

Gi Recruitment Limited

**Annual report and consolidated
financial statements**

Registered number 02836088

31 December 2018



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Strategic report

Principal activities

The Company's principal activity is that of holding company of several trading subsidiaries. The Group's principal activity is that of a services provider supplying temporary labour and an employment agency providing permanent staff.

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 group has had a profitable year delivering an operating profit before depreciation of £486k (2017: £860k) resulting in an operating profit of £192k (2017: £619k). The net assets of the group at year end were £14,983k (2017 £15,593k)

During the year under review the group undertook an operational restructure which resulted in additional one off costs of £614k, which contributed to the reduction in operating profit year on year and an overall loss for the year. The restructure aligned the delivery channels operational teams into one team structure.

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 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 2019.

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 percentage, are carefully measured in the business. The table below show these for both 2018 and 2017:

	2018	2017
EBITDA	1,341,335	1,069,407
Average Debtor days during this year	46.5	45.6
Gross Profit Percentage	5.6%	5.8%

Strategic Report *(continued)*

Non-financial KPIs embrace 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.

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 is uncertain due to Brexit. However, 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.

On behalf of the Board



B White
Director
2 May 2019

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 2018.

Results and dividends

The Group's loss for the financial year amounted to £610k (2017: profit £169k). This is after incurring one off exceptional costs relating to restructuring activities of £614k.

The directors have not paid a dividend for the year (2017: £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.

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	(resigned 05/04/2018)
B White	
SLO Colli-Lanzi	
M Uboldi	
P Ghizzoni	
J Brewin	(appointed 05/04/2018)

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.

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

Directors' report *(continued)*

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

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 £385k (2017: £265k). 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



B White
Director

2 May 2019

Independent auditors' report to the members of Gi Recruitment Limited

Report on the audit of the financial statements

Opinion

In our opinion, Gi Recruitment Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss and cash flows 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 consolidated financial statements (the 'Annual Report'), which comprise: the Consolidated balance sheet as at 31 December 2018, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity for the year then ended; the Company Balance Sheet as at 31 December 2018, the Company 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 group 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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.

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

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.

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 2018 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 group and company and their 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 3 and 4, 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 group's and 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 group or 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.

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

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

2 May 2019

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	313,729	286,300
Cost of sales		(293,356)	(266,959)
Gross profit		20,373	19,341
Administrative expenses		(20,181)	(18,722)
Group operating profit		192	619
Interest payable and similar charges	6	(766)	(499)
(Loss) / profit before taxation		(574)	120
Tax on (loss) / profit	7	(36)	49
(Loss) / profit for the financial year		(610)	169
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive (expense)/ income for the year		(610)	169

Consolidated balance sheet
as at 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Fixed assets			
Tangible assets	<i>8</i>	804	512
Current assets			
Debtors (including £14,307,000 (2017: £12,334,000) due after more than one year)	<i>10</i>	74,384	69,792
Cash and cash equivalents		152	236
		74,536	70,028
Creditors: amounts falling due within one year	<i>11</i>	(57,946)	(50,296)
Net current assets		16,590	19,732
Total assets less current liabilities		17,394	20,244
		(2,411)	(4,651)
Creditors: amounts falling due after more than one year	<i>12</i>	(2,411)	(4,651)
Net assets		14,983	15,593
Capital and reserves			
Called up share capital	<i>14</i>	70	70
Share premium account		-	-
Merger reserve		583	583
Profit and loss account		14,330	14,940
Total shareholders' funds		14,983	15,593

The financial statements on pages 9 to 26 were approved by the board of directors on 2 May 2019 and were signed on its behalf by:



B White
Director

The notes on pages 15 to 26 form an integral part of these financial statements.

Company Balance Sheet as at 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Fixed assets			
Investments	9	55	55
		<u>55</u>	<u>55</u>
Current assets			
Debtors	10	6,546	6,546
Cash and cash equivalents		-	-
		<u>6,546</u>	<u>6,546</u>
Creditors: amounts falling due within one year	11	(6,986)	(6,866)
		<u>(440)</u>	<u>(320)</u>
Net current liabilities		(440)	(320)
Total assets less current liabilities		(385)	(265)
		<u>(385)</u>	<u>(265)</u>
Net liabilities		(385)	(265)
		<u>(385)</u>	<u>(265)</u>
Capital and reserves			
Called up share capital	14	70	70
Share premium account		-	-
Profit and loss account		(455)	(335)
		<u>(385)</u>	<u>(265)</u>
Total Shareholders' deficit		(385)	(265)
		<u>(385)</u>	<u>(265)</u>

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The result for the year was a loss of £120,000 (2017: £105,000).

The financial statements on pages 9 to 26 were approved by the Board of directors on 2 May 2019 and were signed on its behalf by:


B White
Director

The notes on pages 15 to 26 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital £000	Merger reserve £000	Profit and loss account £000	Total Shareholders' funds £000
Balance at 1 January 2017	70	583	14,771	15,424
Total comprehensive income for the year				
Profit for the financial year	-	-	169	169
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	-	169	169
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	70	583	14,940	15,593
	<hr/>	<hr/>	<hr/>	<hr/>

	Called up share capital £000	Merger reserve £000	Profit and loss account £000	Total Shareholders' funds £000
Balance at 1 January 2018	70	583	14,940	15,593
Total comprehensive expense for the year				
Loss for the financial year	-	-	(610)	(610)
Other comprehensive income	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	-	(610)	(610)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	70	583	14,330	14,983
	<hr/>	<hr/>	<hr/>	<hr/>

Company Statement of Changes in Equity

for the year ended 31 December 2018

	Called up Share capital £000	Profit and loss account £000	Total Shareholders' deficit £000
Balance at 1 January 2017	70	(230)	(160)
Total comprehensive expense for the year			
Loss for the financial year	-	(105)	(105)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(105)	(105)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2017	70	(335)	(265)
	<hr/>	<hr/>	<hr/>

	Called up Share capital £000	Profit and loss account £000	Total Shareholders' deficit £000
Balance at 1 January 2018	70	(335)	(265)
Total comprehensive expense for the year			
Loss for the financial year	-	(120)	(120)
	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year	-	(120)	(120)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	70	(455)	(385)
	<hr/>	<hr/>	<hr/>

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cashflows from operating activities			
(Loss) / profit for the financial year		(610)	169
Adjustments for:			
Depreciation	8	296	241
Foreign exchange losses/(gains)		7	-
Interest payable and similar charges	6	766	499
Taxation		36	(49)
		<hr/>	<hr/>
		495	860
Increase in trade and other debtors		(3,952)	(7,711)
Increase in trade and other creditors		1,387	3,719
		<hr/>	<hr/>
		(2,070)	(3,132)
Interest paid		(661)	(448)
Tax received		-	47
		<hr/>	<hr/>
Net cash used in operating activities		(2,731)	(3,533)
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of tangible fixed assets	8	(608)	(271)
		<hr/>	<hr/>
Net cash used in investing activities		(608)	(271)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from invoice discounting facility		1,555	(698)
Group Loan		1,700	4,600
		<hr/>	<hr/>
Net cash from financing activities		3,255	3,902
		<hr/>	<hr/>
Net increase in cash and cash equivalents		(84)	98
Cash and cash equivalents at 1 January		236	138
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		152	236
		<hr/>	<hr/>

Reconciliation of net debt	At start of year £000	Cash flow £000	At end of year £000
Cash and cash equivalents	236	(84)	152
Bank facilities and overdraft	(24,313)	(1,555)	(25,868)
	<hr/>	<hr/>	<hr/>
Net Debt	(24,077)	(1,639)	(25,716)
	<hr/>	<hr/>	<hr/>

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12 (b) not to present the Company statement of cash flows.

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

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 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.

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 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 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

These consolidated and company financial statements are prepared on a going concern basis, under the historical cost convention.

1.3 Going concern

The Company has net liabilities of £385k (2017: £265k). 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 2018. 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 amount 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 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.

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 Accounting policies (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 the company's principle activity, The split between temporary and permanent recruitment revenue is not deemed material to require further disclosure. All turnover arose within the United Kingdom

Notes (continued)

3 Expenses and auditors' remuneration

Included in profit are the following:

	2018	2017
	£000	£000
Depreciation and other amounts written off tangible fixed assets	296	241
Operating lease rentals – land and buildings	831	907
Operating lease rentals – plant and machinery	671	656
Foreign exchange loss on intercompany balance	-	-

Exceptional costs of £613,776 (2017: £nil) are included within operating expenses, representing costs in relation to restructuring activities.

Auditor's remuneration:

	2018	2017
	£000	£000
Audit of these financial statements	4	4
Amounts receivable by the company's auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	109	43
Audit of financial statements of the parent of the company	8	3
Taxation compliance services for the company	1	1
Taxation work for the subsidiaries of the company	15	10
Taxation work for the parent company	3	3

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	
	2018	2017
Operational staff	14,530	13,755
Permanent administration staff	374	357
	<u>14,904</u>	<u>14,112</u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	284,062	259,912
Social security costs	20,589	18,326
Other pension costs	2,409	1,365
	<u>307,060</u>	<u>279,603</u>

The number of persons employed by the company (including directors) during the year was nil (2017: nil).

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 (2017: £nil) were incurred from third parties for the services of directors.

	2018 £	2017 £
Directors' remuneration	609,869	424,557
Company contributions to money purchase pension plans	<u>58,169</u>	<u>51,121</u>

The aggregate of remuneration of the highest paid director was £253,554 (2017: £236,167), and company pension contributions of £23,000 (2017: £19,167) were made to a money purchase scheme on their behalf.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	2
Defined benefit schemes	<u>-</u>	<u>-</u>

Notes (continued)

6 Interest payable and similar charges

	2018 £000	2017 £000
Interest payable on invoice discounting facility	677	448
Interest payable on parent loan company	96	51
Interest receivable on group loan	(7)	-
	<hr/>	<hr/>
Total other interest payable and similar charges	766	499
	<hr/> <hr/>	<hr/> <hr/>

7 Tax on profit

Total tax charge / (benefit) recognised in the profit and loss account.

	2018 £000	2017 £000
<i>Current tax</i>		
Current tax on (benefit) for the period	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	2	(35)
Adjustments in respect of prior periods	34	(18)
Change in tax rate	-	4
	<hr/>	<hr/>
Total deferred tax	36	(49)
	<hr/>	<hr/>
Total tax charge / (benefit)	36	(49)
	<hr/> <hr/>	<hr/> <hr/>

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	2018 £000	£000	£000	2017 £000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss	-	36	36	-	(49)	(49)
Total tax	-	36	36	-	(49)	(49)

Reconciliation of effective tax rate

	2018 £000	2017 £000
(Loss) / profit for the financial year	(610)	169
Total tax charge / (benefit)	36	(49)
(Loss) / profit before taxation	(574)	120
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	(109)	23
Expenses not deductible for tax purposes	8	10
Adjustments in respect of prior periods	34	(18)
Difference between current and deferred tax rate	-	4
Effects of group relief / other reliefs	103	(68)
Total tax charge / (benefit) included in profit or loss	36	(49)

Notes (continued)

8 Tangible fixed assets

<i>Group</i>	Fixtures & fittings £000
Cost	
Balance at 1 January 2018	1,375
Acquisitions	608
Disposals	(22)
	<hr/>
Balance at 31 December 2018	1,961
	<hr/>
Accumulated depreciation	
Balance at 1 January 2018	863
Depreciation charge for the year	296
Disposals	(2)
	<hr/>
Balance at 31 December 2018	1,157
	<hr/>
Net book value	
At 31 December 2017	512
	<hr/>
At 31 December 2018	804
	<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	55	55
<i>Provisions</i>		
At beginning and end of year	-	-
<i>Net book value</i>		
At 31 December 2018	55	55
At 31 December 2017	55	55

The company has the following investments in subsidiaries:

<i>Subsidiary undertakings</i>	<i>Address</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>	<i>Ownership</i>
Draefern Limited	Draefern House, Dunston Court, Chesterfield, S41 8NL	UK	Supplying personnel	Ordinary 100%	Direct
Gi Group Recruitment Limited (formerly Right4Staff Limited)	Draefern House, Dunston Court, Chesterfield, S41 8NL	UK	Supplying personnel	Ordinary 100%	Direct
Protemp Recruitment Limited	Draefern House, Dunston Court, Chesterfield, S41 8NL	UK	Dormant	Ordinary 100%	Direct
Excel Resourcing (Recruitment Consultants) Limited	Draefern House, Dunston Court, Chesterfield, S41 8NL	UK	Supplying personnel	Ordinary 100%	Indirect
Right4Staff Limited (formerly Excel Resourcing (Recruitment Consultants) Bournemouth Limited	Draefern House, Dunston Court, Chesterfield, S41 8NL	UK	Dormant	Ordinary 100%	Indirect
Total Work Services Limited	Draefern House, Dunston Court, Chesterfield, S41 8NL	UK	Dormant	Ordinary 100%	Indirect

Notes (continued)

10 Debtors

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	58,306	54,527	-	-
Amounts owed by group undertakings	15,039	14,284	6,546	6,546
Prepayments and accrued income	962	718	-	-
Corporation tax	-	150	-	-
Deferred tax assets (see note 13)	77	113	-	-
	<u>74,384</u>	<u>69,792</u>	<u>6,546</u>	<u>6,546</u>

Trade Debtors are stated after provisions for impairment of £196,246 (2017 £282,222). Amounts owed by Group undertakings are unsecured, interest free and repayable on demand

11 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans and overdrafts	25,868	24,313	-	-
Trade creditors	6,594	6,286	-	-
Amounts owed to group undertakings	6,091	1,207	6,986	6,866
Other taxation and social security	17,756	17,055	-	-
Other creditors	815	923	-	-
Accruals and deferred income	822	512	-	-
Corporation tax	-	-	-	-
	<u>57,946</u>	<u>50,296</u>	<u>6,986</u>	<u>6,866</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.

12 Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Amounts owed to group undertakings	2,411	4,651
	<u>2,411</u>	<u>4,651</u>

Amounts owed to Group undertakings are unsecured, with an interest rate of 12 month Euribor + 2% and is repayable in December 2020.

Notes (continued)

13 Deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	Provided 31 December 2018 £000	Provided 31 December 2017 £000
Brought forward	113	64
Adjustment in respect of prior years	(34)	18
Credited to Profit and Loss account	(2)	31
	<hr/>	<hr/>
Carried Forward	77	113
	<hr/>	<hr/>
Group		
	2018 £000	2017 £000
Fixed asset timing differences	43	78
Short term timing differences	34	35
	<hr/>	<hr/>
Net deferred tax assets	77	113
	<hr/>	<hr/>

The company has no deferred tax assets (2017: £nil).

14 Capital and reserves

Called up share capital

	Ordinary shares 2018
In thousands of shares	
On issue at 1 January 2018	70,000
Issued for cash	
	<hr/>
On issue at 31 December 2018 – fully paid	70,000
	<hr/>
	2018 £000
	2017 £000
Allotted, called up and fully paid	
70,000 ordinary shares of £1 each (2017: 70,000)	70
	<hr/>
	70
	<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)

15 Operating leases

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

	2018 £000	2017 £000
Less than one year	649	672
Between one and five years	924	848
More than five years	420	-
	<hr/> 1,993	<hr/> 1,520

During the year £1,502,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £1,563,000).

At 31 December 2018 and 31 December 2017 the company has no operating lease commitments.

16 Contingent liabilities

Gi Group Recruitment Limited and Draefern Limited are currently undergoing a “Her Majesty’s Revenue and Customs (“HMRC”) audit on compliance with National Minimum Wage regulations. The review is still in the very early information gathering stages and management have not yet received any feedback nor indication of any potential findings. No assessment can therefore be made as to the outcome of the review.

17 Ultimate controlling party

The company is a subsidiary undertaking of Gi Group Holdings Recruitment Limited, incorporated in the UK.

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 available to the public. Copies can be requested from the Company Secretary at Draefern House, Dunston Court, Dunston Road, Chesterfield, Derbyshire, S41 8NL.

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