Gi Group Recruitment Limited

Directors' report and financial statements

Registered number 1949160

31 December 2013

Contents

Strategic Report

Principal activities

The company's principal activity is that of an employment agency

Business model

The company provides services to its clients through two principal delivery channels -

1. A nationwide network of (predominantly) high street based branches supplying temporary and permanent staff to a combination of local businesses and larger corporate clients
2. Its SMS (Site Managed Services) division within which large numbers of temporary workers are supplied and managed through teams of Gi Group people situated permanently on the client's own premises This model mainly serves the needs of larger, corporate clients with significant year round requirements for temporary labour

Value is added to the basic recruitment services provided in a range of ways, dependent on the requirements of the client Typically these might include provision of management information, HR consultancy services, shift planning, skills training and provision of Apprenticeships

Business review and results

The company has had another profitable year delivering an operating profit before depreciation of £2,194,759 resulting in an operating profit of £2,051,068 (*2012 £1,808,778*) before exceptional items

Our business continues to benefit from strong long-term relationships with major blue chip clients and these once again provided the foundation for the company's performance during the year, with new clients being added to our already strong portfolio Now part of a large multi-national group we have the opportunity moving forward to develop more relationships of this kind, including with companies operating on an international footing The groundwork for such approaches was laid during the course of 2013

Our reputation as an established, legally compliant, ethical and reliable supplier is important in reassuring major companies that we are a qualified, suitable partner for the supply of temporary labour – particularly in our increasingly regulated environment The introduction of the new AWR legislation was handled successfully during the year Compliance with all relevant regulations continues to be a high priority for the Board

With a robust sales pipeline, The Directors remain optimistic about the future performance of the Group

Operating Systems

Continuing progress was made during the year, in the development of plans for improving our front and back office operating systems and the supply of higher quality management information to our clients The Board sees this as a key area of importance going forward

Key performance indicators

The company continues to operate a number of Key Performance Indicators, both financial and non financial, and all key goals in this area were again achieved this year

The usual financial KPIs and ratios are carefully measured in the business, with key improvements this year versus last being accounted for both by improving economic conditions and keener efficiencies in our operating divisions

Non financial KPIs embrace the normal measures used in managing a predominantly sales focused organisation activity levels, sales conversion ratios, sales volumes and values, client retention statistics etc All these improved again on prior year – largely for the reasons already noted above

Strategic Report *(continued)*

Principal risks and uncertainties

Our business continues to benefit from strong long-term relationships with major clients and these continue to underpin the company's strong trading results Now part of a large international group the company is well-placed to add to its portfolio of such clients, though this of course is accompanied by the risks attendant in any competitive, tender based business, subject to increasing attention by professional procurement departments

Compliance with all relevant regulations continues to be a high priority for the Board, and the company's reputation as an ethical, reliable and substantial entity continue to make it an attractive partner for major – often international – clients

Future developments

The Board anticipates a period ahead in which the economic situation will continue to improve and in which, with its robust pipeline of prospective business, the company should continue to enjoy solid growth

Investment will continue to be made in the IT infrastructure of the company to ensure its systems meet the increasing demands of the market in this important area

Following the winning of a prestigious BITC (Business in the Community) Award in 2013, the company has designed a fully-fledged Corporate Social Responsibility programme for 2014 This is seen by the Board as an increasingly important focus as clients place more emphasis on this in choosing suppliers

By order of the Board

J Watts
Director

Draefern House
Dunston Court
Dunston Road
Chesterfield
Derbyshire
S41 8NL

21 March 2014

Directors' Report

The directors present their report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2013

Results and dividends

The audited financial statements for the year ended 31 December 2013 are set out on pages 7 to 18 The profit for the year after taxation was £1,352,234 *(2012 £1,283,134)*

Directors

The directors who served during the year were as follows

J Hardy
P Smith
J Watts

None of the directors who held office at the end of the year had any disclosable interests in the shares of the company

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Employees

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin The company does all that is practicable to meet its responsibilities towards the employment and training of disabled people In the event that an employee becomes disabled, every effort will be made to provide continuity of employment in the same job or a suitable alterative

The company involves staff in the decision making process and communicates regularly with them during the year Their involvement in the company's performance is encouraged with an employee bonus scheme

Auditors

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

J Watts
Director

Draefern House
Dunston Court
Dunston Road
Chesterfield
Derbyshire
S41 8NL

21 March 2014

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

The directors are responsible for preparing the Directors' Report and Strategic 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 they 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 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Gi Group Recruitment Limited

We have audited the financial statements of Gi Group Recruitment Limited for the year ended 31 December 2013 set out on pages 7 to 18 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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) Those standards require us to comply with the Auditing Practices Board's (APB'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 FRC'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 2013 and of its profit 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 and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Gi Group Recruitment 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

Jeremy Gledhill

Jeremy Gledhill (Senior Statutory Auditor)

for and on behalf of

KPMG LLP
Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

21 March 2014

Profit and loss account
for the year ended 31 December 2013

	Notes	2013 £	2012 £
Turnover	1,2	**170,386,438**	147,392,166
Cost of sales		**(157,044,519)**	(135,494,230)
Gross profit		**13,341,919**	11,897,936
Administrative expenses		**(11,509,983)**	(10,326,500)
Operating profit before non-recurring costs and goodwill amortisation		**2,051,068**	1,808,778
Goodwill amortisation		**(219,132)**	(219,132)
Disposal related costs	3	**-**	(18,210)
Operating profit		**1,831,936**	1,571,436
Interest receivable and similar income	7	**205,491**	153,452
Interest payable and similar charges	8	**(162,643)**	(121,165)
Profit on ordinary activities before taxation	4	**1,874,784**	1,603,723
Tax on profit on ordinary activities	9	**(522,550)**	(320,589)
Profit for the financial period	17	**1,352,234**	1,283,134

The accompanying notes are an integral part of these financial statements

There are no other recognised gains or losses in either year other than the profit for that year

The notes on pages 9 to 18 form part of the financial statements

Balance sheet
at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Intangible assets	*10*	**1,972,198**	2,191,331
Tangible fixed assets	*11*	**324,877**	211,584
		2,297,075	2,402,915
Current assets			
Debtors (including £11,897,178 due after more than one year)	*12*	**38,136,233**	28,325,186
		38,136,233	28,325,186
Creditors. amounts falling due within one year	*13*	**(27,332,919)**	(18 979,946)
Net current assets		**10,803,314**	9,345,239
Net assets		**13,100,389**	11,748,155
Capital and reserves			
Called up share capital	*15*	**20,200**	20,200
Profit and loss account	*16*	**13,080,189**	11 727,955
Equity shareholders' funds	*17*	**13,100,389**	11,748,155

The financial statements on pages 7 to 18 were approved by the board of directors on 21 March 2014 and signed on its behalf by

J Watts
Director

The accompanying notes are an integral part of these 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 accounting

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

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements

Going Concern

The directors have prepared the accounts on the basis of a going concern as the company has net current assets and sufficient funds and facilities to continue to operate for the foreseeable future

Goodwill

During 2002 the trade and net assets of subsidiary undertakings were transferred to the company at their book value which was less than their fair value The cost of the company's investments in those subsidiary undertakings reflected the underlying fair value of their net assets and goodwill at the time of acquisition As a result of this transfer, the value of the company's investments in those subsidiary undertakings fell below the amount at which it was stated in the company's accounting records Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill The effect of this departure is to decrease the profit by £219,132 being the amortisation of the goodwill *(2012 £219,132)*, and to increase the value of intangible assets in the holding company's balance sheet by £1,972,199 *(2012 £2,191,331)*

The goodwill arising on the transfer of trade and net assets is capitalised and amortised to nil over its useful economic life, being 20 years

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis, over it's useful economic life, as follows

Leasehold improvements	20% per annum
Fixtures, fittings and office equipment	20% to 33% per annum

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

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

Turnover

Turnover represents the amount derived from services falling within the company's activities after deduction of trade discounts and excluding value added tax

Investments

Investments are included at cost less provision for impairment

Pension costs

Company contributions to the group personal pension scheme are charged against the profit in the period the contributions are payable

Leases

Assets held under finance leases are initially reported at the fair value of the assets, with an equivalent liability categorised as appropriate under creditors due within or after one year The asset is depreciated over the shorter of its useful economic life or the lease term Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance Rentals are apportioned between finance costs and capital repayments

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

Cash flow

Under the provision of FRS 1 (Revised) "Cash flow statements", the company has not prepared a cash flow statement because its immediate parent undertaking, Gi Recruitment Limited (formerly Draefern Holdings Limited), a company incorporated in the United Kingdom, has prepared consolidated financial statements which are publicly available

Related parties

As a subsidiary undertaking of Gi Recruitment Limited (formerly Draefern Holdings Limited), the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by SCL Holdings S p A

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Turnover

Turnover is attributable to one class of business All turnover arose within the United Kingdom

Notes *(continued)*

3 Disposal related costs

Costs incurred by the company in relation to the closure of a related party were £18,210 in 2012

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2013	2012
	£	£
Depreciation and amounts written off tangible fixed assets	**143,691**	128,437
Amortisation charge	**219,132**	219,132
Operating lease costs – land and buildings	**291,695**	372,455
Operating lease costs – plant and machinery	**391,863**	206,051
Audit fees – for the audit of the financial statements	**43,500**	46,800
Non-audit fees – for corporation tax advice and submissions	**20,175**	20,175

5 Staff costs

The average monthly number of permanent employees (including executive directors) was

	2013	2012
Operational staff	**7,711**	6,807
Permanent administration staff	**168**	156

Their aggregate remuneration including directors' emoluments comprised

	2013	2012 (Restated)
	£	£
Salaries	**152,745,744**	131,841,359
Social security costs	**11,064,124**	9,861,820
Other pension costs	**446,185**	95,043
	164,256,053	141,798,222

The staff costs' comparative has been updated to present it on a consistent basis with the current year's disclosure

Notes *(continued)*

6 Directors' remuneration

The remuneration of the directors was as follows:

	2013	2012
	£	£
Emoluments	422,338	536,508
Contributions to money purchase pension schemes	41,488	35,245
	463,826	571,753

No directors exercised share options in the year *(2012 nil)*

The aggregate of emoluments and other amounts receivable of the highest paid director were £262,293 *(2012 £324,388)* and company pension contributions of £20,810 *(2012 £20,200)* were made to a money purchase scheme on his behalf

	Number of directors 2013	Number of directors 2012
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	2

7 Interest receivable and similar income

	2013	2012
	£	£
Interest charged on Intercompany loan	204,684	153,452
Interest received from Inland Revenue	807	-
	205,491	153,452

8 Interest payable and similar charges

	2013	2012
	£	£
Bank interest	162,643	121 165

Notes *(continued)*

9 Tax on profit on ordinary activities

Analysis of charge in period	2013 £	2012 £
UK corporation tax		
Current tax on income for the period	**418,721**	298,799
Total current tax charge / (credit)	**418,721**	298,799
Deferred tax		
Origination of timing differences	**72,300**	14,343
Effect of increased/decreased tax rate	**31,529**	8,480
Adjustment in respect of previous years	**-**	(1,033)
Total deferred tax	**103,829**	21,790
Tax on profit on ordinary activities	**522,550**	320,589

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 23 25% *(2012 24 5%)* The differences are explained below

	2013 £	2012 £
Current tax reconciliation		
Profit on ordinary activities before tax	**1,874,784**	1,603,723
Current tax at 23 25 % / 24 5%	**435,887**	392,868
Effects of		
Expenses not deductible for tax purposes	**66,871**	61,560
Transfer pricing adjustments	**-**	2,172
Fixed asset timing differences	**(48,991)**	1,495
Other short term timing differences	**(35,046)**	(6 121)
Capital allowances in excess of depreciation	**-**	(8,519)
Group relief (claimed) / surrendered	**-**	(144,656)
Total current tax charge	**418,721**	298,799

Notes *(continued)*

10 Intangible fixed assets

	Goodwill £
Cost	
At 31 December 2012 and 31 December 2013	4,382,655
Amortisation	
At 31 December 2012	2,191,325
Charge for year	219,132
At 31 December 2013	2,410,457
Net book value	
At 31 December 2013	**1,972,198**
At 31 December 2012	2,191,331

Notes *(continued)*

11 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and office equipment £	Total £
Cost			
At 31 December 2012	10,613	606,285	616,898
Additions	-	256,984	256,984
Disposals	(10,613)	-	(10,613)
At 31 December 2013	-	863,269	863,269
Depreciation			
At 31 December 2012	10,613	394,701	405,314
Charge for year	-	143,691	143 691
Disposals	(10,613)	-	(10,613)
At 31 December 2013	-	538,392	538,392
Net book value			
At 31 December 2013	**-**	**324,877**	**324,877**
At 31 December 2012	-	211,584	211,584

12 Debtors

	2013 £	2012 £
Trade debtors	**25,664,015**	19,017,866
Amounts owed by group undertakings	**11,897,178**	8,692,493
Prepayments and accrued income	**489,698**	372,454
Deferred tax asset (note 14)	**85,342**	189 171
Corporation tax	**-**	53,201
	38,136,233	28,325,186

The 2013 debtors above include £11,897,178 receivable from group undertakings which is due after more than one year

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	**4,370,011**	2,783,051
Other taxes and social security	**9,310,683**	8,970,483
Bank invoice discounting facility	**9,222,660**	2,477,040
Other creditors	**399,893**	254,948
Accruals and deferred income	**623,124**	766,987
Amounts owed to group undertakings	**3,254,028**	3,727,437
Corporation tax	**152,520**	-
	27,332,919	18,979,946

Amounts due under the income discounting facility are secured on the company's trade debtors

14 Deferred tax

There is a deferred tax asset of £85,342 *(2012 £189,171)* The elements of deferred tax are as follows

	2013 £	2012 £
Accelerated capital allowances	**35,027**	92,611
Other	**50,315**	96,560
	85,342	189,171

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011 A further reduction in the UK corporation tax rate from 25% to 24% was substantively enacted 3 July 2012 and will be effective from that date Deferred tax has therefore been recalculated to reflect this reduction The Finance Bill 2013—which includes reductions in the UK corporation tax rate to 21%, effective 1 April 2014 and to 20% effective 1 April 2015—completed its final House of Commons Stage (Third Reading) on 2 July 2013

15 Called up share capital

	2013 £	2012 £
Authorised		
25,000 ordinary shares of £1 each	**25,000**	25,000
Allotted, called up and fully paid		
20 200 ordinary shares of £1 each	**20,200**	20,200

Notes *(continued)*

16 Reserves

	Profit and loss account £
At 31 December 2012	11 727,955
Profit for the financial period	1 352,234
At 31 December 2013	**13,080,189**

17 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the financial period	**1,352,234**	1,283,134
Opening shareholders' funds	**11,748,155**	10,465 021
Closing shareholders' funds	**13,100,389**	11,748,155

18 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2013		2012	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Expiry date				
- within one year	**32,000**	**50,742**	128,260	136,792
- between two and five years	**150,295**	**147,776**	64,595	84,470
- after five years	**109,400**	**-**	179,600	-
Total	**291,695**	**198,518**	372,455	221 262

Notes *(continued)*

19 Pension

The company operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £446,185 *(2012 £95,043)*

At 31 December 2013 contributions amounting to £72,538 (*2012 £23,658)* were payable to the scheme and are included in creditors

20 Ultimate controlling party

The company is a subsidiary undertaking of Gi Recruitment Limited (formerly Draefern Holdings Limited) incorporated in the UK

The smallest group in which the results of the company are consolidated is Gi Recruitment Limited (formerly Draefern Holdings Limited), a company incorporated in the UK, and whose financial statements are available from the public Copies can be requested from the Company Secretary at Draefern House, Dunston Court, Dunston Road, Chesterfield, Derbyshire S41 8NL

The largest group in which the results of the company are consolidated is SCL Holdings S p A a company incorporated in Italy, which is also the ultimate parent undertaking and controlling party, and whose financial statements are available to the public Copies can be requested from Milano via Cosimo del Fante 4 – 20122

As a subsidiary undertaking of SCL Holdings S p A the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by SCL Holdings S p A