Armstrong Craven Limited

Directors' report and financial statements

Registered number 08559490

For the year ended 31 December 2014

Contents

Strategic report

Principal activities

The principal activities of the company are to provide a global client base with people intelligence services in the form of insight, talent pipelining, leadership risk and search services.

Business model

The company supplies these services to large, multi-national clients across industry sectors, markets and functions. The company engages with hard to reach, high calibre candidates, wherever they are in the world and can provide market insights to help clients make informed decisions to unlock business potential.

Business review and results

The company was acquired via a management buy-out from Work Group plc on the 25 June 2013. Prior to this, it had operated as a trading division of Work Group plc for over 5 years. 2014 was a year of investment for the business to build the platform for future growth. The directors consider the results for the year to be in line with expectations.

Key performance indicators

The company's key performance indicators are the fee income (turnover) derived from its clients and the cost to deliver those services in terms of staff and other operating costs resulting in the earnings before interest, tax, depreciation and amortisation. ('EBITDA'). These are an important measure of productivity and efficiency of the business and as such are used as management performance measures. The EBITDA for the year was £549,646 *(period ended 31 December 2013: £157,508).*

Principal risks and uncertainties

The principal risks and uncertainties the business faces are the spending patterns of major clients although this is mitigated through the company having clients across a variety of sectors globally. The company is dependent on the need of its clients for its services and their annual HR and resourcing budgets. Whilst in a large part these are dictated by the general macro-economic conditions, they are also dependent on particular circumstances of each client as regards the projects they plan to undertake.

Future developments

The company is focused on developing its key client relationships, delivering best in class high quality services in a cost effective way for them.

By order of the board

Matthew Mellor
Director

22 April 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

Susan Craven
Rachel Elizabeth Davis
Nicholas John Holder
Matthew Mellor
Mark Robert James Turner
Mark Richard Bates (appointed 13 February 2015)

All directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Political contributions

The Company made no political contributions during the year.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Matthew Mellor
Director

Lower Ground Floor
Westgate House
44 Hale Road
Hale
Cheshire
WA14 2EX

22 April 2015

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 period. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 for that period. In preparing the company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Armstrong Craven Limited

We have audited the financial statements of Armstrong Craven Limited for the year ended 31 December 2014 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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 to 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 financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at 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 the company's affairs as at 31 December 2014 and its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Armstrong Craven Limited *(continued)*

Matters on which we are required to report by exception

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

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

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

28 April 2015

Profit and Loss Account
for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Period ended 31 December 2013
		£	£
Turnover	2	**4,827,982**	2,193,567
Cost of sales		**(54,708)**	(23,746)
Gross profit		**4,773,274**	2,169,821
Administrative expenses			
- before goodwill amortisation		**(4,326,144)**	(2,057,768)
- goodwill amortisation		**(507,861)**	(253,930)
		(4,834,005)	(2,311,698)
Operating profit/(loss)			
- before goodwill amortisation		**447,130**	112,053
- goodwill amortisation		**(507,861)**	(253,930)
	2	**(60,731)**	(141,877)
Other interest receivable and similar income	6	**814**	554
Interest payable and similar charges	5	**(450,065)**	(207,227)
Loss on ordinary activities before taxation		**(509,982)**	(348,550)
Taxation on loss on ordinary activities	7	**48,000**	-
Loss on ordinary activities after taxation and for the financial year/period	15	**(461,982)**	(348,550)

The Company has no recognised gains or losses in the current year or prior period other than those passing through the profit and loss account.

All results arise from continuing operations.

The notes on pages 9 to 17 form part of the financial statements.

Balance Sheet
At 31 December 2014

	Note	2014 £	2013 £
Fixed assets			
Intangible assets	*8*	**1,777,515**	2,285,376
Tangible assets	*9*	**265,327**	269,521
Investment	*10*	**1**	1
		2,042,843	2,554,898
Current assets			
Debtors	*11*	**1,141,573**	1,237,179
Cash at bank and in hand		**1,171,058**	712,065
		2,312,631	1,949,244
Creditors: amounts falling due within one year	*12*	**(628,895)**	(765,645)
Net current assets		**1,683,736**	1,183,599
Total assets less current liabilities		**3,726,579**	3,738,497
Creditors: amounts falling due after more than one year	*13*	**4,343,775**	3,893,711
Capital and reserves			
Called up share capital	*14*	**39,415**	39,415
Share premium account	*15*	**153,921**	153,921
Profit and loss account	*15*	**(810,532)**	(348,550)
Shareholders' deficit		**(617,196)**	(155,214)
		3,726,579	3,738,497

The notes on pages 9 to 17 form part of the financial statements.

These financial statements were approved by the board of directors on 22 April 2015 and were signed on its behalf by:

Matthew Mellor
Director

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2014

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Loss for the financial year/period	**(461,982)**	(348,550)
Retained loss	**(461,982)**	(348,550)
New share capital subscribed	-	193,336
Opening shareholders' deficit	**(155,214)**	-
Closing shareholders' deficit	**(617,196)**	(155,214)

The notes on pages 9 to 17 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

The comparative period is the first period of account from 6 June 2013 to 31 December 2013.

Under section 405(2) of the Companies Act 2006 the Company opted to exclude the subsidiary undertaking Armstrong Craven Associates Limited from consolidation as its inclusion is not material for the purposes of giving a true and fair view.

Under section 402 of the Companies Act 2006 the Company is exempt from the requirement to prepare consolidated financial statements as its subsidiary undertaking can be excluded from consolidation under section 405(2).

The financial statements therefore present information about the undertaking as an individual undertaking and not about its group.

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Going concern

The directors have prepared trading and cash flow forecasts for Armstrong Craven Limited which, taking into account reasonably possible changes in trading performance, which show that the company can trade within its agreed finance facilities for the coming 12 months. These forecasts indicate that all funding covenants will be met.

Based on the above, management consider it appropriate to prepare the financial statements on a going concern basis.

Tangible fixed assets

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful economic lives as follows:

Leasehold improvements	-	Over the term of the lease
Fixtures and fittings	-	2 to 5 years
Computer (including software) and office equipment	-	3 years

Intangible fixed assets

Purchased goodwill (representing the excess of the fair value of the consideration paid over the fair value of the net assets acquired) is capitalised and amortised on a straight line basis over 5 years.

Leases

Leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares. Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services delivered to third party customers during the period.

Notes *(continued)*

2 Turnover and loss on ordinary activities before taxation

Turnover and loss on ordinary activities before taxation is derived from the principal activity of the Company.

Turnover represents amounts derived from one class of business, the provision of services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. All turnover originates in the UK. A geographical analysis of turnover is not given as, in the opinion of the directors, it would be seriously prejudicial to the interests of the company to disclose this information.

Loss on ordinary activities before taxation is stated after charging/(crediting):	**Year ended 31 December 2014 £**	Period ended 31 December 2013 £
Depreciation	**102,516**	45,455
Amortisation of goodwill	**507,861**	253,930
Hire of other assets - land and buildings	**84,307**	39,002
Foreign exchange (gains)/losses	**(1,914)**	9,666
Auditors' remuneration:		
Audit of these financial statements	**9,750**	9,500
Other services relating to taxation	**3,600**	3,500

3 Remuneration of directors

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Directors' emoluments	**252,000**	122,725
Pension contributions	**16,840**	8,169
	268,840	130,894

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £122,000 (*period ended 31 December 2013: £61,075*), and Company pension contributions of £8,540 (*period ended 31 December 2013: £4,275*) were made on their behalf.

Retirement benefits are accruing to the following number of directors under:

	Year ended 31 December 2014 No	Period ended 31 December 2013 No
Defined contribution schemes	**3**	3

Notes *(continued)*

4 Staff numbers and costs

The average number of employees in the period, including directors was as follows:

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Delivery	**41**	42
Sales, administration and management	**15**	13
	56	55

Aggregate payroll costs

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Wages and salaries	**2,681,456**	1,166,842
Social security costs	**243,768**	131,780
Pension costs	**76,367**	46,941
	3,001,591	1,345,563

5 Interest payable and similar charges

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Interest payable on shareholder loan notes (see note 13)	**414,783**	191,044
Finance costs on shares classified as liabilities (see note 14)	**35,282**	16,183
	450,065	207,227

6 Other interest receivable and similar income

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Bank interest	**814**	554

Notes *(continued)*

7 Taxation

Analysis of credit in the year/period:

	Year ended 31 December 2014	Period ended 31 December 2013
	£	£
Current tax		
UK Corporation tax on result for the year/period	-	-
Deferred tax		
Origination/reversal of timing differences	48,000	-
Tax credit on loss on ordinary activities	48,000	-

Factors affecting the tax charge for the current period

The current tax credit for the period is lower *(period ended 31 December 2013: credit - lower)* than the standard rate of corporation tax in the UK of 21.49%.*(period ended 31 December 2013: 23%)* The differences are explained below.

	Year ended 31 December 2014	Period ended 31 December 2013
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	(509,982)	(348,550)
Tax on profit on ordinary activities at standard rate of 21.49% *(2013: 23%)*	(109,611)	(80,167)
Factors affecting charge for the period:		
Fixed asset timing differences	2,924	1,727
Capital allowances in excess of depreciation	(6,557)	(6,274)
Expenses not deductible for tax purposes	16,094	5,457
Other permanent differences	90	30
Other short term timing differences	23,209	-
Unrelieved tax losses arising in the period	73,851	79,227
Total actual amount of current tax	-	-

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2014) was substantively enacted on 3 July 2013. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2014. This will reduce the company's future current tax charge accordingly and reduce the deferred tax assets / liabilities at 31 December 2014 which have been calculated based on the rate of 20% substantively enacted at the balance sheet date (see note 11). The company has recognised the deferred tax on brought forward tax losses to the extent they are expected to reverse in the foreseeable future.

Notes *(continued)*

8 Intangible fixed assets

	Goodwill
	£
Cost or valuation	
At 1 January 2014	2,539,306
Acquired	-
At 31 December 2014	**2,539,306**
Amortisation	
At 1 January 2014	253,930
Charge for the year	507,861
At 31 December 2014	**761,791**
Net Book Value	
At 31 December 2014	**1,777,515**
At 31 December 2013	2,285,376

9 Tangible fixed assets

	Leasehold Improvements	Fixtures and Fittings	Office Equipment	Software	Total
	£	£	£	£	£
Cost					
At 1 January 2014	68,852	30,192	82,668	133,264	314,976
Additions	-	2,762	12,911	82,649	98,322
At 31 December 2014	**68,852**	**32,954**	**95,579**	**215,913**	**413,298**
Depreciation					
At 1 January 2014	7,215	4,056	12,337	21,847	45,455
Charge for the year	14,926	9,081	29,341	49,168	102,516
At 31 December 2014	**22,141**	**13,137**	**41,678**	**71,015**	**147,971**
Net book value					
At 31 December 2014	**46,711**	**19,817**	**53,901**	**144,898**	**265,327**
At 31December 2013	61,637	26,136	70,331	111,417	269,521

Notes *(continued)*

10 Investments

The Company holds one, £1 ordinary share (representing 100% of the issued share capital), at cost of £1, in its wholly owned subsidiary Armstrong Craven Associates Limited. The subsidiary, which is registered in England & Wales, has not traded since it was incorporated during 2013 and has been dormant throughout the year.

11 Debtors

	2014 £	2013 £
Trade debtors	**852,917**	1,017,004
Other debtors	**6,000**	6,000
Prepayments	**87,656**	77,393
Accrued income	**147,000**	136,782
Deferred tax asset	**48,000**	-
	1,141,573	1,237,179

The elements of deferred taxation are as follows:

	2014 £	2013 £
Asset/(liability)		
Tax losses	**48,000**	-
	48,000	-

The company had an unrecognised deferred tax asset at 31 December 2014 of £96,000 *(2013: £63,438)* in relation to tax losses carried forward.

12 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	**51,021**	75,449
Other creditors including taxation and social security:		
Other taxation	**227,684**	166,618
Other creditors	**15,068**	15,570
Accruals and deferred income	**335,122**	508,008
	628,895	765,645

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2014	2013
	£	£
Shareholder loan notes and rolled up interest	**4,017,351**	3,602,568
Shares classified as liabilities and accrued finance costs (see note 14)	**326,424**	291,143
	4,343,775	3,893,711

The shareholder loan notes attract interest at 8% from date of issue, 25 June 2013, to 31 December 2015, 10% for 2016 and 12% from 1 January 2017. The shareholder loan notes become repayable from 26 June 2018.

14 Called up share capital

		2014	2013
		£	£
Allotted, called up and fully paid			
Share nominal value and class	**No of share**		
£0.001 A Ordinary Shares -	8,592,800	**8,592**	8,592
£0.000001 B Ordinary Shares	27,496,000	**28**	28
£0.000001 C Ordinary Shares	1,018,704	**1**	1
£0.005 D Ordinary Shares	6,164,400	**30,822**	30,822
		39,443	39,443
Classified as equity share capital		**39,415**	39,415
Classified as debt (see note 13)		**28**	28
		39,443	39,443

The A Ordinary Shares and D Ordinary Shares rank pari-passu in all respects, with certain additional rights as detailed in the Articles of Association.

The A and D shares are each entitled to one vote per ordinary share. The voting limit in respect to A shares is 49% in respect to any resolution of the Company. Under the event of a "material default" each A share shall have 100,000 votes if the Majority Holders deliver a written notice to the Company ("voting adjustment notice"); until such a point as the material default has been rectified, or the Majority Holders give notice in writing to the Company that they are cancelling their voting adjustment notice.

The B and C shares do not hold any voting rights.

The B Ordinary Shares and C Ordinary Shares have certain rights as detailed in the Articles of Association. These rights include the right to a cumulative preferential cash dividend in respect to the C shares when certain conditions are met. These shares do not entitle the holders to participate in any profits of the Company, other than as detailed under specific circumstances. The holders of B shares are entitled to the B share price on the sale of these shares. The B share price includes a 10% premium on the issue price, in addition to interest accrued over the period until the sale at a stepped interest rate.

On the event of a Share Sale, the proceeds are applied in a specific order depending on the type of share held.

Notes *(continued)*

15 Reserves

	Share Premium Account	Profit and loss account
	£	£
As at 1 January 2014	153,921	(348,550)
Profit for the year	-	(461,982)
As at 31 December 2014	**153,921**	**(810,532)**

16 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and Buildings	2014 Other	2013 Land and Buildings	2013 Other
	£	£	£	£
Operating leases which expire:				
Within one year	**16,500**	-	-	-
In the second to fifth years inclusive	**78,344**	-	97,394	-
Over five years	-	-	-	-
	94,844	-	97,394	-

17 Related parties

The controlling parties of the company are private equity investment funds advised by an affiliate of Living Bridge LLP.