

Abbott Risk Consulting Limited

Registered number: SC234532

Directors' report and financial statements

For the year ended 31 December 2016



ABBOTT RISK CONSULTING LIMITED

COMPANY INFORMATION

DIRECTORS	J A Abbott A C Gillies
COMPANY SECRETARY	A C Gillies
REGISTERED NUMBER	SC234532
REGISTERED OFFICE	11 Albyn Place Edinburgh EH2 4NG
TRADING ADDRESS	11 Albyn Place Edinburgh EH2 4NG
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 144 Morrison St Edinburgh EH3 8EX
BANKERS	Bank of Scotland 38 St Andrew Square Edinburgh EH4 3BJ
SOLICITORS	Harper Macleod Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD

ABBOTT RISK CONSULTING LIMITED

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ABBOTT RISK CONSULTING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

BUSINESS REVIEW

ARC provides safety, engineering, risk and management consultancy services to the oil and gas, nuclear, defence and transportation sectors globally from its offices in the UK and branch offices in Australia.

2016 was another challenging year for ARC as we adapted to continued tough conditions in the global oil and gas market as the price of oil showed few signs of recovery. This, combined with on-going delays to the UK's nuclear new build and decommissioning programmes saw revenue for the year fall by 8% to £17.5m (2015 - £19.1m).

The fall in revenue was offset by reduced staff costs, a significant reduction in project losses, foreign currency exchange rate gains and lower overheads which resulted in a profit before taxation of £809k (2015 - loss of £419k). Last year was the first loss incurred by ARC since it was established in 2002 and while the directors are pleased to report a return to profit, significant challenges remain. We have now implemented a number of changes including streamlining our oil and gas business, greater investment in the defence and transportation sectors in Australia and improvements to our management systems which have helped the Company return to profit.

The Company is debt free and the Directors believe that it is in a strong position to deal with the challenges ahead. The Directors also believe that the company is financially secure and are considering the payment of a dividend in 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for setting the Company's risk appetite and ensuring that appropriate risk management systems are in place. The Board delegates responsibility for day to day risk management to the management team including the identification, evaluation and monitoring of key risks facing the company and the implementation of risk management processes and controls. The Board in conjunction with the management team reviews the Company's principal risks throughout the year as part of its normal agenda. In addition, once a year the Board formally assesses the Company's principal risks, taking the strength of the Company's control systems and our appetite for risk into account.

It is clear that the conditions experienced in the oil and gas market in recent years are likely to continue for some time to come. The price of oil may slide further causing more projects to be cancelled or delayed but the Company has mitigated this risk by increased diversification into the Australian defence and transportation markets. There are many other uncertainties including the effect of political changes in the UK's relationship with the European Union. These changes may bring benefits such as increased competitiveness in the short to medium term due to favourable exchange rates.

FUTURE DEVELOPMENTS

ARC will continue to provide safety, engineering, risk and management consultancy services to the oil and gas, nuclear, defence and transportation sectors globally from bases in the UK and Australia. There is no intention to establish a presence in any other country.

Further growth in our transportation and defence businesses in Australia is anticipated and to a lesser extent in other business areas in the UK. The company continues to invest heavily in its staff through formal training and providing opportunities for staff to work across other sectors to improve their future employment prospects and to increase ARC's flexibility. The company remains committed to extending share ownership to all employees and intends to issue further share options during the current year.

POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political donations in the year in accordance with company policy.

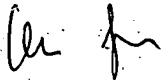
ABBOTT RISK CONSULTING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL INSTRUMENTS

The Company has a normal level of exposure to price, credit, and liquidity and cash flow risks arising from trading activities. The Company has not entered into any hedging transactions.

This report was approved by the board on 21st July 2017 and signed on its behalf.



**A C Gillies
Finance Director**

ABBOTT RISK CONSULTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

DIRECTORS

The directors who served during the year were:

J A Abbott
A C Gillies

SHARE CAPITAL

Details of share capital are shown in Note 15. Ordinary 'A' shares are all held by the company's employees. The company has the right to buy-back Ordinary 'A' shares if the shareholder ceases to be an employee of the company.

POST BALANCE SHEET EVENTS

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

STRATEGIC REPORT

The company has chosen, in accordance with section 414C(11) Companies Act 2006, to set out in the company's Strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' report. It has done so in respect of results and dividends, future developments, financial instruments, principal risks and uncertainties and donations.

ABBOTT RISK CONSULTING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that 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 auditors are aware of that information.

AUDITORS

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

This report was approved by the board on 21st July 2017 and signed on its behalf.



A C Gillies
Finance Director

ABBOTT RISK CONSULTING LIMITED

Independent auditors' report to the members of Abbott Risk Consulting Limited

Report on the financial statements

Our opinion

In our opinion, Abbott Risk Consulting Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows 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.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ABBOTT RISK CONSULTING LIMITED

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out 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.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

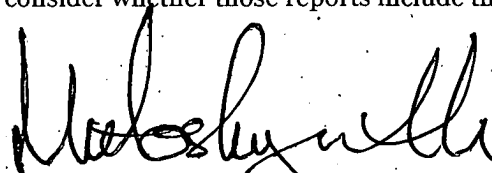
- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

ABBOTT RISK CONSULTING LIMITED

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Mark Hoskyns-Abramall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
21 July 2017

ABBOTT RISK CONSULTING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	3	17,494,123	19,102,629
Cost of sales		<u>(14,532,568)</u>	<u>(16,879,708)</u>
Gross profit		2,961,555	2,222,921
Administrative expenses		(2,416,116)	(2,645,555)
Other operating gains		<u>254,106</u>	<u>-</u>
Operating profit/(loss)		799,545	(422,634)
Interest receivable on ordinary activities		<u>9,465</u>	<u>3,940</u>
Profit/(Loss) on ordinary activities before taxation		809,010	(418,694)
Tax on profit/(loss) on ordinary activities	7	(155,749)	80,140
Profit/(Loss) for the financial year		<u><u>653,261</u></u>	<u><u>(338,554)</u></u>

There was no other comprehensive income for 2016 or 2015.

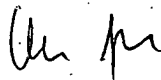
The notes on pages 12 to 25 form part of these financial statements.

ABBOTT RISK CONSULTING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	8	3,741	38,699
Tangible assets	9	37,657	32,050
		<u>41,398</u>	<u>70,749</u>
Current assets			
Debtors	10	4,201,460	4,181,539
Cash at bank and in hand	11	2,857,919	2,648,481
		<u>7,059,379</u>	<u>6,830,020</u>
Creditors: Amounts falling due within one year	12	(2,015,194)	(1,743,737)
Net current assets		<u>5,044,185</u>	<u>5,086,283</u>
Total assets less current liabilities		<u>5,085,583</u>	<u>5,157,032</u>
Provisions for liabilities	13	(956)	-
		<u>5,084,627</u>	<u>5,157,032</u>
Net assets		<u><u>5,084,627</u></u>	<u><u>5,157,032</u></u>
Capital and reserves			
Called up share capital	15	83,100	83,600
Share premium account	14	167,960	167,960
Share option reserve	14	28,484	-
Capital redemption reserve	14	1,600	1,100
Profit and loss account	14	4,803,483	4,904,372
Total equity		<u><u>5,084,627</u></u>	<u><u>5,157,032</u></u>

The financial statements were approved and authorised for issue by the board on 21st July 2017 and were signed on its behalf:


A C Gillies
Finance Director

The notes on pages 12 to 25 form part of these financial statements.

ABBOTT RISK CONSULTING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Capital redemption reserve	Share Option Reserve	Profit and Loss account	Total equity
	£	£	£	£	£	£
At 1 January 2015	84,350	167,960	350	-	5,249,636	5,502,296
Profit for the year	-	-	-	-	(338,554)	(338,554)
Buy back and cancellation of shares	(750)	-	750	-	(6,710)	(6,710)
At 31 December 2015	83,600	167,960	1,100	-	4,904,372	5,157,032

FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2016	83,600	167,960	1,100	-	4,904,372	5,157,032
Profit for the year	-	-	-	-	653,261	653,261
Buy back and cancellation of shares	(500)	-	500	-	(6,250)	(6,250)
Dividends paid	-	-	-	-	(747,900)	(747,900)
Recognition of equity-settled share-based payments in the year	-	-	-	28,484	-	28,484
At 31 December 2016	83,100	167,960	1,600	28,484	4,803,483	5,084,627

The notes on pages 12 to 25 form part of these financial statements.

ABBOTT RISK CONSULTING LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit/(Loss) before taxation	809,010	(418,694)
Adjustments for:		
Amortisation of intangibles	34,958	43,612
Depreciation of tangibles	31,342	57,445
Loss on disposal of tangibles	-	6,885
Interest received	(9,466)	(3,940)
Taxation	-	(85,398)
Increase/(Decrease) in debtors	(91,299)	1,264,632
Increase/(Decrease) in creditors	188,042	(65,560)
Equity-settled share-based payments	28,484	-
Net cash generated from operating activities	991,071	798,982
Cash flows from investing activities		
Purchase of tangible fixed assets	(36,949)	(6,806)
Interest received	9,466	3,940
Net cash used in investing activities	(27,483)	(2,866)
Cash flows from financing activities		
Purchase of ordinary shares	(6,250)	(6,710)
Dividends paid	(747,900)	-
Net cash used in financing activities	(754,150)	(6,710)
Net increase in cash and cash equivalents	209,438	789,406
Cash and cash equivalents at beginning of year	2,648,481	1,859,075
	2,857,919	2,648,481
Cash and cash equivalents at the end of year		
Cash at bank and in hand	2,857,919	2,648,481
	2,857,919	2,648,481

The notes on pages 12 to 25 form part of these financial statements.

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. The company is a private company limited by shares and is incorporated in Scotland.

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

The following principal accounting policies have been applied. These policies have been consistently applied to all years presented, unless otherwise stated.

1.2 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received, excluding discounts and value added tax. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

The stage of completion is determined by the man hours booked provided that no loss is foreseen. When a loss on a project is foreseen a specific loss provision is made against that project.

The revenue recognition policy noted above applies to both fixed price contracts and contracts where invoicing is based on man hours incurred. Contract balances included in amounts recoverable on contracts are the net of turnover recognised, after provision has been made for any foreseeable losses and the deduction of applicable expenses incurred.

1.3 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. Amortisation is provided on the following bases:

Computer software – 33% straight line

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

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

1.4 TANGIBLE ASSETS

Tangible assets 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.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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 bases:

Fixtures, fittings and equipment – 20% and 33% straight line.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.5 LEASES

Leases are classified as finance leases when they transfer substantially all the risks and rewards of ownership of the leased assets to the company. Other leases that do not transfer substantially all the risks and rewards of ownership of the leased assets to the company are classified as operating leases.

Rentals applicable to operating leases are charged against profits on a straight line basis over the period of the lease.

1.6 DEBTORS

Trade debtors are measured at transaction price, less any impairment.

1.7 CASH AND CASH EQUIVALENTS

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

1.8 CREDITORS

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.

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

1.9 FINANCIAL INSTRUMENTS

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

1.10 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentation currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.11 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Current share issued options are not subject to any market vesting conditions.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Profit and loss account over the remaining vesting period.

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

1.12 PENSIONS

Defined contribution pension plan

The company makes payments to 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.

1.13 PROVISIONS

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Full provision is made for foreseeable losses on all contracts when the loss is first foreseen.

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 change 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 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.

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have made a key judgement in the determination of the contract loss provision (see 1.2) which, at the year-end amounts to £100,000 (2015 - £588,926).

3. TURNOVER

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Revenue from service contracts	17,494,123	19,102,629
	<u>17,494,123</u>	<u>19,102,629</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	13,135,901	14,829,011
Rest of Europe	683,202	934,264
Rest of the world	3,675,020	3,339,354
	<u>17,494,123</u>	<u>19,102,629</u>

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

4. OPERATING PROFIT/(LOSS)

	2016	2015
	£	£
Depreciation of tangible fixed assets	31,342	57,445
Amortisation of intangible assets	34,958	43,612
Operating lease costs: equipment	4,002	5,039
Operating lease costs: land and buildings	587,170	581,044
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	14,775	20,070
Fees payable to the company's auditors and its associates for other services:		
Other services provided by PricewaterhouseCoopers LLP	57,555	76,458

5. EMPLOYEES

	2016	2015
	£	£
Wages and salaries	5,592,099	6,570,240
Social security costs	564,209	586,354
Cost of defined contribution scheme	421,923	377,730
Equity settled share-based payments	28,484	-
	6,606,715	7,534,324

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

2016	2015
No.	No.
83	100

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

6. DIRECTOR'S & KEY MANAGEMENT REMUNERATION

	2016 £	2015 £
Directors' remuneration	230,686	1,270,114
Company contributions to defined contribution pension schemes	17,250	98,682
	<u>247,936</u>	<u>1,368,796</u>

During the year retirement benefits were accruing to 2 directors (2015 - 13) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £150,670 (2015 - £150,670).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,250 (2015 - £11,250).

The directors were granted 8,000 share options in the period which had a share based payment value of £1,640 as at the year end. During the current and prior year, no director exercised share options.

The directors and former directors of the company are considered to be key management. The number of key management staff is 12 (2015 - 13).

	2016 £	2015 £
Key management remuneration (including directors)	1,238,844	1,270,114
Company contributions to defined contribution pension schemes	94,747	98,682
	<u>1,333,591</u>	<u>1,368,796</u>

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	159,164	(55,580)
Adjustments in respect of previous periods	(1,998)	(2,768)
Foreign Tax relief/other relief	(15,372)	-
Total current tax	141,794	(58,348)
Deferred tax		
Origination and reversal of timing differences	15,567	(23,523)
Changes to tax rates	(1,612)	1,731
Total deferred tax	13,955	(21,792)
Tax on profit/(loss) on ordinary activities	155,749	(80,140)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower (2015 – higher) than the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit/(Loss) on ordinary activities before tax	809,010	(418,694)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	161,802	(84,771)
Effects of:		
Expenses not deductible for tax purposes	12,855	8,720
Effect of tax rates on loss carry back		(3,052)
Adjustments to tax charge in respect of prior periods	(1,998)	(2,768)
Effect of changes in tax rates	(1,612)	1,731
Other, including foreign tax suffered	(15,298)	-
Total tax charge for the year	155,749	(80,140)

There were no factors that may affect future tax charges.

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

8. INTANGIBLE ASSETS

	Computer software £
Cost	
At 1 January 2016	173,626
Additions	-
At 31 December 2016	<u>173,626</u>
Accumulated Amortisation	
At 1 January 2016	134,927
Charge for the year	34,958
At 31 December 2016	<u>169,885</u>
Net book value	
At 31 December 2015	<u>38,699</u>
At 31 December 2016	<u>3,741</u>

9. TANGIBLE ASSETS

	Fixtures fittings and equipment £
Cost	
At 1 January 2016	157,681
Additions	36,949
At 31 December 2016	<u>194,630</u>
Accumulated Depreciation	
At 1 January 2016	125,631
Charge for the year	31,342
At 31 December 2016	<u>156,973</u>
Net book value	
At 31 December 2015	<u>32,050</u>
At 31 December 2016	<u>37,657</u>

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

10. DEBTORS

	2016 £	2015 £
Due within one year		
Trade debtors	3,251,184	2,968,906
Other debtors	77,665	106,821
Prepayments and accrued income	256,021	265,522
Corporation Tax	-	71,377
Amounts recoverable on contracts	616,590	768,913
	<u>4,201,460</u>	<u>4,181,539</u>

11. CASH AT BANK AND IN HAND

	2016 £	2015 £
Cash at bank and in hand	2,857,919	2,648,481
	<u>2,857,919</u>	<u>2,648,481</u>

12. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Payments received on account	390,746	242,398
Trade creditors	703,853	659,714
Corporation tax	70,416	-
Taxation and social security	10,967	-
Other creditors	34,268	37,832
Accruals and deferred income	804,944	803,793
	<u>2,015,194</u>	<u>1,743,737</u>

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

13. PROVISIONS FOR LIABILITIES

The movement in the provision for deferred taxation during the year was:

	Deferred tax £
Provision brought forward	(12,999)
Movement for the year	13,955
Provision carried forward	<u>956</u>

The provision for deferred taxation, which has been calculated using a tax rate of 17% (2015 – 18%) is made up as follows:

	2016 £	2015 £
Excess of taxation allowances over depreciation on fixed assets	5,130	10,271
Other timing differences	(4,174)	(23,270)
	<u>956</u>	<u>(12,999)</u>

14. RESERVES

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Share Option Reserve

This reserve records the cumulative fair value of share based payments.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Profit & loss account

This reserve includes all current and prior period retained profits and losses.

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

15. CALLED UP SHARE CAPITAL

Allotted called up and fully paid

	2016 £	2015 £
600,000 Ordinary shares of £0.10 each	60,000	60,000
231,000 Ordinary "A" shares of £0.10 each	23,100	23,600
	<u>83,100</u>	<u>83,600</u>

Ordinary 'A' shares are held by employees and are non-voting but otherwise rank pari passu with Ordinary shares. The company has the right to buy back these shares if the holder ceases to be an employee.

16. SHARE BASED PAYMENTS

The company has an equity settled share option scheme for all employees (including directors). On 30th September 2016, 138,900 new share options were granted to employees. These options are exercisable at a discount of 90 pence per share to the market value of the shares at the date of grant of the options. The vesting conditions for employees is that they must be eligible employees, and have neither given nor received notice of termination of their employment, up until the vesting date. The maximum vesting period is 10 years from the date of grant.

All share options granted in prior years have either been fully exercised by option holders or have failed to vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	No	2016 WAEP £	No	2015 WAEP £
Outstanding at the beginning of year	-	-	-	-
Granted during the year	138,900	0.82	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	<u>138,900</u>	<u>-</u>	<u>-</u>	<u>-</u>

ABBOTT RISK CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

16. SHARE BASED PAYMENTS (Continued)

The fair value of the share options was calculated using the Black-Scholes model. The inputs to the model were as follows:

	2016	2015
Weighted average share price - £	1.72	-
Weighted average exercise price - £	0.82	-
Expected volatility - %	50%	-
Expected life – years	1.16	-
Risk free rate - %	4%	-

A charge of £28,484 was made to the P&L account to represent the remuneration value of the share based payments during the period. (2015 - £Nil).

17. PENSION COMMITMENTS

The company makes payments to a defined contribution plan for its employees. 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 £421,923 (2015 - £377,730). Contributions totalling £34,268 (2015 - £37,832) were payable to the fund at the year end and are included in creditors.

18. COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2016, the company had total future minimum lease payments under non-cancellable operating lease as follows:

	2016 £	2015 £
Within 1 year	46,242	73,545
Between 2-5 years	216,667	28,909
	<u>262,909</u>	<u>102,454</u>

ABBOTT RISK CONSULTING LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

19. FINANCIAL INSTRUMENTS

The company has the following financial instruments:

	Note	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost			
Trade receivables	10	3,251,184	2,968,906
Other receivables	10	333,686	443,720
		<u>3,584,870</u>	<u>3,412,626</u>
Financial liabilities measured at amortised cost			
Trade creditors	12	703,853	659,714
Other creditors	12	920,595	841,625
		<u>1,624,448</u>	<u>1,501,339</u>

20. RELATED PARTY TRANSACTIONS

During the current and prior year there were no material related party transactions.

21. CONTROLLING PARTY

In the opinion of the directors, the ultimate controlling party is J A Abbott by virtue of his majority shareholding in the company.