

Teneo Strategy Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 03883153

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Teneo Strategy Limited

Report and financial statements for the year ended 31 December 2018

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Directors

Sue Couldery
Steven Sullivan
Gordon Tempest-Hay
Charles Watson

Secretary

Sue Couldery

Registered office

5th Floor, 6 More London Place, London, SE1 2DA

Company number

03883153

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Teneo Strategy Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Business review and future outlook

The principal activity of the Group is to advise to the leaders of the world's most complex organisations. We do this using the skills of our staff working collaboratively to solve the most pressing reputational and transformational issues. The group performed well delivering earnings before interest, taxation, depreciation and amortisation (EBITDA), and before non-trading costs, of £14.6m (2017 - £10.4m). This is a 25.8% (2017 – 27.5%) margin on gross profit.

Details of the KPI's used to manage the subsidiary business are detailed below, the key measures are gross profit/head, staff costs/gross profit, profit/gross profit and profit margin.

Each subsidiary measures staff turnover as retention of staff is critical to long term client relationships.

Gross profit/head was £195k (2017 - £134k) and staff costs as a percentage of gross profit were 65.0% (2017 – 59.5%) which continues the Group's belief that strength lies in recruiting and looking after good people.

Principal risk and uncertainty

The principal risk that could materially affect the business, revenues, operating income, net income, net assets or liquidity is general economic risk. The other risk is damage to the reputation of the company arising from the actions of an employee or client. Employees are well briefed on the use of social media and the need to act ethically and professionally. Client activities are kept under review and any concerns and the associated risks are discussed and assessed regularly by the directors.

Strategy

The Group's strategy is to be the global leader in advising the leaders of the world's most complex organisations. In 2016 the shares of the company were transferred to Teneo Strategy LLC. In 2017 Teneo Strategy Limited acquired the group of companies headed by Credo Business Consulting LLP, and the 2017 results include 5 months of that business.

The business has added the management consulting skills brought by Credo added to the reputational and financial communication skills of the staff in the parent company to be able to work collaboratively with our global colleagues to help service global clients.

Approval

This strategic report was approved by order of the Board on



Charles Watson
Director

Date 13/09/2019

Teneo Strategy Limited

Report of the directors for the year ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Financial risk management objectives and policies

Other than the recovery of funds due from clients, the group has very little exposure to any other type of financial risk. Client balances are reviewed regularly to minimise this risk.

International offices expose the group to some currency risk. The group will manage this risk by minimising cash held in currencies other than the trading currency of the subsidiary, minimising loans where possible between subsidiaries trading in different currencies and ensuring that clients who are invoiced in currencies other than the local currency of the subsidiary are subject to tight payment terms.

Directors

The directors of the company during the year were:

Charles Watson
Gordon Tempest-Hay
Steven Sullivan
Sue Couldery

Proposed dividends

The business did not declare a dividend (2017: £3.6m).

Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, 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 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.

Teneo Strategy Limited

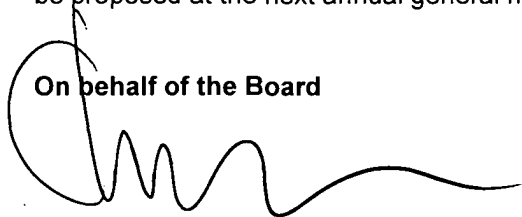
Report of the directors for the year ended 31 December 2018 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Charles Watson', written over the text 'On behalf of the Board'.

Charles Watson
Director

Date 13/09/2019

Teneo Strategy Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TENEO STRATEGY LIMITED

Opinion

We have audited the financial statements of Teneo Strategy Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated income statement, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Teneo Strategy Limited

Independent auditor's report (*continued*)

Other information

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Teneo Strategy Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

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

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

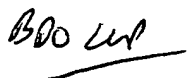
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Andrew Viner (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date 13/09/2019

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

Teneo Strategy Limited

Consolidated Income statement for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	3	69,630	42,348
Cost of sales		(12,942)	(4,480)
Gross profit		56,688	37,868
Administrative expenses		(46,570)	(30,289)
Operating profit	6	10,118	7,579
Interest receivable		1	4
Interest payable		(26)	-
Profit on ordinary activities before taxation		10,093	7,583
Taxation charge	7	(2,496)	(1,971)
Profit on ordinary activities after taxation		7,597	5,612
Other comprehensive income			
Foreign exchange		14	15
Total other comprehensive income		14	15
Total comprehensive income		7,611	5,627

All recognised gains and losses are included in the profit and loss account.

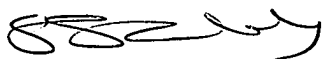
The notes on pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Consolidated Balance sheet at 31 December 2018

<i>Company number 03883153</i>	<i>Note</i>	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Intangible assets	10		9,638		13,544
Tangible assets	11		1,858		1,907
			<hr/>		<hr/>
			11,496		15,451
Current assets					
Debtors	13	20,075		21,189	
Cash at bank and in hand		7,599		8,705	
		<hr/>		<hr/>	
		27,674		29,894	
Creditors: amounts falling due within one year	14	(20,955)		(22,177)	
		<hr/>		<hr/>	
Net current assets			6,719		7,717
			<hr/>		<hr/>
Total assets less current liabilities			18,215		23,168
Provisions for liabilities	15		(423)		(12,987)
			<hr/>		<hr/>
Net assets			17,792		10,181
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		21		21
Share premium account			596		596
Exchange reserve			29		15
Profit and loss account			17,146		9,549
			<hr/>		<hr/>
Shareholders' funds			17,792		10,181
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 13/09/2019



S Couldery
Director

The notes on pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Consolidated Statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Exchange reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2018	21	596	15	9,549	10,181
Comprehensive income for the year					
Profit for the year	-	-	-	7,597	7,597
	21	596	15	17,146	17,778
Currency translation differences	-	-	14	-	14
Other comprehensive income for the year	-	-	14	-	14
Total comprehensive income for the year	21	596	29	17,146	17,792
31 December 2018	21	596	29	17,146	17,792

The notes on pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Consolidated Statement of changes in equity for the year ended 31 December 2017 *(continued)*

	Share capital £'000	Share premium account £'000	Exchange reserve £'000	Profit and loss account £'000	Total equity £'000
1 January 2017	-	596	-	7,537	8,133
Comprehensive income for the year					
Profit for the year	-	-	-	5,612	5,612
Total comprehensive income for the year	-	596	-	13,149	13,745
Currency translation differences	-	-	15	-	15
Other comprehensive income	-	596	15	13,149	13,760
Contributions and distributions to owners					
Dividends	-	-	-	(3,600)	(3,600)
Share buy back	21	-	-	-	21
31 December 2017	21	596	15	9,549	10,181

The notes on pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit for the financial year	7,597	5,612
Adjustments for:		
Depreciation and amortisation of fixed assets	4,490	2,004
Net interest payable/(receivable)	25	(4)
Taxation expense	2,496	1,971
Decrease/(Increase) in trade and other debtors	1,114	(6,837)
(Decrease)/Increase in trade and other creditors	(13,722)	9,482
Cash from operations	2,000	12,228
Net Interest (paid)/received	(25)	4
Taxation paid	(2,564)	(1,163)
Net cash (used in)/ generated from operating activities	(589)	11,069
Cash flows from investing activities		
Purchases of tangible fixed assets	(535)	(226)
Cash acquired of with business operation	-	2,893
Purchase of subsidiary undertaking	-	(18,982)
Assets acquired from fellow subsidiaries	-	(918)
Net cash used in investing activities	(535)	(17,233)
Cash flows from financing activities		
Equity dividends (paid)	-	(3,600)
Long term loan from parent	-	12,295
Issue of Share Capital	-	21
Net cash generated from financing activities	-	8,716
Net (decrease)/increase in cash and cash equivalents	(1,124)	2,552
Cash and cash equivalents at beginning of year	8,705	6,136
Foreign exchange losses	18	17
Cash and cash equivalents at end of year	7,599	8,705
Cash and cash equivalents comprise:		
Cash at bank and in hand	7,599	8,705
	7,599	8,705

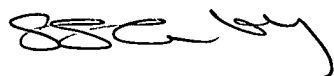
The notes on pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Company Balance Sheet for the year ended 31 December 2018

<i>Company number 03883153</i>	<i>Note</i>	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Intangible assets	10		365		803
Tangible assets	11		1,645		1,658
Investments	12		18,982		18,982
			<hr/>		<hr/>
			20,992		21,443
Current assets					
Debtors	13	13,258		15,232	
Cash		3,541		5,047	
		<hr/>		<hr/>	
		16,799		20,279	
Creditors: amounts falling due within one year	14	(15,715)		(15,869)	
		<hr/>		<hr/>	
Net current assets			1,084		4,410
Total assets less current liabilities			<hr/>		<hr/>
			22,948		25,853
Creditors: amounts falling due after more than one year	15		-		(12,294)
			<hr/>		<hr/>
Net assets			22,076		13,559
Capital and reserves			<hr/>		<hr/>
Called up share capital	17		21		21
Share premium account			596		596
Profit and loss account			21,459		12,942
			<hr/>		<hr/>
Shareholders' funds			22,076		13,559
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 13/09/2019



Sue Couldery
Director

The notes on pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Company statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
1 January 2018	21	596	12,942	13,559
Comprehensive income for the year				
Profit for the year	-	-	8,517	8,517
Total comprehensive income for the year	21	596	21,459	22,076
31 December 2018	21	596	21,459	22,076

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
1 January 2017	-	596	7,537	8,133
Comprehensive income for the year				
Profit for the year	-	-	9,005	9,005
Total comprehensive income for the year	-	596	16,542	17,138
Contributions by and distributions to owners				
Dividends	-	-	(3,600)	(3,600)
Shares issued	21	-	-	21
Total contributions by and distributions to owners	21	-	(3,600)	(3,579)
31 December 2017	21	596	12,942	13,559

The notes of pages 14 to 27 form part of these financial statements.

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018

1 Accounting policies

General Information

Teneo Strategy Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and principal activity are set out in the director's report.

Basis of preparation

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

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

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantages have been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principles accounting policies have been applied:

Basis of preparation

The consolidated financial statements incorporate the results of Teneo Strategy Limited and its subsidiary undertakings as at 31 December 2018 using the acquisition method of accounting as required.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life depending on the acquisition to which it relates. Impairment tests on the carrying value of goodwill are undertaken in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover and income recognition

Turnover represents amounts receivable from clients exclusive of sales taxes, in respect of charges for fees and rechargeable expenses.

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Turnover is spread over the term of the contract in order to reflect the level of performance achieved at any point in time. Revenue is recognised on the following basis:

- Retainer fees are recognised as the services are performed.
- Project fees are recognised on a percentage of completion basis as contract activity progresses, if the final outcome can be assessed with reasonable certainty.
- The stage of completion is generally measured on the basis of the services performed to date as a percentage of the total services to be performed.
- Expenses are recharged to clients at cost plus an agreed mark up, where applicable, when the services are performed.

Tangible Fixed assets

Tangible fixed assets are recorded at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value over the useful economic life of that asset as follows:

Leasehold property	-	10% on cost
Fixtures and fittings	-	25% on cost
Computer equipment	-	33.3% on cost

Intangible fixed assets

Intangible fixed assets other than Goodwill detailed above are recorded at cost less accumulated amortisation. Amortisation has been provided yearly on cost for the Ecosystem to write off the assets on a straight line over its estimated useful life of 3 years. The client list is amortised over its estimated life of 3 years.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically and commercially feasible to develop the asset for future economic benefit;
- adequate resources are available to maintain and complete the development;
- there is the intention to complete and develop the asset for future economic benefit;
- the Company is able to use the asset;
- use of the asset will generate future economic benefit; and
- expenditure on the development of the asset can be measured reliably.

Impairment of assets

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

Investments

Investments in subsidiaries are held at the lower of cost and the estimated value of the underlying assets.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date subject to the deferred tax assets being recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial liability and equity

Financial liabilities and equity instruments are initially measured at the amount of the net proceeds received. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Operating leases

Annual rental charges are charged to the income statement on a straight-line basis over the term of the lease.

Pension costs

The company does not run its own pension scheme but makes contributions to employee's personal plans as part of the remuneration package. Contributions are charged to the income statement when paid.

Foreign currencies

In accordance with FRS 102, foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account. The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Dividends

Equity dividends become legally payable when approved by the board. Dividends are recognised when they are paid.

Going concern

Management have prepared detailed cash flow forecasts which demonstrate the company has sufficient funds for at least 12 months from the date of signing the Financial Statements. On this basis management consider the going concern basis of accounting is appropriate.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital redemption reserve contains the nominal value of own shares and loans that have been acquired by the company and cancelled.
- The exchange reserve contains any gains/losses arising on exchange of items.

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determined whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determining the stage of completion in respect of ongoing services. Factors considered include milestone achievements and level of staff time incurred per project as a proportion of the total expected time.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 11)*
Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- *Intangible fixed assets (see note 10)*
Intangible fixed assets are amortised over their expected life. Determining the life of a bank of research or client list takes into account the ability of the company to maintain relationships with clients, utilise the research and the length of time that historic research remains valuable.

3 Turnover

Turnover represents the amounts (excluding the value added tax) derived from the provision of services to customers during the year. All amounts are derived from continuing activities.

Revenue was generated in the following markets	2018 £'000	2017 £'000
UK	51,197	30,516
Europe	7,382	6,342
Rest of World	11,051	5,490
	<hr/>	<hr/>
	69,630	42,348
	<hr/>	<hr/>

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

4 Employees

	2018 £'000	2017 £'000
Staff costs consist of:		
Wages and salaries	29,538	18,950
Social security costs	3,581	2,595
Other pension costs	1,300	990
	<u>34,419</u>	<u>22,535</u>
The average number of employees during the year was:	Number	Number
Consulting and Administrative	291	282

5 Directors and Key Management personnel

	2018 £'000	2017 £'000
Directors		
Directors' remuneration consist of:		
Emoluments	734	627
Group contributions to money purchase pension schemes	33	35
	<u>767</u>	<u>662</u>

In 2018, 2 (2017 - 2) directors have retirement benefits accruing under money purchase pension schemes.

	2018 £'000	2017 £'000
Highest paid director		
Emoluments	410	366
Money purchase schemes	22	25
	<u>432</u>	<u>391</u>

Key management personnel

The remuneration of Key Management Personnel, which includes the directors above consist of:

	2018 £'000	2017 £'000
Emoluments	2,765	3,267
Group contributions to money purchase pension schemes	33	170
	<u>2,798</u>	<u>3,437</u>

We have defined key management personnel to be those who sit on the main management board of each trading entity.

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

6 Operating profit

	2018 £'000	2017 £'000
This has been arrived at after charging:		
Amortisation of intangible assets	3,906	1,496
Depreciation	584	508
Non-trading expenses	-	815
Auditor's remuneration:		
- Fees payable to the group's auditor for the audit of the group's annual accounts	71	60
- Tax services	30	10
Operating lease rentals:		
- Land and buildings	1,422	1,522
- other	74	67
	<u> </u>	<u> </u>

Non-trading expenses relate to refurbishment costs of the office space and other costs associated with the acquisition of the group by Teneo Strategy LLC.

7 Taxation

	Group 2018 £'000	Group 2017 £'000
<i>Current tax</i>		
Corporation tax	2,713	2,177
Adjustment in respect of prior periods	32	(14)
	<u> </u>	<u> </u>
	2,745	2,163
	<u> </u>	<u> </u>
<i>Deferred tax</i>		
Deferred tax - origination of timing differences	(249)	(194)
Deferred tax adjustment from prior year	-	2
	<u> </u>	<u> </u>
	(249)	(192)
	<u> </u>	<u> </u>
Taxation on profit on ordinary activities	<u>2,496</u>	<u>1,971</u>

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

7 Taxation (continued)

	2018 £'000	2017 £'000
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	10,093	7,583
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	1,918	1,460
Effects of:		
Fixed asset differences	2	(30)
Expenses not deductible for tax purposes	400	171
Group income	201	517
Group relief	-	(28)
Income not taxable for tax purposes	-	-
Other permanent timing differences	(15)	(21)
Adjust in respect of prior periods	32	(15)
Adjust in respect of prior periods deferred tax	30	2
Adjust closing deferred tax to average rate	-	14
Adjust opening deferred tax to average rate	-	11
Deferred tax not recognised	-	3
Other movements	(72)	(113)
Current tax charge for year	2,496	1,917
<i>Deferred tax liability – accelerated capital allowances</i>		
Opening balance	691	79
Origination and reversal of timing differences	-	(81)
Charge for the current year	(249)	-
Deferred tax on acquisition	-	693
Balance as at 31 December 2018	442	691

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

8	Dividends	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
	<i>Equity dividends</i>				
	Paid during the year	-	3,600	-	3,600

Dividends of £Nil per share were paid by the Company in 2018 (2017 - £237.67).

9 Profit for the financial year

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The group income statement for the year includes a company profit after tax of £8.5m (2017 - £9.005m).

10 Intangible assets

	Ecosystem property £'000	Goodwill £'000	Client list £'000	Total £'000
Group				
<i>Cost</i>				
At 1 January 2018	308	11,644	4,731	16,683
Additions	-	-	-	-
At 31 December 2018	308	11,644	4,731	16,683
<i>Amortisation</i>				
At 1 January 2018	308	2,174	657	3,139
Provided for the year	-	2,329	1,577	3,906
At 31 December 2018	308	4,503	2,234	7,045
<i>Net book value</i>				
At 31 December 2018	-	7,141	2,497	9,638
At 31 December 2017	-	9,470	4,074	13,544

Teneo Strategy Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 *(continued)*

10 Intangible assets *(continued)*

	Ecosystem property £'000	Goodwill £'000	Total £'000
Company			
<i>Cost</i>			
At 1 January 2018	308	2,189	2,497
Group transfer	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2018	308	2,189	2,497
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 January 2018	308	1,386	1,694
Provided for the year	-	438	438
	<hr/>	<hr/>	<hr/>
At 31 December 2018	308	1,824	2,132
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2018	-	365	365
	<hr/>	<hr/>	<hr/>
At 31 December 2017	-	803	803
	<hr/>	<hr/>	<hr/>

In 2014 the company built a knowledge management ecosystem, allowing for the collection and sharing of knowledge and IP. The ecosystem enables the group to drive efficiencies, through the business, provides the ability to share knowledge on multiple platforms, sell subscription-based research, and develop further revenue streams as more clients seek fast access to the latest proprietary thinking.

At 31 December 2018 the trade and assets of Pendomer and Teneo Strategy (UK) Limited were transferred into the company which included purchased Goodwill in relation to Pendomer.

Goodwill arising on the acquisition of the Credo group in August 2018 is being amortised over the useful life of the asset. The useful life of the asset is expected to be 5 years.

Teneo Strategy Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

11 Tangible assets

	Leasehold property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 January 2018	1,668	503	1,077	3,248
Additions	177	123	235	535
At 31 December 2018	1,845	626	1,312	3,783
<i>Depreciation</i>				
At 1 January 2018	412	312	617	1,341
Charge for the year	232	67	285	584
At 31 December 2018	644	379	902	1,925
<i>Net book value</i>				
At 31 December 2018	1,201	247	410	1,858
At 31 December 2017	1,256	191	460	1,907
Company				
	Leasehold property £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 January 2018	1,364	332	755	2,451
Additions	184	156	170	510
At 31 December 2018	1,548	488	925	2,961
<i>Depreciation</i>				
At 1 January 2018	249	173	371	793
Charge for the year	201	78	244	523
At 31 December 2018	450	251	615	1,316
<i>Net book value</i>				
At 31 December 2018	1,098	237	310	1,645
At 31 December 2017	1,115	159	384	1,658

Teneo Strategy Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

12 Investments

Company	Shares in group undertakings £
<i>Cost and net book value</i> At 1 January 2018 and 31 December 2018	18,982

The company has direct interests at the balance sheet date in the share capital of companies as follows:

Company	Nature	Country of Incorporation	Registered Address	Holding	Proportion
Credo Business Consulting LLP		UK	12 Arthur Street, London, EC4R 9AB	100%	100%
Credo Special Business Consulting Ltd*		UK	12 Arthur Street, London, EC4R 9AB	100%	100%
Teneo Business Consulting Ltd (formerly Credo Group Limited)*		UK	12 Arthur Street, London, EC4R 9AB	100%	100%
Credo Business Consulting JLT*		UAE	2908 Platinum Tower JLT, Dubai	100%	100%

*Entities indirectly held

The Credo group of companies was acquired on 4th August 2018.

13 Debtors

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade debtors	12,328	10,975	8,537	8,453
Other debtors	77	30	31	-
Prepayments and accrued income	4,357	4,896	2,938	2,512
Amounts owed from group undertakings	3,313	5,288	1,752	4,267
	20,075	21,189	13,258	15,232

All amounts owed by group undertakings fall due after one year.

All other amounts are due within one year.

Teneo Strategy Limited

Notes forming part of the financial statements
for the year ended 31 December 2018 (*continued*)

14 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Trade creditors	1,307	1,051	1,130	858
Taxation and social security	1,904	3,449	1,616	2,544
Other creditors	1,831	527	756	146
Accruals and deferred income	9,885	7,437	6,361	6,660
Amounts owed to group undertakings	4,225	8,129	4,726	4,380
Corporation tax	1,803	1,584	1,126	1,281
	<u>20,955</u>	<u>22,177</u>	<u>15,715</u>	<u>15,869</u>

15 Creditors: amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Deferred tax provision	423	691	-	(2)
Amounts due to group companies	-	12,296	-	12,296
	<u>423</u>	<u>12,987</u>	<u>-</u>	<u>12,294</u>

QAR 3.1m (approx. £685k) tender/performance bonds are guaranteed by the company for Blue Rubicon LLC, a Teneo group subsidiary in Qatar.

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

16 Financial instruments

The Group's and Company's financial instruments may be analysed as follows:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	39,079	29,894	18,067	20,279
Financial liabilities				
Financial liabilities measured at amortised cost	27,124	22,176	12,204	28,163

Financial assets measured at fair value through profit or loss comprise fixed asset investments in unlisted company shares and current asset investments in a trading portfolio of listed company shares.

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors, other creditors.

17 Share capital

	2018 Number	Allotted, called up and fully paid 2017 Number	2018 £	2017 £
Ordinary shares of £0.01 each	2,142,247	2,142,247	21,422	21,422

Teneo Strategy Limited

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

18 Commitments under operating leases

The group has minimum lease payments under non-cancellable operating leases at 31 December 2018 as set out below;

	Land and buildings 2018 £'000	Other 2018 £'000	Group Total 2018 £'000
Within 1 year	1,638	72	1,710
In two to five years	4,610	24	4,634
After more than five years	-	-	-
	Land and buildings 2017 £'000	Other 2017 £'000	Group Total 2017 £'000
Within 1 year	1,675	70	1,745
In two to five years	5,887	88	5,975
After more than five years	1,176	-	1,176

The company does not have any annual commitments under non-cancellable operating leases.

19 Related party transactions

The company has not entered into any transactions with related parties which are not exempt from disclosure under FRS 102 section 33 'Related Party Disclosures' paragraph 33.1A on the grounds that 100% of the voting rights in the company are controlled by the group.

Sue Couldery is a non-executive director of Populus Limited. The company received services from Populus Limited totalling £32k (2017: £244k) in the year.

20 Ultimate parent

As at 31 December 2018, the company's immediate parent company is Teneo Strategy LLC, an entity incorporated in the USA. The company's ultimate parent company is Teneo Global LLC, incorporated in the USA, which is the parent company of both the smallest and largest groups of which the company is a member.

21 Subsequent events

After the balance sheet date, in July 2019 in order to simplify the group structure Teneo Business Consulting Limited was transferred at book value from Teneo Strategy Limited and is now an immediate subsidiary of Teneo Strategy LLC. Following this transfer control of the Teneo group was acquired by CVC. As a consequence of this change of control it is likely that there will be a further restructuring within the group, and for debt to be added to the UK group.