049
Interest received		(13,613)	(16,896)
Gain on sale of tangible fixed assets		(1,919)	(27,353)
Taxation		261,369	536,946
Decrease in debtors		707,562	1,280,615
Decrease in creditors		(377,308)	(1,690,383)
Decrease in provisions and employee benefits		65,721	(45,591)
Cash from operations		1,793,477	2,271,999
Income taxes paid		(480,167)	(361,807)
Net cash generated from operating activities		1,313,310	1,910,192
Cash flows from investing activities			
Proceeds from sale of tangible assets		55,044	42,770
Purchases of tangible assets		(44,264)	(476,258)
Interest received		13,613	16,896
Interest paid		(71,143)	(81,049)
Non-controlling interest		-	(119,029)
Acquisition of non-controlling interest		-	(120,000)
Acquisition of subsidiary net of cash acquired		(315,022)	-
Net cash used in investing activities		(361,772)	(736,670)
Cash flows from financing activities			
Repayment of finance lease obligations		(455,974)	204,905
Capital introduced by members		330,000	160,000
Payments to members that represent a return on amounts subscribed or otherwise contributed		(1,380,727)	(3,348,417)
Net cash used in financing activities		(1,506,701)	(2,983,512)
Net decrease in cash and cash equivalents		(555,163)	(1,809,990)
Foreign exchange translation adjustment		(33,840)	-
Cash and cash equivalents at the beginning of year		2,670,587	4,480,577
Cash and cash equivalents at end of year		2,081,584	2,670,587

AHR MANAGEMENT SERVICES LLP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Members' capital classified as equity £	Foreign exchange translation reserve £	Members' other interests £	Amount attributable to owners of the parent £	Non-controlling interests £	Total £
At 1 January 2015	-	-	2,143,517	-	-	2,142,517
Other comprehensive income						
Foreign exchange translation difference	-	281,202	-	-	-	281,202
Total comprehensive income for the year	-	281,202	2,143,517	-	-	2,424,719
Capital introduced	-	-	(3,097)	-	-	(3,097)
At 1 January 2016	-	281,202	2,140,420	-	-	2,421,622
Other comprehensive income						
Foreign exchange translation difference	-	(272,768)	-	-	-	(272,768)
Total comprehensive income for the year	-	(272,768)	-	-	-	(272,768)
At 31 December 2016	-	8,434	2,140,420	-	-	2,148,854

AHR MANAGEMENT SERVICES LLP

LLP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Members' capital classified as equity £	Members' other interests £	Total £
At 1 January 2015	-	2,143,517	2,143,517
Capital introduced/reclassified	-	(3,099)	(3,099)
Total comprehensive income for the year	-	1,698,563	1,698,563
At 1 January 2016	-	2,140,418	2,140,418
At 31 December 2016	-	2,140,418	2,140,418

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Entity information

AHR Management Services LLP ("the LLP") is a limited liability partnership incorporated and domiciled in the UK.

2 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in July 2014. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

The group financial statements consolidate the financial statements of the LLP and all its subsidiary undertakings drawn up to 31 December each year.

The LLP has taken advantage of section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own Profit and Loss Account in these financial statements. The LLP's profit for the year was £2,437,341 (2015: £1,698,563).

The individual accounts of the LLP have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including: categories of financial instruments,
- items of income, expenses, gains or losses relating to financial instruments, and
- exposure to and management of financial risks.

2.1 Going concern

After reviewing the group's forecasts and projections, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The LLP therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3 Accounting policies

3.1 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquire plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

3.2 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the LLP and entities controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

3.3 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Software	3 years
Goodwill	5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities acquired exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the income statement in the periods expected to be benefitted.

3.4 Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using either the straight-line or reducing balance method. The rates applicable are:

Fixtures, fittings and equipment	14% reducing balance - 33% straight line
Motor vehicles	25% straight line
Improvements to leasehold property	10% reducing balance

3.5 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

3.6 Investments

Investments comprise investments in unquoted equity instruments which are measured at fair value. Changes in fair value are recognised in the income statement. Fair value is estimated by using a valuation technique.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

3.7 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.

3.8 Creditors

Short term trade 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.

3.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

3.10 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

Provisions for annual leave

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

3.10 Provisions for liabilities (continued)

Provisions for retirement benefits

A provision in respect of annuities is recognised when the member obtains a right to the annuity, which the LLP has no discretion to withhold. The annuities recognised in respect of the LLP are conditional on future services. If the rights to the annuity are earned over a period, costs are recognised over that period. The value of the provision is based on the best estimate of the current value of future cash flows. The provision is recalculated annually to take account of changes in membership, eligibility for post-retirement payments, financial estimates and actuarial assumptions. Amounts recognized in respect of current members are charged to the profit and loss account within "Members' remuneration charges as an expense". Charges in respect of former members are expensed in the 'administrative expenses' line in the income statement. The liability for post- retirement payments to or in respect of current members is shown as a component of 'Loans due to former members'. The liability in respect of former members is shown in the balance sheet under 'Provisions for liabilities', as 'Post-retirement payments to former members'. In the year in which the member retires, a transfer is made between the balance in respect of current members and the balance in respect of former members.

3.11 Members' drawings and the subscription and repayment of members' capital

Members' profit share is determined annually in accordance with the LLP Members' Agreement and the agreed distribution allocated to the members' current accounts from which drawings are paid monthly to each member. Members current accounts at the period end are included as part of members interests as described in note 16.

The capital requirements of the LLP are determined by members and reviewed from time to time. Additional capital amounting to £330,000 was contributed by members during the year in part funded by way of a banking facility available to members on a personal basis. Bank loans taken out and/or subsisting at the period end were secured by way of assignment of against members' capital contributions. The LLP has given certain undertakings in relation to the loan agreements of individual members which restricts the repayment of capital on retirement from the LLP to members until such loans are fully settled by the member.

The Members agreement provides for the payment of interest on capital currently at the rate of 5% per annum as part of the annual distribution to members and further provides for capital to be repaid within 60 months subject to any remaining obligations under a member's bank loan agreement.

3.12 Taxation

Tax to be paid on the profits arising in the LLP are a personal tax liability of the members of the LLP and therefore are not included as a tax charge or provision within these financial statements. Tax as presented within the consolidated financial statements represents tax arising from other group undertakings.

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

3.12 Taxation (continued)

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.13 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Rendering of services

Turnover from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

3.14 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

3.15 Foreign currency translation

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in Sterling (£).

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

3 Accounting policies (continued)

3.15 Foreign currency translation (continued)

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to Sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period. Unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4 Turnover

Turnover, analysed geographically between markets, was as follows:

	2016 £	2015 £
UK	23,940,550	28,444,156
Europe	2,366,402	716,354
Middle East	390,470	-
Rest of world	3,146,027	3,790,374
	<u>29,843,449</u>	<u>32,950,884</u>

Turnover, analysed by category, was as follows:

	2016 £	2015 £
Rendering of services	29,843,449	32,950,884
	<u>29,843,449</u>	<u>32,950,884</u>

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

4 Turnover (continued)

Turnover is attributable to the following classes of business:

	2016 £	2015 £
Architecture	21,205,264	24,435,694
Building consultancy	8,638,185	8,515,190
Group turnover	29,843,449	32,950,884

5 Operating profit

The operating profit is stated after:

	2016 £	2015 £
Auditor's remuneration:		
Fees payable to the LLP's auditor for the audit of the LLP's annual accounts	19,800	35,850
Fees payable to the LLP's auditor and its associates for other services:		
Audit of the accounts of subsidiaries	59,461	39,652
Tax compliance services	11,170	22,008
Foreign exchange losses (gains)/losses	(570,660)	458,590

6 Members and employees

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	10,546,782	10,625,151
Social security costs	1,179,089	1,153,111
Other pension costs	170,883	168,384
	11,896,754	11,946,646

The Group operates a stakeholder defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £170,883 (2015: £168,384).

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

6 Members and employees (continued)

The average number of employees of the group during the year was:

	2016 No	2015 No
Fee earners	269	293
Other	96	93
	<u>365</u>	<u>386</u>

Information in relation to members

The average number of members during the year was:

	2016 No	2015 No
Full members	<u>20</u>	<u>15</u>

	2016 £	2015 £
Paid under the terms of the LLP agreement	219,000	196,500
Interest on capital	796,955	1,502,063
Other	<u>1,015,955</u>	<u>1,698,563</u>

	2016 £	2015 £
Amount of profit attributable to the member with the largest entitlement	<u>168,454</u>	<u>127,162</u>

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

7 Tax on profit on ordinary activities

	2016 £	2015 £
Current tax		
UK Corporation tax	317,444	484,664
Group relief payable	(482)	(918)
Adjustment for prior years	756	(21,935)
Double taxation relief	(13,634)	(49,700)
	304,084	412,111
Foreign current year tax		
Foreign corporation tax not relieved against Group taxation	20,138	45,607
	324,222	457,718
Deferred tax		
Adjustment in respect of prior years	(11,193)	(15,472)
Current year	(50,933)	88,890
Effect of tax rate change on opening balance	(727)	5,810
	261,369	536,946

Reconciliation of effective tax rate

	2016 £	2015 £
Profit before tax and members' profit share	871,455	1,402,714
Less profit arising in partnership on which tax is payable by members personally	(1,138,421)	(944,196)
(Loss)/profit for the year arising in group companies	(266,966)	458,518
Tax payable by subsidiary undertakings	261,369	536,946
(Loss)/profit excluding taxation	(5,597)	995,464
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	(1,119)	201,582
Receipt for group relief	(482)	(918)
Fixed asset timing differences	4,406	(1,834)
Other permanent differences	(32,843)	-
Non-deductible expenses	14,105	236,394
Other timing differences	(5,834)	73,736
Depreciation in excess of capital allowances	-	(67,058)
Non-taxable income	51,791	-
Adjustments in respect of previous periods	756	(21,935)
Effect of tax rates in foreign jurisdictions	230,589	116,979
Total tax expense included in profit or loss	261,369	536,946

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax at 31 December 2016 has been calculated based on these rates.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

8 Intangible assets and goodwill

Group

	IT software £	Goodwill	Total
Cost			
At 1 January 2016	387,676	-	387,676
Acquisitions through business combinations	-	858,437	858,437
Additions externally purchased	467,372	-	467,372
Disposals	(383,764)	-	(383,764)
At 31 December 2016	471,284	858,437	1,329,721
Amortisation and impairment			
At 1 January 2016	375,228	-	375,228
Amortisation for the year	154,469	114,458	268,927
Disposals	(383,764)	-	(383,764)
At 31 December 2016	145,933	114,458	260,391
Net book value:			
As at 31 December 2016	325,351	743,979	1,069,330
As at 1 January 2016	12,448	-	12,448

Amortisation of intangible fixed assets is included in administrative expenses.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

9 Tangible fixed assets

Group

	Furniture and equipment £	Motor vehicles £	Freehold property £	Total £
Cost or valuation				
At 1 January 2016	1,666,491	25,339	129,352	1,821,182
Additions	280,410	-	-	280,410
Disposals	-	-	(88,192)	(88,192)
Exchange adjustments	(4,567)	(9,667)	2,527	(11,707)
At 31 December 2016	1,942,334	15,672	43,687	2,001,693
Depreciation				
At 1 January 2016	1,157,365	14,739	70,511	1,242,615
Charge for the year	271,455	3,580	5,487	280,522
Eliminated on disposal	-	-	(34,969)	(34,969)
Exchange adjustments	3,294	(2,647)	2,512	3,159
At 31 December 2016	1,432,114	15,672	43,541	1,491,327
Net book value:				
As at 31 December 2016	510,220	-	146	510,366
As at 1 January 2016	509,126	10,600	58,841	578,567

Computer equipment with a carrying value of £347,261 (2015: £393,671) are held under finance leases.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

9 Tangible fixed assets (continued)

LLP

	Furniture and equipment £
Cost or valuation	
At 1 January 2016	105,973
At 31 December 2016	105,973
Depreciation	
At 1 January 2016	79,220
Charge for the year	15,009
At 31 December 2016	94,229
Net book value:	
As at 31 December 2016	11,744
As at 1 January 2016	26,753

10 Investments

Total fixed asset investments comprise:

	The Group 2016 £	2015 £	The LLP 2016 £	2015 £
Interests in subsidiaries	16,755	16,755	8,350,457	8,348,999
	16,755	16,755	8,350,457	8,348,999

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Investments (continued)

Interests in subsidiaries

At 31 December 2016 the group and the LLP had interests in the following subsidiaries:

Subsidiaries	Percentage held (%)	Registered office	Registered number	Country of incorporation	Principal activity
AHR Global Limited	99%	5-8 Hardwick Street, London, EC1R 4RG		England	Holding Company
AHR Architects Limited	100%	5-8 Hardwick Street, London, EC1R 4RG	04347086	England	Architecture
AHR London Limited	100%	5-8 Hardwick Street, London, EC1R 4RG	07464357	England	Architecture
AHR Building Consultancy Limited	100%	5-8 Hardwick Street, London, EC1R 4RG	02156528	England	Building consultancy
CDM Project Safety Limited	100%	5-8 Hardwick Street, London, EC1R 4RG	03029791	England	Planning supervisory services
AHR Architects SP z.o.o	100%	Stepinska 9, 00-739 Warszawa	140118196	Poland	Architecture
AHR Kazakhstan LLP	100%	Kazybek Bi Street, 41 Park Palace, Almaty 050010	97181-1910-TOO	Kazakhstan	Architecture
AHR Building Surveying Limited	100%	Norwich Union House, High Street, Huddersfield, HD1 2LF	05144690	England	Dormant
AHR Landscape & Environment Limited	100%	Norwich Union House, High Street, Huddersfield, HD1 2LF	03844452	England	Dormant
AHR Education Limited	100%	Norwich Union House, High Street, Huddersfield, HD1 2LF	05884481	England	Dormant
AHR Interiors Limited	100%	Norwich Union House, High Street, Huddersfield, HD1 2LF	05144706	England	Dormant

Group and LLP

Cost

At 1 January 2016

Additions

At 31 December 2016

Investment in
subsidiaries
£

8,348,999

1,458

8,350,457

The historical cost value of the investments in group companies is £145,259 (2015: £145,259)

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Debtors

	The Group		The LLP	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	5,603,584	6,394,283	6,191	10,093
Amounts owed by subsidiary undertakings	-	-	931,535	1,360,332
Other debtors and prepayments	214,331	169,516	82,252	148,950
Prepayments and accrued income	941,800	910,485	-	-
Amounts recoverable on long term contracts	4,382,064	4,375,057	-	-
	<u>11,141,779</u>	<u>11,849,341</u>	<u>1,019,978</u>	<u>1,519,375</u>

An impairment loss of £nil (2015: £2,111,087) was recognised against trade debtors.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

12 Creditors: amounts falling due within one year

	The Group		The LLP	
	2016	2015	2016	2015
	£	£	£	£
Payments received on account	1,317,137	1,130,628	-	-
Net obligations under finance leases and hire purchase contracts	623,288	421,700	-	-
Trade creditors	2,021,702	1,798,704	17,549	40,600
Amounts owed to subsidiary undertakings	-	-	1,248,475	1,951,332
Taxes and social security costs	553,915	684,911	-	-
Other creditors	969,443	1,277,133	237,648	366,759
Accruals and deferred income	632,609	464,482	-	-
Deferred consideration	615,114	-	-	-
Former members' interests	326,435	360,685	326,435	360,685
	<u>7,059,643</u>	<u>6,138,243</u>	<u>1,830,107</u>	<u>2,719,376</u>

13 Creditors: amounts falling due after more than one year

	The Group		The LLP	
	2016	2015	2016	2015
	£	£	£	£
Former members' interests	<u>211,991</u>	<u>512,674</u>	<u>211,991</u>	<u>512,674</u>

14 Provisions for liabilities

Group

Onerous lease provision	2016	2015
	£	
At 1 January 2016	205,548	366,489
Additions	65,720	124,473
Utilised	-	(134,400)
Reversals	-	(151,014)
At 31 December 2016	<u>271,268</u>	<u>205,548</u>

No provisions for liabilities are held in the LLP's individual financial statements.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

15 Members interests

Group

	Equity				Debt			
	Members' other interests				Loans and other debts due to members less any amounts due from members in debtors			
	Members' Capital (Classified as equity)	Foreign exchange translation reserve	Other reserves	Total	Members' Capital (Classified as debt)	Other amounts	Total	Total members' interests
	£	£	£	£	£	£	£	£
Balance at 1 January 2016	-	281,202	2,140,420	2,421,622	4,090,000	1,759,611	5,849,611	8,271,233
Profit for the financial year available for discretionary division among members	-	-	-	-	-	871,455	871,455	871,455
Members' interests after profit for the year	-	281,202	2,140,420	2,421,622	4,090,000	2,631,066	6,721,066	9,142,688
Foreign exchange translation difference	-	(272,768)	-	(272,768)	-	-	-	(272,768)
Introduced by members	-	-	-	-	330,000	-	330,000	330,000
Drawings	-	-	-	-	-	(1,921,558)	(1,921,558)	(1,921,558)
Other movements	-	-	-	-	-	(1,450)	(1,450)	(1,450)
Balance at 31 December 2016	-	8,434	2,140,420	2,148,854	4,420,000	708,058	5,128,058	7,276,912

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

15 Members interests (continued)

LLP

	Equity			Debt				Total members' interests £
	Members' Capital (Classified as equity) £	Members' other interests Foreign exchange translation reserve £	Other reserves £	Total £	Members' Capital (Classified as debt) £	Loans and other debts due to members less any amounts due from members in debtors Other amounts £	Total £	
Balance at 1 January 2016	-	-	2,140,418	2,140,418	4,090,000	1,346,394	5,436,394	7,576,812
Profit for the financial year available for discretionary division among members	-	-	-	-	-	2,437,341	2,437,341	2,437,341
Members' interests after profit for the year	-	-	2,140,418	2,140,418	4,090,000	3,783,735	7,873,735	10,141,153
Introduced by members	-	-	-	-	330,000	-	330,000	330,000
Drawings	-	-	-	-	-	(1,921,558)	(1,921,558)	(1,921,558)
Other movements	-	-	-	-	-	-	-	-
Balance at 31 December 2016	-	-	2,140,418	2,140,418	4,420,000	1,862,177	6,282,177	8,422,595

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

15 Members interests (continued)

LLP

	Equity				Debt			
	Members' Capital (Classified as equity) £	Members' other interests Foreign exchange translation reserve £	Other reserves £	Total £	Members' Capital (Classified as debt) £	Loans and other debts due to members less any amounts due from members in debtors Other amounts £	Total £	Total members' interests £
Balance at 1 January 2015	-	-	2,143,517	2,143,517	3,930,000	2,723,563	6,653,563	8,797,080
Profit for the financial year available for discretionary division among members	-	-	-	-	-	1,698,563	1,698,563	1,698,563
Members' interests after profit for the year	-	-	2,143,517	2,143,517	3,930,000	4,422,126	8,352,126	10,495,643
Introduced by members	-	-	-	-	160,000	-	160,000	160,000
Drawings	-	-	-	-	-	(1,565,662)	(1,565,662)	(1,565,662)
Other movements	-	-	(3,099)	(3,099)	-	(1,510,070)	(1,510,070)	(1,513,169)
Balance at 31 December 2015	-	-	2,140,418	2,140,418	4,090,000	1,346,394	5,436,394	7,576,812

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Leasing commitments

The Group's future minimum operating lease payments are as follows:

	2016 £	2015 £
Within one year	889,188	892,288
Between two and five years	2,133,579	2,340,993
More than five years	490,051	699,833
	<u>3,512,818</u>	<u>3,933,114</u>

The group's future minimum finance lease payments are as follows:

	2016 £	2015 £
Within one year	369,331	180,110
Between one and five years	279,963	296,438
	<u>649,294</u>	<u>476,548</u>

Certain computer equipment is held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

The LLP has no operating leases.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

17 Transactions with related parties

	2016 £	2015 £
Sales to subsidiary	5,231,270	5,162,591
Purchases from subsidiary	718,954	2,438,528
Trade creditors amounts due to associates	317,003	591,000

The LLP does not have a parent undertaking. The ultimate controlling party of the group is considered to be the members in aggregate.

18 Financial risk management

The Group has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure. To a lesser extent the group is exposed to interest rate risk.

Foreign exchange transactional currency exposure

The Group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts, currency loans or overdrafts. The forward foreign exchange contracts all mature within 12 months. The Group's subsidiary, International Limited, is exposed to currency exchange risk arising from non-Euro currencies, but as this is not significant no active management of this risk is undertaken.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has credit facilities available. and is in position to meet its commitments and obligations as they come due.

Customer credit exposure

The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

Interest rate risk

The Group borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rate.

AHR MANAGEMENT SERVICES LLP

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

19 Acquisitions

On 1 April 2016 the group acquired 100% of the share capital of PCKO Limited for a total consideration of £930,479.

Consideration as at April 2016

	£
Cash	200,000
Deferred Consideration	300,000
Contingent Consideration	315,114
Directly attributable costs	115,365
Total	930,479

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Adjustments £	Fair Value £
Property, Plant and equipment	133,539	(85,850)	47,689
Debtors	340,018	(111,089)	228,929
Cash	343	-	343
Creditors	(204,919)	-	(204,919)
	268,981	(196,939)	72,043
Goodwill			858,437
Total			930,479

The adjustments made on acquisition were in respect of the following:

Earnings in progress	111,089
Assets written off and group alignment	85,850
	196,939