Draefern Limited

Annual report and financial statements

Registered number 02066103

31 December 2019

Contents

Strategic report

Principal activities

Draefern Limited's ("the company") principal activity is that of a services provider supplying temporary labour and an employment agency providing permanent staff.

Business model

The company, as part of Gi Group ("the group") 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 delivered an operating loss before depreciation of £1,773,526 (2018: loss of £427,842) resulting in an operating loss of £1,902,477 (2018: loss of £540,803). The net assets of the company at year end were £870,009 (2018 £2,997,119).

During the year under review the company undertook restructuring activities further to the operational restructure in the prior year. There was a consolidation of some branches within close proximity and there were some additional general headcount reductions to remove overhead cost from the business. These activities resulted in additional one off costs in the company of £336,126 (2018: £nil).

While our business continues to benefit from strong long-term relationships with major blue chip clients and we continue to develop our client accounts through the provision of value added services through other businesses in the group, the impact of the economic and political uncertainty around Brexit has had an impact on the results in the year.

Our reputation as an established, legally compliant, ethical and reliable supplier is important in reassuring major companies that we are a respected, qualified, suitable partner for the supply of temporary labour – particularly in our increasingly regulated environment.

With a robust sales pipeline, clear drive towards profitable sales activities, a focus on tight cost control and continued support from the group, the directors remain optimistic about the performance and profitability of the company.

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 continues to see technology and innovation as a key area of importance going forward, and new systems and processes will continue to be implemented.

Key Performance Indicators

The company continues to operate a number of Key Performance Indicators (KPI's), both financial and non-financial, and results for each indicator were deemed satisfactory given the restructuring activities undertaken during the year.

The financial KPIs and ratios, mainly EBITDA, Debtor days and Gross Profit percentage, are carefully measured in the business. The table below shows these for both 2019 and 2018:

	2019	2018
EBITDA	**(£1,383,001)**	(£387,965)
Average Debtor days during this year	**53.9**	56.2
Gross Profit Percentage	**8.2%**	11.7%

Strategic report *(continued)*

Non-financial KPIs embrace the measures used in managing a predominantly sales focused organisation including activity levels, sales conversion ratios, sales volumes and values and client retention statistics.

Section 172 (1) Statement

In accordance with section 172 of the Companies Act 2006, the Board have the views of the key stakeholders of the business in mind and have considered the below matters during Board discussion and in their decision making.
The matters as set out in section 172(1) (a) to (f) are:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly between members of the company.

The key stakeholders identified include but are not limited to, our clients, our colleagues, our candidates, and the wider community and environment, each of whom are considered in any decisions we make. This is in addition to our shareholders and ultimate beneficial owners within the group.

The Board delegates authority for day-to-day management of the business to the Executive Management Team ("EMT") for setting, approving and overseeing the execution of the business strategy and related policies. The EMT hold monthly meetings at which all business matters are discussed including business performance, risk management, any client issues or updates, health and safety updates, and employee matters. The construction of the EMT represents all areas of the operational business and support functions with a wealth of experience in the business brought to the table. The experience of the EMT including their drive and passion will ensure that decisions made are fair and beneficial to the majority of stakeholders in the long term, and will result in the long term success of the business. The restructuring activities undertaken were done in the interest of the long term benefit of the company, despite incurring one off costs. We believe that this move to consolidate parts of the business and to remove some ongoing costs will drive forward the profitability of the business in the longer term.

We have held working relationships with many of our clients on a long term basis and work alongside many of them on site alongside their own colleagues. The length of the relationships we have held with many of these clients is testament to the good working relationship we have with them and how we consider them as key stakeholders. Contract renegotiations are always a balance between the needs for continued success of our business alongside the provision of their workforce requirements for their continued success. Regular client review meetings are held to ensure that key deliverables are met and the thoughts and opinions of our clients are considered.

Our business is founded on building relationships, both with clients where we look to be a key part of their workforce supply chain and also with candidates where we look to be an employer of choice.

Significant efforts are made by the company in ensuring the wellbeing of our employees. We have an employee survey that is run globally on a periodic basis and with regular 'pulse surveys' in between to monitor progress in certain areas. The feedback from the surveys will drive the focus of global and local management within the Group to focus on specific areas of wellbeing. The success of the business is dependent on our employees and as such it is critical that any decisions that are made have our employees front of mind.

The company is committed to preventing opportunities for modern slavery to occur both within its own and its supply chain's daily business activities. We are GLAA licenced and have a number of business activities in place to enable us to identify areas of risk and ensure prevention of occurrences of modern slavery.

The company is committed to the adoption of environmentally responsible policies and practices throughout its operation. Whilst accepting that as a business operating in the service sector without any raw materials or any production operations our impact on the environment is not as substantial as that of a manufacturing organisation, we aim to encourage a positive impact through our activities via consumers, employees, communities and stakeholders.

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. As 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 and often international clients.

Brexit provides some uncertainty to the company due mainly to the potential impact on the UK economy and the relative performances of our clients. In addition, a significant number of candidates we place currently come from the EU and the management are working to ensure that changes resulting from Brexit will not materially impact on our ability to supply labour to our clients. To do this we are supporting EU candidates who qualify and want to apply for settled status, monitoring levels of EU candidates and focussing our marketing activity to attract other demographics in the UK such as disadvantaged and minority groups.

Future developments

The Board anticipates a period ahead in which the economic situation will remain uncertain with Brexit, but with its robust pipeline of prospective business, the company should return to profitability.

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.

The company continues to operate a fully-fledged Corporate Social Responsibility programme. This is seen by the Board as an increasingly important focus as clients place more emphasis on this in choosing suppliers.

In response to the Covid-19 pandemic, the health, safety and wellbeing of all employees is our priority. We have worked with our clients to provide environments to keep our employees and communities safe. In order to achieve this we have worked to reduce to a minimum the number of our staff working in the offices with as many of our staff as possible working from home. Our teams throughout the UK have been supporting a range of essential businesses and services in order to keep the UK moving during the pandemic.

Our diverse client base has enabled us to build on our workforce supply in those sectors which have been relied upon during the pandemic, in particular that of home delivery drivers and food production, assisting clients with flexible workforce to meet their demand.

We expect 2020 results to be impacted by Covid-19 and are utilising government schemes made available to us including CJRS ("furlough") and the deferral of VAT payments to ease cashflow while lockdown periods impact on trade.

On behalf of the Board

S Cook
Director
30 June 2021

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2019.

Results and dividends
The loss for the financial year amounted to £2,127,110 (2018: loss £712,871).

The directors have not paid a dividend for the year (2018: £nil). The directors do not recommend the payment of a dividend (2018: £nil)

Research and development
The company performed no research and development in the year.

Financial risk management
The Group has established a risk and financial management framework whose primary objective is to ensure sufficient working capital exists and to monitor the management of risk at a business unit level.

The Group aims to mitigate credit and liquidity risk by managing cash generation by its operations and applying cash collection targets. The Group also manages liquidity via a Group invoice discounting facility.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

B White (Resigned 31 January 2020)
J Brewin (Resigned 06 August 2020)
P Caramello (Appointed 18 October 2019)
D Toso (Appointed 18 October 2019)
P Canoa (Appointed 24 February 2020)
P Smith
S Cook (Appointed 06 August 2020)

None of the directors who held office at the year end had any disposable interest in the shares of the company.

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 alternative.

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.

Wates Principles

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the company has applied the Wates Corporate Governance principles for Large Private Companies (the 'Wates Principles') – published by the Financial Reporting Council – as an appropriate framework for disclosing our corporate governance arrangements.

<u>Principle one – Purpose and Leadership</u>

The Company's mission, aligned with that of the Group – "Through our services we want to contribute, as a key player and on a global basis, to the evolution of the labour market and to emphasize the personal and social value of work."

Directors' report *(continued)*

The mission was the starting point for defining the 6 core values of the Group. The work of each individual and each Company in Gi Group is based on a set of values consistent with our approach to the labour market and the society in which we operate. These are;

Work, Responsibility, Care, Economic Efficiency, Continuous Learning & Innovation and Team Spirit.

The mission and the core values are at the heart of what we do and the Board works to ensure that these are embedded throughout the Company. All employees receive induction training to raise awareness, and they are visible on many presentations and webcasts that the Group CEO provides.

Feedback from employees is obtained in a number of ways including engagement surveys and exit interviews to monitor the culture of the business.

Principle Two – Board Composition

The Board of the company is the Executive Management Team ("EMT") who are responsible for the running of all of the UK companies within Gi Group, of which the company is one.

The EMT consists of the CEO (Chair), the CFO, the Managing Directors of the operational brands within the UK Group and Heads of Support Functions. The members of the EMT have a wealth of experience in the industry with relevant technical knowledge with which to ensure the continued success of the Company while considering the views and interests of the stakeholders of the business. The size and composition of the EMT is appropriate and proportionate to the size of the business. The EMT meet formally on a monthly basis.

Principle Three – Director Responsibilities

Directors of the Company and members of the EMT are all aware of the policies and procedures by which the business is run. All policies are reviewed by the EMT prior to publication and on a periodic basis. The EMT will consider relevant policies when making decisions about the business. EMT meetings are an open forum where individual opinions are sought, considered and challenged to ensure that the decisions made are fair and in the best interests of stakeholders.

Principle Four – Opportunity and Risk

The EMT is at the forefront of the Company's efforts to continue to evolve it's offering to clients, operate in new areas, and seek out new business opportunities. They are responsible for the long term growth and sustainability of the business and part of their reward is based thereon. Any new opportunities are discussed with the EMT.

The risks of the business, both financial and non-financial are monitored by the EMT. There are various formal risk frameworks in place with regular review and reporting cycles. Overall risk management is also overseen by the Group risk management procedures.

Principle Five – Remuneration

The remuneration of the EMT is overseen by the CEO and CFO of the Company, with remunerations of senior positions, including CEO and CFO being reviewed by the Group in Italy. External market factors are balanced with overall profitability of the business when considering remuneration to ensure the long term sustainability of the business.

Principle Six – Stakeholder Relationships and Engagement

The EMT recognise the importance of stakeholder management and of building effective relationships with our key stakeholders. For further details regarding the way in which the Company interacts with Stakeholders please refer to the Section 172 Statement within the Strategic report on page 2.

Covid-19 and Going Concern

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed as a global pandemic and has since spread across a number of countries, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the ongoing inherent uncertainties as a result of COVID-19 it is not practicable to determine the continuing longer-term impact on the recruitment market, profit, balance sheet or cash flow of the company.

Directors' report *(continued)*

As part of the going concern assessment, the Directors have considered the Company's principal risk areas, including the potential impact of the COVID-19 pandemic, that they consider material to the assessment of going concern. Having completed this assessment, the Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Gi International S.r.L. The Directors have received confirmation that Gi International S.r.L. intends to support the Company for at least one year from the date of signing of these financial statements.

Political contributions
The company made no political donations or incurred any political expenditure during the year.

Other information
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on pages 1 to 3.

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.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.
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.

Independent Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning the re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board

S Cook
Director
30 June 2021

Independent auditors' report to the members of Draefern Limited

Report on the audit of the financial statements

Opinion

In our opinion, Draefern Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income; the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Draefern Limited
Report on the audit of the financial statements *(continued)*

Strategic Report and Directors' Report
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 year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.
Auditors' 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 auditors' 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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.
Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting
Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Gillian Hinks

Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
30 June 2021

Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019	2018
		£	£
Turnover	2	**58,779,065**	48,116,988
Cost of sales		**(53,970,527)**	(42,508,053)
Gross profit		**4,808,538**	5,608,935
Administrative expenses		**(6,711,015)**	(6,149,738)
Operating loss	3	**(1,902,477)**	(540,803)
Interest payable and similar expenses	6	**(228,767)**	(171,936)
Loss before taxation		**(2,131,244)**	(712,739)
Tax on loss	7	**4,134**	(132)
Loss for the financial year		**(2,127,110)**	(712,871)
Other comprehensive income for the year, net of income tax		**-**	-
Total comprehensive expense for the year		**(2,127,110)**	(712,871)

Balance Sheet
as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	*8*	**299,793**	294,126
		299,793	294,126
Current assets			
Debtors: amounts falling due within one year	*9*	**26,116,606**	24,110,871
Cash and cash equivalents		**81,834**	23,104
		26,198,440	24,133,975
Creditors: amounts falling due within one year	*11*	**(25,628,224)**	(21,430,982)
Net current assets		**570,216**	2,702,993
Total assets less current liabilities		**870,009**	2,997,119
Net assets		**870,009**	2,997,119
Capital and reserves			
Called up share capital	*12*	**10,000**	10,000
Retained earnings		**860,009**	2,987,119
Total equity		**870,009**	2,997,119

The financial statements on pages 9 to 21 were approved by the board of directors on 30 June 2021 and signed on its behalf by:

S Cook
Director

The notes on pages 12 to 21 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	**10,000**	**3,699,990**	**3,709,990**
Total comprehensive expense for the year			
Loss for the financial year	-	(712,871)	(712,871)
Other comprehensive income	-	-	-
Total comprehensive expense for the year	**-**	**(712,871)**	**(712,871)**
Balance at 31 December 2018	**10,000**	**2,987,119**	**2,997,119**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	**10,000**	**2,987,119**	**2,997,119**
Total comprehensive expense for the year			
Loss for the financial year	-	(2,127,110)	(2,127,110)
Other comprehensive income	-	-	-
Total comprehensive expense for the year	**-**	**(2,127,110)**	**(2,127,110)**
Balance at 31 December 2019	**10,000**	**860,009**	**870,009**

Notes
(forming part of the financial statements)

1 Accounting policies

Draefern Limited (the "company") is a private company limited by shares and incorporated and domiciled in England, United Kingdom.

The registered office is Draefern House, Dunston Court, Dunston Road, Chesterfield, S41 8NL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1. The financial statements have been prepared in accordance with the Companies Act 2006.

The company is a wholly owned subsidiary of Gi Recruitment Limited, and of its parent Gi Group Holdings Recruitment Limited. The immediate parent undertaking and the smallest group to consolidate these financial statements is Gi Recruitment Limited. The address of the parent's registered office is Draefern House, Dunston Court, Dunston Road, Chesterfield, Derbyshire, S41 8NL. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Gi Recruitment Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:
The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

1.1 Foreign Exchange Policy
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses are presented in the profit and loss account within 'Administrative expenses'.

1.2 Measurement convention
The financial statements are prepared on the historical cost basis.

1.3 Going concern

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed as a global pandemic and has since spread across a number of countries, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the ongoing inherent uncertainties as a result of COVID-19 it is not practicable to determine the continuing longer-term impact on the recruitment market, profit, balance sheet or cash flow of the company.

As part of the going concern assessment, the Directors have considered the Company's principal risk areas, including the potential impact of the COVID-19 pandemic, that they consider material to the assessment of going concern. Having completed this assessment, the Directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of Gi International S.r.L. The Directors have received confirmation that Gi International S.r.L. intends to support the Company for at least one year from the date of signing of these financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Critical accounting estimates and judgements

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 9 for the net carrying amount of the debtors and associated impairment provision.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. The Company has in place a confidential invoice discounting facility where the counterparty has full recourse to all monies advanced against book debts, and for one client a factoring agreement is in place.

1.6 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.
Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items of tangible assets.
The company assesses at each reporting date whether tangible assets are impaired.
Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. The estimated useful lives are as follows:

- fixtures and fittings 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the years during which services are rendered by employees.

Holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

1.8 Turnover

Turnover comprises the amount derived from services falling within the company's activities after deduction of trade discounts and excluding value added tax. Revenue for temporary workers is recognised in the period the work took place less any rebates due for the period. Fees for permanent placements are agreed in advance with the customer, with revenue being recognised when the candidate commences employment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of comprehensive income over the term of the lease as an integral part of the total lease expense.

Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy).

Interest payable is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2 Turnover

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

Notes *(continued)*

3 Operating loss

Included in loss are the following:

	2019 £	2018 £
Depreciation of tangible assets	**128,951**	112,961
Operating lease rentals – land and buildings	**372,083**	361,835
Operating lease rentals – plant and machinery	**164,748**	158,518

Exceptional costs of £336,126 (2018: £nil) are included within operating expenses, representing costs in relation to restructuring activities.

Auditors' remuneration:

	2019 £	2018 £
Audit of these financial statements	**20,960**	18,460
Taxation compliance services for the company	**4,465**	4,465

Auditors' remuneration and tax work related to this company are paid for by Gi Group Recruitment Limited.

4 Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2019	2018
Operational staff	**4,626**	4,434
Permanent administration staff	**141**	132
	4,767	4,566

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	**54,120,861**	43,123,549
Social security costs	**3,725,915**	3,018,859
Other pension costs	**529,275**	308,851
	58,376,051	46,451,259

The above excludes £21,948,995 of cost that has been intercompany recharged to other group entities for services provided, and includes £1,051,372 of cost relating to subcontractor invoices.

Notes *(continued)*

5 Directors' remuneration

	2019	2018
	£	£
Directors' remuneration	**187,114**	188,260
Company contributions to money purchase pension plans	**16,583**	16,000

The aggregate of remuneration of the highest paid Director was £187,114 *(2018: £188,260)*, and company pension contributions of £16,583 *(2018: £16,000)* were made to a money purchase scheme on their behalf.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1
Defined benefit schemes	**-**	-

The emoluments of Directors not included above are paid by a parent company which makes no recharge to the company.

6 Interest payable and similar expenses

	2019	2018
	£	£
Bank interest	**228,767**	171,936

7 Tax on loss

Total tax income recognised in the profit and loss

	2019	2018
	£	£
Current tax		
Current tax on loss for the year	**-**	-
Adjustment in respect of previous years	**-**	-
Total current tax	**-**	-
Deferred tax (see note 10)		
Origination and reversal of timing differences	**(4,618)**	(4,734)
Adjustments in respect of previous years	**-**	4,367
Effect of tax rate change on opening balance	**486**	499
Total deferred tax	**(4,134)**	132
Total tax	**(4,134)**	132

Notes *(continued)*

7 Tax on loss *(continued)*

	2019			2018		
	£	**£**	**£**	£	£	£
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in profit and loss	**-**	**(4,134)**	**(4,134)**	-	132	132
Total tax	**-**	**(4,134)**	**(4,134)**	-	132	132

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

Reconciliation of tax charge

	2019	2018
	£	£
Loss before taxation	**(2,131,244)**	(712,739)
Loss multiplied by the standard UK corporation tax rate of 19.00% (2018: 19.00%)	**(404,936)**	(135,421)
Expenses not deductible for tax purposes	**7,093**	1,785
Transfer pricing adjustments	**(790)**	(791)
Group relief claimed	**107,747**	129,693
Adjustments in respect of previous years	**-**	4,367
Tax rate changes	**486**	499
Deferred tax not provided	**286,266**	-
Total tax (income) / expense included in profit or loss	**(4,134)**	132

A reduction in the main rate of UK Corporation Tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation tax rate will instead remain at 19%. On 3 March 2021 an increase in the mainstream rate of UK corporation tax from 19% to 25% was announced, effective from April 2023. As neither of these changes were substantively enacted at the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the 17% rate.

Notes *(continued)*

8 Tangible assets

	Fixtures & fittings £
Cost	
Balance at 1 January 2019	644,025
Additions	155,737
Disposals	(35,262)
Balance at 31 December 2019	764,500
Accumulated depreciation	
Balance at 1 January 2019	349,899
Depreciation charge for the year	128,951
Disposals	(14,143)
Balance at 31 December 2019	464,707
Net book value	
At 31 December 2019	**299,793**
At 31 December 2018	294,126

9 Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	**23,884,929**	21,404,022
Amounts owed by group undertakings	**1,973,788**	2,390,501
Deferred tax asset (see note 10)	**25,078**	20,944
Corporation tax	**-**	-
Prepayments and accrued income	**232,811**	295,404
	26,116,606	24,110,871

Trade debtors are stated after provisions for impairment of £29,619 (2018 £152,894). Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes *(continued)*

10 Deferred tax asset

There is a deferred tax asset of £25,078 (2018: £20,944). The elements of deferred tax are as follows:

	2019	2018
	£	£
At 1 January 2019	**20,944**	21,076
Adjustment in respect of prior years	**-**	(4,367)
Charged to Profit and Loss account	**4,134**	4,235
At 31 December 2019	**25,078**	20,944

	2019	2018
Fixed asset timing differences	**1,810**	15,536
Short term timing differences	**23,268**	5,408
	25,078	20,944

A reduction in the main rate of UK Corporation Tax to 17% with effect from 1 April 2020 was enacted in the Finance (No2) Act 2016 on 6 September 2016. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will not occur and the UK Corporation tax rate will instead remain at 19%. On 3 March 2021 an increase in the mainstream rate of UK corporation tax from 19% to 25% was announced, effective from April 2023. As neither of these changes were substantively enacted at the balance sheet date, deferred tax balances as at 31 December 2019 continue to reflect the 17% rate.

The amount of deferred tax asset which is not recognised in the financial statements is £303,252 (2018: £nil).

11 Creditors: amounts falling due within one year

	2019	2018
	£	£
Bank loans and overdrafts	**13,372,299**	13,534,161
Trade creditors	**1,966,009**	1,389,475
Amounts owed to group undertakings	**2,753,313**	378,044
Other creditors	**214,734**	79,665
Taxation and social security	**7,170,581**	5,949,999
Accruals and deferred income	**151,288**	99,638
	25,628,224	21,430,982

Bank loans and overdrafts are secured against the company's trade debtors. Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes *(continued)*

12 Capital and reserves

Called up Share Capital

	2019	2018
	£	£
Authorised		
13,000 ordinary shares of £1 each (2018: 13,000)	**13,000**	13,000
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each (2018: 10,000)	**10,000**	10,000

13 Operating leases

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2019	2018
Payments Due:	**£**	£
Less than one year	**220,939**	214,221
Between one and five years	**512,288**	402,896
More than five years	**269,079**	176,978
	1,002,307	794,095

During the year £175,485 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2018: £193,140).

14 Employee benefits

The company operates a defined contribution pension scheme. The total expense relating to this plan in the current year was £529,275 (2018: £308,851).

At 31 December 2019 contributions amounting to £117,421 (2018: £69,613) were payable to the scheme and are included in creditors.

Notes *(continued)*

15 Ultimate controlling party

The company is a subsidiary undertaking of Gi Recruitment Limited, a company incorporated in the UK, which is its immediate parent.

The smallest group in which the results of the company are consolidated is Gi Recruitment Limited, a company incorporated in the UK, and whose financial statements are publicly available. 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, Milano.

As a subsidiary undertaking of SCL Holdings S.p.A the company has taken advantage of the exemption in FRS 102 Section 33 "Related party disclosures" from disclosing transactions with other members of the group wholly owned by SCL Holdings S.p.A.

16 Events after the reporting year

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed as a global pandemic and has since spread across a number of countries, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the ongoing inherent uncertainties as a result of COVID-19 it is not practicable to determine the continuing longer-term impact on the recruitment market, profit, balance sheet or cash flow of the company.