

Gi Recruitment Limited

**Annual report and consolidated
financial statements**

Registered number 02836088

31 December 2016

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Strategic report

Principal activities

The Group's principal activity is that of holding company of several trading subsidiaries.

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 group has had a profitable year delivering an operating profit before depreciation of £757k (2015: £3,504k) resulting in an operating profit of £484k (2015: £3,232k). The net assets of the group at year end were £15,424k (2015 £15,292k)

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. As part of a large multi-national group, we have the continued moving forward to develop more relationships of this kind, including with companies operating on an international footing. The groundwork for future approaches continued during the course of 2016.

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.

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 (KPI's), both financial and non-financial, and all key goals in this area were again achieved this year.

The usual financial KPIs and ratios, mainly EBITDA, Debtor days and Gross Profit per FTE, 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. 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 – 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.

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.

From April 2017, the government will introduce the 'Apprentice Levy'. The company sees this as a positive opportunity to assist other companies through the Group accredited training centre.

On behalf of the Board



J. Watts

Director

11 April 2017

Directors' report

The directors present their report on the affairs of the group, together with the audited financial statements and auditors' report, for the year ended 31 December 2016.

Results and dividends

The profit for the financial year amounted to £132k (2015: £2,244k).

The directors have not paid a dividend for the year (2015: £nil).

Research and development

The group performed no research and development expenditure in the current year or prior 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.

Proposed dividend

Dividends paid during the year comprise a final dividend of £nil in respect of the previous year ended 31 December 2015, together with an interim dividend in respect of the year ended 31 December 2016 of £nil (2015: £nil).

Directors

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

J Hardy
J Watts
SLO Colli-Lanzi
M Uboldi
P Ghizzoni

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 period. Their involvement in the company's performance is encouraged with an employee bonus scheme.

Political contributions

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Directors' report *(continued)*

Disclosure of information to auditor

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.

Going Concern

The Company has net liabilities of £160k (2015: £46k). The financial statements have been prepared on the going concern basis, which takes into account an undertaking from the ultimate Parent to continue to support the Company for the foreseeable future and for a period of at least 12 months from the date of signing of the financial statements.


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 page 1 and 2.

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



J. Watts
Director
11 April 2017

Statement of directors' responsibilities in respect of the Annual report and financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland", and acceptable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 judgments and 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 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.

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.

Independent auditors' report to the members of Gi Recruitment Limited

Report on the financial statements

Our opinion

In our opinion, Gi Recruitment Limited's group financial statements and parent company financial statements (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 2016 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Consolidated Balance Sheet and the Company Balance Sheet as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Gi Recruitment Limited (continued)

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the annual report and the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

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

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

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



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
13 April 2017

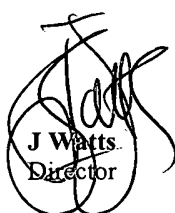
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|---|-------------|----------------------------|----------------------------|
| Turnover | 2 | 267,452 | 269,163 |
| Cost of sales | | (247,897) | (247,994) |
| | | <hr/> | <hr/> |
| Gross profit | | 19,555 | 21,169 |
| Administrative expenses | | (19,071) | (17,937) |
| | | <hr/> | <hr/> |
| Group operating profit | | 484 | 3,232 |
| Interest payable and similar charges | 6 | (408) | (381) |
| | | <hr/> | <hr/> |
| Profit before taxation | | 76 | 2,851 |
| Tax on profit | 7 | 56 | (607) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | 132 | 2,244 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Other comprehensive income for the year, net of income tax | | - | - |
| | | <hr/> | <hr/> |
| Total comprehensive income for the year | | 132 | 2,244 |
| | | <hr/> <hr/> | <hr/> <hr/> |

Consolidated balance sheet
as at 31 December 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|--|-------------|----------------------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 482 | 421 |
| Current assets | | | |
| Debtors (including £6,397,000 (2015: £6,397,000) due after more than one year) | 10 | 62,079 | 55,936 |
| Cash | | 138 | 193 |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due within one year | 11 | 62,217 (47,275) | 56,129 (41,258) |
| | | <hr/> | <hr/> |
| Net current assets | | 14,942 | 14,871 |
| | | <hr/> | <hr/> |
| Net assets | | 15,424 | 15,292 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 13 | 70 | 70 |
| Share premium account | | - | - |
| Merger reserve | | 583 | 583 |
| Profit and loss account | | 14,771 | 14,639 |
| | | <hr/> | <hr/> |
| Shareholders' funds | | 15,424 | 15,292 |
| | | <hr/> | <hr/> |

The financial statements on pages 8 to 26 were approved by the board of directors on 11 April 2017 and were signed on its behalf by:


J Watts
 Director

The notes on pages 14 to 26 form an integral part of these financial statements.

Company Balance Sheet
as at 31 December 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|---|-------------|----------------------------|----------------------------|
| Fixed assets | | | |
| Investments | 9 | 20 | 20 |
| | | <hr/> | <hr/> |
| | | 20 | 20 |
| Current assets | | | |
| Debtors | 10 | 6,536 | 6,536 |
| Cash | | - | - |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due within one year | 11 | 6,536 (6,716) | 6,536 (6,602) |
| | | <hr/> | <hr/> |
| Net current liabilities | | (180) | (66) |
| | | <hr/> | <hr/> |
| Net liabilities | | (160) | (46) |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 13 | 70 | 70 |
| Share premium account | | - | - |
| Profit and loss account | | (230) | (116) |
| | | <hr/> | <hr/> |
| Total Shareholders' deficit | | (160) | (46) |
| | | <hr/> | <hr/> |

The financial statements on pages 8 to 26 were approved by the Board of directors on 11 April 2017 and were signed on its behalf by:


J. Watts
 Director

The notes on pages 14 to 26 form an integral part of these financial statements.

Company registered number: 02836088

Consolidated statement of changes in equity
for the year ended 31 December 2016

| | Called up share capital £000 | Share premium account £000 | Merger reserve £000 | Profit and loss account £000 | Total shareholders' funds £000 |
|--|---|---|------------------------------------|---|---|
| Balance at 1 January 2015 | 70 | - | 583 | 12,395 | 13,048 |
| Total comprehensive income for the year | | | | | |
| Profit for the financial year | - | - | - | 2,244 | 2,244 |
| Other comprehensive income | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | - | - | 2,244 | 2,244 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2015 | 70 | - | 583 | 14,639 | 15,292 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

| | Called up share capital £000 | Share premium account £000 | Merger reserve £000 | Profit and loss account £000 | Total shareholder's funds £000 |
|--|---|---|------------------------------------|---|---|
| Balance at 1 January 2016 | 70 | - | 583 | 14,639 | 15,292 |
| Total comprehensive income for the year | | | | | |
| Profit for the financial year | - | - | - | 132 | 132 |
| Other comprehensive income | - | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | - | - | 132 | 132 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2016 | 70 | - | 583 | 14,771 | 15,424 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

Company statement of changes in equity

for the year ended 31 December 2016

| | Called up Share capital £000 | Share Premium account £000 | Profit and loss account £000 | Total Shareholders' funds/(deficit) £000 |
|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| Balance at 1 January 2015 | 70 | - | 4 | 74 |
| Total comprehensive income for the year | | | | |
| Loss for the financial year | - | - | (120) | (120) |
| Total comprehensive expense for the year | - | - | (120) | (120) |
| Balance at 31 December 2015 | 70 | - | (116) | (46) |

| | Called up Share capital £000 | Share Premium account £000 | Profit and loss account £000 | Total Shareholders' deficit £000 |
|--|---------------------------------------|-------------------------------------|---------------------------------------|---|
| Balance at 1 January 2016 | 70 | - | (116) | (46) |
| Total comprehensive income for the year | | | | |
| Loss for the financial year | - | - | (114) | (114) |
| Total comprehensive expense for the year | - | - | (114) | (114) |
| Balance at 31 December 2016 | 70 | - | (230) | (160) |

Consolidated Cash Flow Statement

For the year ended 31 December 2016

| | <i>Note</i> | 2016 £000 | 2015 £000 |
|--|-------------------------------|----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Profit for the financial year | | 132 | 2,244 |
| Adjustments for: | | | |
| Depreciation | 9 | 272 | 257 |
| Foreign exchange losses / (gains) | | 174 | (75) |
| Interest payable and similar charges | | 408 | 381 |
| Taxation | | (56) | 607 |
| | | <hr/> 930 | <hr/> 3,414 |
| Increase in trade and other debtors | | (6,055) | (3,935) |
| Increase/(decrease) in trade and other creditors | | 1,803 | (4,591) |
| | | <hr/> (3,322) | <hr/> (5,112) |
| Interest paid | | (580) | (306) |
| Tax paid | | (290) | (581) |
| | | <hr/> (3,322) | <hr/> (5,112) |
| Net cash used in operating activities | | <hr/> (4,192) | <hr/> (5,999) |
| Cash flows from investing activities | | | |
| Acquisition of tangible fixed assets | 9 | (334) | (218) |
| | | <hr/> (334) | <hr/> (218) |
| Net cash used in investing activities | | <hr/> (334) | <hr/> (218) |
| Cash flows from financing activities | | | |
| Proceeds from invoice discounting facility | 12 | 4,471 | 3,738 |
| Dividends paid | | - | - |
| | | <hr/> 4,471 | <hr/> 3,738 |
| Net cash from financing activities | | <hr/> 4,471 | <hr/> 3,738 |
| Net decrease in cash and cash equivalents | | (55) | (2,479) |
| Cash and cash equivalents at 1 January | | 193 | 2,672 |
| | | <hr/> 193 | <hr/> 193 |
| Cash and cash equivalents at 31 December | | <hr/> <hr/> 193 | <hr/> <hr/> 193 |
| Reconciliation of net debt | At start of period £000 | Cash flow £000 | At end of period £000 |
| Cash | 193 | (55) | 138 |
| Bank facilities and overdraft | (20,540) | (4,471) | (25,011) |
| | <hr/> (20,347) | <hr/> (4,526) | <hr/> (24,873) |
| Net Debt | <hr/> <hr/> (20,347) | <hr/> <hr/> (4,526) | <hr/> <hr/> (24,873) |

Notes

(forming part of the financial statements)

1 Accounting policies

Gi Recruitment Limited (the “company”) is a private company limited by shares and incorporated and domiciled in England.

These Group and parent company 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 £1,000. The financial statements have been prepared in accordance with the Companies Act 2006.

In the transition to FRS 102 from old UK GAAP, the Group has made no measurement and recognition adjustments.

In order to better reflect the split between cash and financing facilities the cash flow statement has been updated to reconcile to cash and cash equivalents rather than a net debt position.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1st January 2014 have not been restated.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company cash flow statement with related notes is included; and
- Key management personnel compensation has not been included.
- 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Foreign exchange policy

Foreign currency balances in the balance sheet have been restated at the 31st December 2016 exchange rate, with any differences being realised in the profit and loss account for the period. Amounts included in the profit and loss account have been retranslated at an average rate for the year.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The Directors have prepared the accounts on the basis of a going concern. The Company has net liabilities of £160k (2015: £46k). The financial statements have been prepared on the going concern basis, which takes into account the undertaking from the ultimate parent to continue to support the Company for the foreseeable future and for a period of at least 12 months from the date of the signing of the financial statements.

Notes (continued)

1 Accounting policies (continued)

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.5 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 10 for the net carrying amount of the debtors and associated impairment provision.

1.6 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.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed 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.

Notes (continued)

1 Accounting policies (continued)

1.8 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 profit and loss account in the periods during which services are rendered by employees.

1.9 Turnover

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

1.10 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account 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 profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and 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 profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes *(continued)*

1.11 **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 periods 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 it is 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 Expenses and auditors' remuneration

Included in loss/profit are the following:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Depreciation and other amounts written off tangible fixed assets | 272 | 257 |
| Operating lease rentals – land and buildings | 592 | 617 |
| Operating lease rentals – plant and machinery | 631 | 594 |
| Foreign exchange loss on intercompany balance | 174 | 75 |
| | <u> </u> | <u> </u> |

Auditor's remuneration:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Audit of these financial statements | 4 | 5 |
| Amounts receivable by the company's auditors and their associates in respect of: | | |
| Audit of financial statements of subsidiaries of the company | 41 | 38 |
| Audit of financial statements of the parent of the company | 2 | 1 |
| Taxation compliance services for the company | 1 | 1 |
| Taxation work for the subsidiaries of the company | 10 | 22 |
| Taxation work for the parent company | 3 | 1 |
| | <u> </u> | <u> </u> |

Auditors' remuneration is paid for by Gi Group Recruitment Limited.

Notes (continued)

4 Staff numbers and costs

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

| | Number of employees | |
|--------------------------------|---------------------|---------------|
| | 2016 | 2015 |
| Operational staff | 13,278 | 14,228 |
| Permanent administration staff | 351 | 329 |
| | <u>13,629</u> | <u>14,557</u> |

The aggregate payroll costs of these persons were as follows:

| | 2016 | 2015 |
|-----------------------|----------------|----------------|
| | £000 | £000 |
| Wages and salaries | 242,667 | 243,203 |
| Social security costs | 16,352 | 16,041 |
| Other pension costs | 1,237 | 1,157 |
| | <u>260,256</u> | <u>260,401</u> |

5 Directors' remuneration

No directors were remunerated by the Company in both the current and prior year. The cost of this was borne by other group companies.

During the year, costs of nil (2015: £nil) were incurred from third parties for the services of directors.

| | 2016 | 2015 |
|---|----------------|----------------|
| | £ | £ |
| Directors' remuneration | 478,581 | 808,892 |
| Company contributions to money purchase pension plans | 58,129 | 53,175 |
| | <u>536,710</u> | <u>862,067</u> |

The aggregate of remuneration of the highest paid director was £170,497 (2015: £348,432), and company pension contributions of £34,481 (2015: £18,727) were made to a money purchase scheme on his behalf.

| | Number of directors | |
|--|---------------------|----------|
| | 2016 | 2015 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | 3 | 3 |
| Defined benefit schemes | - | - |
| | <u>3</u> | <u>3</u> |

Notes (continued)

6 Interest payable and similar charges

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Interest payable on invoice discounting facility | 408 | 381 |
| Total other interest payable and similar charges | 408 | 381 |

7 Tax on profit

Total tax (benefit) / expense recognised in the profit and loss account, other comprehensive income and equity.

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| <i>Current tax</i> | | |
| Current tax on (benefit) / income for the period | - | 598 |
| Adjustments in respect of prior periods | (164) | (2) |
| Total current tax | (164) | 596 |
| <i>Deferred tax (see note 13)</i> | | |
| Origination and reversal of timing differences | (19) | (8) |
| Adjustments in respect of prior periods | 121 | 1 |
| Change in tax rate | 6 | 18 |
| Total deferred tax | 108 | 11 |
| Total tax | (56) | 607 |

A change in the UK corporation tax rate from 20 per cent to 19 per cent is effective from 1 April 2017, and to 18 per cent starting from 1 April 2020. A further change to the UK corporation tax rate has also been substantively enacted, which proposes to reduce the rate by a further 1 per cent to 17 per cent from 1 April 2020.

Notes (continued)

7 Tax on profit (continued)

| | £000 | 2016 £000 | £000 | £000 | 2015 £000 | £000 |
|--|-------------|--------------|-----------|-------------|--------------|-----------|
| | Current tax | Deferred tax | Total tax | Current tax | Deferred tax | Total tax |
| Recognised in profit and loss | (165) | 109 | (56) | 596 | 11 | 607 |
| Recognised in other comprehensive income | - | - | - | - | - | - |
| Recognised directly in equity | - | - | - | - | - | - |
| Total tax | (165) | 109 | (56) | 596 | 11 | 607 |

Reconciliation of effective tax rate

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Profit for the financial year | 132 | 2,244 |
| Total tax (benefit) / expense | (56) | 607 |
| Profit before taxation | 76 | 2,851 |
| Tax using the UK corporation tax rate of 20% (2015: 20.25%) | 15 | 577 |
| Expenses not deductible for tax purposes | 43 | 17 |
| Adjustments in respect of prior periods | (43) | (1) |
| Group relief claimed | - | (5) |
| Difference between current and deferred tax rate | 6 | 19 |
| Effects of group relief / other reliefs | (77) | - |
| Total tax (benefit) / expense included in profit or loss | (56) | 607 |

Notes *(continued)*

8 Tangible fixed assets

| <i>Group</i> | Fixtures & fittings £000 |
|----------------------------------|---|
| Cost | |
| Balance at 1 January 2016 | 1,577 |
| Acquisitions | 334 |
| Disposals | (544) |
| | <hr/> |
| Balance at 31 December 2016 | 1,367 |
| | <hr/> <hr/> |
| Accumulated depreciation | |
| Balance at 1 January 2016 | 1,156 |
| Depreciation charge for the year | 273 |
| Disposals | (544) |
| | <hr/> |
| Balance at 31 December 2016 | 885 |
| | <hr/> <hr/> |
| Net book value | |
| At 31 December 2015 | 421 |
| | <hr/> <hr/> |
| At 31 December 2016 | 482 |
| | <hr/> <hr/> |

The Company has no tangible fixed assets.

Notes (continued)

9 Investments

Investments – Company

| Company | Shares in group undertakings £000 | Total £000 |
|------------------------------|--|---------------|
| <i>Cost</i> | | |
| At beginning and end of year | 20 | 20 |
| <i>Provisions</i> | | |
| At beginning and end of year | - | - |
| <i>Net book value</i> | | |
| At 31 December 2016 | 20 | 20 |
| At 31 December 2015 | 20 | 20 |

The company has the following investments in subsidiaries:

| | Country of incorporation | Principal activity | Class and percentage of shares held |
|---|-----------------------------|-----------------------|---|
| <i>Subsidiary undertakings</i> | | | |
| Draefern Limited | UK | Supplying personnel | 100% |
| Gi Group Recruitment Limited (formerly Right4Staff Limited) | UK | Supplying personnel | 100% |
| Protemp Recruitment Limited | UK | Supplying personnel | 100% |
| Excel Resourcing (Recruitment Consultants) Limited | UK | Supplying personnel | 100% |
| Right4Staff Limited (formerly Excel Resourcing (Recruitment Consultants) Bournemouth Limited) | UK | Supplying personnel | 100% |
| Total Work Services Limited | UK | Supplying personnel | 100% |

Notes (continued)

10 Debtors

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 48,236 | 47,615 | - | - |
| Amounts owed by group undertakings | 12,910 | 7,474 | 6,536 | 6,536 |
| Prepayments and accrued income | 672 | 674 | - | - |
| Corporation tax | 197 | - | - | - |
| Deferred tax assets (see note 13) | 64 | 173 | - | - |
| | <u>62,079</u> | <u>55,936</u> | <u>6,536</u> | <u>6,536</u> |

Trade Debtors are stated after provisions for impairment of £217,207 (2015 £691,637). Amounts owed by Group undertakings are unsecured, interest free and repayable on demand

11 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | £000 | £000 | £000 | £000 |
| Bank loans and overdrafts | 25,011 | 20,540 | - | - |
| Trade creditors | 5,523 | 5,510 | - | - |
| Amounts owed to group undertakings | 959 | 878 | 6,716 | 6,602 |
| Other taxation and social security | 14,636 | 13,178 | - | - |
| Other creditors | 581 | 373 | - | - |
| Accruals and deferred income | 565 | 522 | - | - |
| Corporation tax | - | 257 | - | - |
| | <u>47,275</u> | <u>41,258</u> | <u>6,716</u> | <u>6,602</u> |

Bank loans and overdrafts are secured on the company's trade debtors. Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

Notes (continued)

12 Deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

| | Provided 31 December 2016 £000 | Provided 31 December 2015 £000 |
|--------------------------------------|---|--|
| Brought forward | 173 | 184 |
| Adjustment in respect of prior years | (122) | (1) |
| Charged to Profit and Loss account | 13 | (10) |
| | <hr/> | <hr/> |
| Carried Forward | 64 | 173 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Group | | |
| | 2016 £000 | 2015 £000 |
| Fixed asset timing differences | 25 | 32 |
| Short term timing differences | 39 | 141 |
| | <hr/> | <hr/> |
| Net deferred tax assets | 64 | 173 |
| | <hr/> <hr/> | <hr/> <hr/> |

The company has no deferred tax assets.

13 Capital and reserves

Called up share capital

In thousands of shares

| | |
|----------------------------|--------|
| On issue at 1 January 2016 | 70,000 |
| Issued for cash | - |

| | |
|---|--------|
| On issue at 31 December 2016 – fully paid | 70,000 |
|---|--------|

| | 2016 £ | 2015 £ |
|--|-------------------|-------------|
| Allotted, called up and fully paid | | |
| 70,000 ordinary shares of £1 each (2015: 70,000) | 70,000 | 70,000 |
| | <hr/> | <hr/> |
| | 70,000 | 70,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

14 Operating leases

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

| | 2016 | 2015 |
|----------------------------|-------------|-------|
| | £000 | £000 |
| Less than one year | 251 | 726 |
| Between one and five years | 226 | 835 |
| More than five years | 70 | 175 |
| | <hr/> | <hr/> |
| | 547 | 1,736 |
| | <hr/> | <hr/> |

During the year £1,223,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £1,211,000).

At 31 December 2016 and 31 December 2015 the company has no operating lease commitments.

15 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Gi Group Holdings Recruitment Limited.

The largest group in which the results of the company and its group are consolidated is that headed by SCL Holdings S.p.A. incorporated in Italy. The consolidated financial statements of these groups are available to the public and may be obtained from 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 headed by SCL Holdings S.p.A.