

Registration number: 04881571

Pertemps Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2018

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Pertemps Limited

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Pertemps Limited
Company Information

Chairperson	C Watson
Directors	C Watson K Thompson S West C Perry S Mogano T Evans M Gunn T Watts
Company secretary	N Dudley
Registered office	Meriden Hall Main Road Meriden Warwickshire CV7 7PT
Solicitors	Harrison Clark Rickerbys Limited 5 Deansway Worcester WR1 2JG
Bankers	Bank of Scotland PLC 55 Temple Row Birmingham B2 5LS Lloyds Banking Group PLC 125 Colmore Row Birmingham B3 2DS
Auditor	Mazars LLP Chartered Accountants and Statutory Auditor 45 Church Street Birmingham B3 2RT

Pertemps Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for Pertemps Limited for the year ended 31 December 2018.

Review of the business

The principal activity of the Company is holding shares in subsidiary companies.

The principal activity of the Group is the provision of recruitment services and the operation of staff agencies.

Principal risks and uncertainties

The risks that the Group faces include changes in client demand for the Group's services; changes in client requirements; competitive pressure on pricing and reducing margins; the loss or lack of key personnel; overall economic conditions and the Group's ability to successfully manage growth.

Management continually monitor the key risks facing the Group together with assessing the controls used for managing these risks. The board of directors formally review and document the principal risks facing the business at least annually.

The Group mitigates these risks by closely monitoring income levels, controlling costs, incentivising key personnel with equity participation initiatives including share options, providing added value services to its clients, increasing business activity and undertaking strategic acquisitions.

Future developments

The Group is actively seeking acquisitions and is growing its existing businesses organically.

The Group is investing time and effort in both larger long term contract work and work with its large number of SME clients. Expansion of the Group will remain focussed in the UK for the foreseeable future but may include overseas activities in the short to medium term.

The Group believes in the benefits of technology and is continuing to invest in updating its entire infrastructure. It is more than halfway through implementing new market leading CRM software. It is also close to implementing new staff payroll software. All systems are designed to be fully integrated and to enable the Group to both service its clients more effectively and to further monitor the performance of its business.

Key performance indicators

The results of the Group arise from the consolidation of a number of subsidiaries. The Group's performance on strategic objectives is monitored by the Board of Directors by reference to the following key performance indicators applied on a Group wide basis.

	2018	2017
	£' 000	£' 000
Revenue	£721,495	£636,673
Gross Margin	12.7%	13.3%
Ratio of recurring operating profit before amortisation and depreciation	2.5%	2.7%
Net cash flow (including overdrafts)	(£8,697)	(£37,886)

Pertemps Limited

Strategic Report for the Year Ended 31 December 2018 (continued)

The Group's income statement is presented on page 12.

The results include the results of the Company, and all of its subsidiaries for the year. In the case of subsidiaries acquired during the year, results are included from the date of acquisition.

Group turnover increased from £637m to £721m. This is the result of acquisitions and organic growth. Rapier Employment Limited contributed a full year's revenue in 2018.

Permanent fee income increased in 2018 but the majority of organic sales growth was from temporary fee income both from existing customers and new contracts.

The gross margin percentage has declined in 2018. This is a reflection of a change in the mix of Permanent and Temporary fee income, competitive pressure and the mix of contract business against standard business.

Overheads to service the growth in turnover on continuing operations have increased during 2018 and there has been continued investment in start-up locations and new contract wins. The Group also further invested in future business growth through a second major TV campaign, 'The Grinch', which aired in late 2018.

The consolidated financial statements include 'Alternative Performance Measures' which are not defined as such under IFRS. In particular, the Group uses Recurring Operating Profit Before Depreciation and Amortisation (REBITDA) as a measure in its decision making which provides information to assess the Group's performance, solvency, and liquidity. Recurring Operating Profit excludes non-recurring costs as detailed in note 5. The Group generated REBITDA of £17.8m in the year compared to £16.9m in 2017. This is an increase in the ratio of REBITDA to Turnover as a result of the reduction in Gross Margin and overheads.

Cash and cash equivalents of the Group decreased by £8.7m during the year, compared to £37.9m in 2017.

This is principally attributable to:

- Increased Trade Receivables of £12.2m due to activity, acquisitions and timing of customers' receipts across the year end;
- Additions of £1.4m to property, furniture, fittings and equipment;
- Investment in technology of £4.4m; and
- A dividend of £4m was paid to Pertemps Network Group Limited.

Borrowings have normalised post year end.

Pertemps Limited

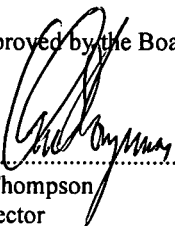
Strategic Report for the Year Ended 31 December 2018 (continued)

Financial Position at 31 December 2018

The consolidated statement of financial position on page 13 shows that the Group's net assets at the year end have increased by £1.3m, to £50.9m, after dividends paid to Pertemps Network Group Limited of £4m.

This is principally due to the retained profit for the year.

Approved by the Board on 13 September 2019 and signed on its behalf by:



.....
K Thompson
Director

Pertemps Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the consolidated financial statements for the year ended 31 December 2018.

Directors of the Company

The directors, who held office during the year, were as follows:

C Watson

K Thompson

S West

C Perry

M White (resigned 27 March 2018)

S Mogano

T Evans

M Gunn

T Watts

Principal activity

The principal activity of the Company is holding shares in subsidiary companies.

The principal activity of the Group is the provision of recruitment services and the operation of staff agencies. Activity significantly increased during 2018 with organic growth and a full year's contribution from acquisitions in 2017.

Dividends

An interim dividend of £4,000,000 (2017: £2,500,000) was paid during the year. The directors do not recommend the payment of a final dividend.

Pertemps Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Financial risk management

Objectives and policies

Treasury activities are managed centrally by the Group under a framework of policies and procedures approved by and monitored by the Board. The objectives are to protect the assets of the Group and to identify and then manage financial risk.

The Group uses various financial instruments. These include loans, cash, and various items such as trade debtors and trade creditors that arise from its operations. Their existence exposes the Group to a number of financial risks which are described in more detail below.

Interest Rate Risk

The Group finances its operation through a mixture of retained profits and borrowings. The Board feel that in the present financial climate the risk from significant interest rate fluctuation is minimal.

Currency Risk

The Group trades mainly in the United Kingdom and sources its supplies principally from sterling suppliers. Currency risk is not material.

Liquidity Risk

The Group manages its cash and borrowing requirements centrally to minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its business.

Credit Risk

Credit risk arises on financial instruments such as trade debtors. Policies and procedures exist to ensure that customers have an appropriate credit history and suitable credit limits are set and monitored. This is not considered to be a significant risk area to the Group.

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons, where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

Details of the number of employees and related costs can be found in note 8 to the financial statements.

The Pertemps Network Group Limited continues to offer a number of share incentive plans.

The Group provides employees with information on matters of concern to them as employees by means of formal and informal meetings and briefings. When decisions are taken affecting the interests of employees, they or their representatives are consulted and their views are taken into account.

Future developments

The Group is actively seeking acquisitions and is growing its businesses organically.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements (Note 2).

Pertemps Limited

Directors' Report for the Year Ended 31 December 2018 (continued)

Directors' liabilities

The Group maintains qualifying third party indemnity insurance for all directors. These insurances were in force throughout 2018 and continue in 2019.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

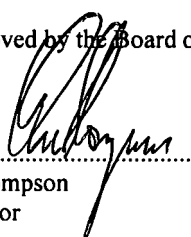
Impact of Brexit

The directors consider there will be no significant impact from Brexit.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Mazars LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 13 September 2019 and signed on its behalf by:


.....
K Thompson
Director

Pertemps Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- state whether IFRS's as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pertemps Limited

Independent Auditor's Report to the Members of Pertemps Limited

Opinion

We have audited the financial statements of Pertemps Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- 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 profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by The European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 7.

The terms on which the United Kingdom may withdraw from the European Union are not clear and it is therefore not currently possible to evaluate all the potential implications to the Group's trade, customers, suppliers and the wider economy.

We consider the impact of Brexit on the Group as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Group and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Pertemps Limited

Independent Auditor's Report to the Members of Pertemps Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Pertemps Limited

Independent Auditor's Report to the Members of Pertemps Limited (continued)

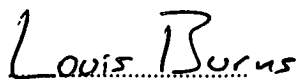
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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



Louis Burns (Senior Statutory Auditor)
For and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor

45 Church Street
Birmingham
B3 2RT

 September 2019

Pertemps Limited

Consolidated Income Statement for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue	4	721,495	636,673
Cost of sales		<u>(629,558)</u>	<u>(552,006)</u>
Gross profit		91,937	84,667
Share-based payment costs		(1,306)	(1,169)
Administrative expenses		<u>(72,790)</u>	<u>(66,632)</u>
Recurring operating profit before amortisation and depreciation expense		17,841	16,866
Amortiation and depreciation expenses		<u>(8,481)</u>	<u>(8,187)</u>
Recurring operating profit		9,360	8,679
Non-recurring items	5	<u>(1,259)</u>	<u>(1,666)</u>
Operating profit		8,101	7,013
Finance income	7	236	420
Finance costs	7	<u>(1,246)</u>	<u>(780)</u>
Profit before tax		7,091	6,653
Income tax expense	11	<u>(1,919)</u>	<u>(5,428)</u>
Profit for the year		<u>5,172</u>	<u>1,225</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income of the period		<u>5,172</u>	<u>1,225</u>
Profit attributable to:			
Equity holders		4,770	1,278
Non-controlling interests		<u>402</u>	<u>(53)</u>
		<u>5,172</u>	<u>1,225</u>

The notes on pages 21 to 55 form an integral part of these financial statements.

Pertemps Limited

(Registration number: 04881571)

Consolidated Statement of Financial Position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	8,366	8,126
Intangible assets	13	25,818	28,690
Other non-current financial assets	15	360	360
		<u>34,544</u>	<u>37,176</u>
Current assets			
Trade and other receivables	16	174,364	162,163
Cash and cash equivalents	17	724	921
		<u>175,088</u>	<u>163,084</u>
Total assets		<u>209,632</u>	<u>200,260</u>
Liabilities			
Current liabilities			
Trade and other payables	18	(74,211)	(74,465)
Loans and borrowings	19	(81,926)	(73,426)
Income tax liability		(138)	(625)
		<u>(156,275)</u>	<u>(148,516)</u>
Non-current liabilities			
Share incentive plan (SIP)	20	(1,859)	(1,507)
Deferred tax liabilities	21	(592)	(625)
		<u>(2,451)</u>	<u>(2,132)</u>
Total liabilities		<u>(158,726)</u>	<u>(150,648)</u>
Net Assets		<u>50,906</u>	<u>49,612</u>

The notes on pages 21 to 55 form an integral part of these financial statements.

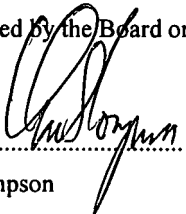
Pertemps Limited

(Registration number: 04881571)

Consolidated Statement of Financial Position as at 31 December 2018 (continued)

	Note	2018 £ 000	2017 £ 000
Equity			
Share capital	22	26	26
Share premium		4,943	4,943
Capital contribution		1,400	2,164
Merger reserve		6,431	6,431
Investment in own shares		(2,317)	(2,317)
Retained earnings		<u>39,723</u>	<u>37,984</u>
Attributable to equity holders		50,206	49,231
Non-controlling interests		<u>700</u>	<u>381</u>
Total equity		<u><u>50,906</u></u>	<u><u>49,612</u></u>

Approved by the Board on 13 September 2019 and signed on its behalf by:



 K Thompson
 Director

Pertemps Limited

(Registration number: 04881571)

Company Statement of Financial Position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	6,594	6,375
Intangible assets	13	-	374
Investments in subsidiaries	14	6,532	6,327
Deferred tax assets		-	1
		<u>13,126</u>	<u>13,077</u>
Current assets			
Trade and other receivables	16	<u>23</u>	<u>24</u>
Total assets		<u>13,149</u>	<u>13,101</u>
Liabilities			
Current liabilities			
Trade and other payables	18	(7,596)	(7,007)
Non-current liabilities			
Share incentive plan (SIP)	20	(1,040)	(1,040)
Deferred tax liabilities		<u>(45)</u>	<u>-</u>
		<u>(1,085)</u>	<u>(1,040)</u>
Total liabilities		<u>(8,681)</u>	<u>(8,047)</u>
Net Assets		<u>4,468</u>	<u>5,054</u>
Equity			
Share capital	22	26	26
Share premium		4,943	4,943
Capital contribution		1,400	2,164
Investment in own shares		(2,317)	(2,317)
Retained earnings		<u>416</u>	<u>238</u>
Total equity		<u>4,468</u>	<u>5,054</u>

The profit of the parent company for the year was £3,209,000 (2017: £2,179,000).

Approved by the Board on 13 September 2019 and signed on its behalf by:

.....
K Thompson

Director

The notes on pages 21 to 55 form an integral part of these financial statements.

Pertemps Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserve £ 000	Investment in own shares £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2017	26	4,943	2,096	6,431	(2,317)	39,062	50,241	395	50,636
Total comprehensive income	-	-	-	-	-	1,278	1,278	(53)	1,225
Dividends paid	-	-	-	-	-	(2,500)	(2,500)	-	(2,500)
Capital contribution	-	-	212	-	-	-	212	-	212
Options exercised	-	-	(144)	-	-	144	-	-	-
Change in non controlling interests	-	-	-	-	-	-	-	39	39
At 31 December 2017	<u>26</u>	<u>4,943</u>	<u>2,164</u>	<u>6,431</u>	<u>(2,317)</u>	<u>37,984</u>	<u>49,231</u>	<u>381</u>	<u>49,612</u>

The notes on pages 21 to 55 form an integral part of these financial statements.
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Pertemps Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018 (continued)

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserve £ 000	Investment in own shares £ 000	Retained earnings £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2018	26	4,943	2,164	6,431	(2,317)	37,984	49,231	381	49,612
Total comprehensive income	-	-	-	-	-	4,770	4,770	402	5,172
Dividends paid	-	-	-	-	-	(4,000)	(4,000)	-	(4,000)
Capital contribution	-	-	205	-	-	-	205	-	205
Options exercised	-	-	(969)	-	-	969	-	-	-
Change in non controlling interest	-	-	-	-	-	-	-	(83)	(83)
At 31 December 2018	<u>26</u>	<u>4,943</u>	<u>1,400</u>	<u>6,431</u>	<u>(2,317)</u>	<u>39,723</u>	<u>50,206</u>	<u>700</u>	<u>50,906</u>

The notes on pages 21 to 55 form an integral part of these financial statements.
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Pertemps Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Investment in own shares £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	26	4,943	2,096	(2,317)	415	5,163
Total comprehensive income	-	-	-	-	2,179	2,179
Dividends paid	-	-	-	-	(2,500)	(2,500)
Capital contribution	-	-	212	-	-	212
Options exercised	-	-	(144)	-	144	-
At 31 December 2017	<u>26</u>	<u>4,943</u>	<u>2,164</u>	<u>(2,317)</u>	<u>238</u>	<u>5,054</u>
	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Investment in own shares £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	26	4,943	2,164	(2,317)	238	5,054
Total comprehensive income	-	-	-	-	3,209	3,209
Dividends paid	-	-	-	-	(4,000)	(4,000)
Capital contribution	-	-	205	-	-	205
Options exercised	-	-	(969)	-	969	-
At 31 December 2018	<u>26</u>	<u>4,943</u>	<u>1,400</u>	<u>(2,317)</u>	<u>416</u>	<u>4,468</u>

The notes on pages 21 to 55 form an integral part of these financial statements.
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Pertemps Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
Operating Profit for the year		8,101	7,013
Adjustments to cash flows from non-cash items			
Depreciation		1,163	1,097
Amortisation		7,317	7,090
Working capital adjustments			
Decrease/(increase) in trade debtors and other receivables		388	(15,424)
(Decrease) / increase in trade and other payables		12,286	(6,972)
UK corporation tax paid		(2,439)	(3,592)
Net cash flow from operating activities		<u>26,816</u>	<u>(10,788)</u>
Cash flows from investing activities			
Payments to acquire property, plant and equipment	12	(1,403)	(3,013)
Payments to acquire intangible assets	13	(4,445)	(3,204)
Purchase of subsidiary undertaking		-	(7,304)
Net cash transferred with subsidiary undertaking		-	(3,046)
Net cash flows from investing activities		<u>(5,848)</u>	<u>(16,567)</u>
Cash flows from financing activities			
Interest paid	7	(1,246)	(780)
Interest received	7	236	420
Dividend paid to minority shareholders		(83)	(82)
Dividends paid	25	(4,000)	(2,500)
Loan repayment		-	(7,500)
Purchase of non controlling interests		-	(89)
Net cash flows from financing activities		<u>(5,093)</u>	<u>(10,531)</u>
Decrease in cash		(8,697)	(37,886)
Cash and cash equivalents at 1 January		<u>(72,505)</u>	<u>(34,619)</u>
Cash and cash equivalents at 31 December	17	<u>(81,202)</u>	<u>(72,505)</u>

The notes on pages 21 to 55 form an integral part of these financial statements.

Pertemps Limited

Company Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
Profit for the year		3,209	2,179
Adjustments to cash flows from non-cash items			
Depreciation and amortisation		591	1,044
Income tax expense		46	-
		<u>3,846</u>	<u>3,223</u>
Working capital adjustments			
Decrease/(increase) in trade and other receivables	16	2	(2)
Increase in trade and other payables	18	<u>589</u>	<u>1,220</u>
Cash generated from operations		4,437	4,441
Income taxes paid		<u>-</u>	<u>(9)</u>
Net cash flow from operating activities		<u><u>4,437</u></u>	<u><u>4,432</u></u>
Cash flows from investing activities			
Payment to acquire property plant and equipment		<u>(437)</u>	<u>(1,932)</u>
Cash flows from financing activities			
Dividends paid	25	<u>(4,000)</u>	<u>(2,500)</u>
Net cash flows from financing activities		<u><u>(4,000)</u></u>	<u><u>(2,500)</u></u>
Net movement in cash and cash equivalents in year		-	-
Cash and cash equivalents at 1 January		<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>-</u></u>	<u><u>-</u></u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in England. The nature of the Group's operations and its principal activities are set out in the strategic report and directors' report on pages 2 to 7.

The address of its registered office is:

Meriden Hall
Main Road
Meriden
Warwickshire
CV7 7PT

These financial statements were authorised for issue by the Board on 13 September 2019.

2 Significant Accounting policies

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations adopted by the EU ("adopted IFRS") and in accordance with the applicable provisions of the Companies Act 2006.

The consolidated financial statements include 'Alternative Performance Measures' which are not defined as such under IFRS. In particular, the Group uses recurring operating profit before depreciation and amortisation (REBITDA) as a measure in its decision making because it provides information useful to assess the Group's performance, solvency and liquidity. Recurring operating profit excludes non-recurring costs as defined in note 5.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Summary of significant accounting policies and key accounting estimates

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

Basis of measurement

The financial statements have been prepared in accordance with adopted IFRS and under historical cost accounting rules with the exception of certain financial instruments which are measured at their fair value.

Functional and presentational currency

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Going concern

The Group is currently and is forecasting to operate well within its current facility levels. The Group's bankers have confirmed to the directors that they will continue to provide the existing facilities with a periodic review to be undertaken on at least an annual basis. Consequently, the directors have a reasonable expectation that the Group will have sufficient finance for the foreseeable future and as such continue to adopt the going concern basis of preparation for the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2018.

The consolidated financial statements incorporate those of Pertemps Limited and all of its subsidiary undertakings that the parent controls. Control is established when the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result from the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Standards, amendments and interpretations adopted in the current financial year ended 31 December 2018

The adoption of the following standards, amendments and interpretations in the current year have not had a material impact on the Group's/Company's financial statements.

	EU effective date periods beginning on or after
Amendment to IAS 40 Investment Property: Transfer of Investment Property	1 January 2018
Amendment to IFRS 2 Share-based Payment: Classification and measurement of Share-based payment transactions	1 January 2018
Amendment to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers, including the subsequent clarifications	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Annual improvements to IFRSs (2014 - 2016)	1 January 2018

In the current year, the company has applied IFRS 9 Financial Instruments, there has been no impact on the classification and measurement of financial assets and liabilities. Following the adoption of IFRS 9, the directors of the company have considered the need to recognise a loss allowance on the trade receivables under the expected credit loss methodology.

In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers which was effective for annual periods beginning 1 January 2018. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The group's accounting policies for its revenue streams are disclosed in note 1. Apart from providing more extensive disclosures for the company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position or financial performance of the group.

Both standards were adopted retrospectively from 1 January 2018. In accordance with the transitional provisions in both standards the comparative figures were not adjusted and continue to be presented according to the previous accounting guidelines.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Standards, amendments and interpretations in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU.

The Group continues to assess the full impact that adopting these standards, amendments and interpretations will have on future financial statements. The full effect is yet to be determined.

	EU effective date periods beginning on or after
IAS 19 Employee Benefits: Amendment in relation to plan amendment, curtailment or settlement	1 January 2019
IAS 28 Investments in Associates and Joint Ventures: Amendment in relation to Long-term interests in Associates and Joint Ventures	1 January 2019
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs (2015 - 2017)	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework (Revised) and amendments to related references in IFRS Standards	1 January 2020
Amendment to IFRS 3 Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8 : Definition of Material	1 January 2020
IFRS 17 Insurance Contracts	Not yet endorsed

Standards, amendments and interpretations cannot be adopted in the EU until they have been EU-endorsed.

Impact of transition to IFRS 16 Leases (effective 1 January 2019)

IFRS 16 (effective 1 January 2019) eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. It will require the Group to recognise substantially all of its current operating lease commitments on the Statement of Financial Position.

The Group has performed an impact assessment by collating all lease information and assessing relevant information against the IFRS 16 requirements. Material judgements and estimates are required in identifying and accounting for leases, determining the discount rate, as well as choosing the transition methodology. The Group is continuing to assess the impact of these, and based on current information and range of transition methodologies, expects a material impact to the statement of financial position's assets in the range of £5m, liabilities in the range of £5m. However, due to the various judgements that remain under consideration and the possibility of entering into new leases or exiting existing leases without replacement between the date of the Annual Report and date of adoption of IFRS 16 on 1 January 2019, the final adjustment may be materially different to the ranges mentioned above.

There is no material impact anticipated from transition to the other standards and amendments listed above. The Group has decided not to early adopt these new standards.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Revenue recognition

Under IFRS 15 turnover is measured at the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from recruitment is recognised when the work is performed as this is when the performance obligation is met. Temporary assignment sales are predominantly recognised on a weekly basis corresponding with the assignment week, and fees arising from the placement of permanent staff are predominantly recognised at the point of commencement of employment.

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and assets under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and Buildings	2.5% (on cost of buildings only)
Furniture, fittings and equipment	10%-50%

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software), brands and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences, brands and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Trademarks	20%
Software	33%
Brands	20%
Customer relationships	20-33%

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets, comprising trade receivables, other receivables and amounts due from related undertakings, are recognised in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

After initial recognitions, financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on financial assets at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, or longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For other receivables and amounts due from group undertakings a 12 month expected credit loss model is applied.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts and similar short term financing facilities. Bank overdrafts and similar short term financing facilities are shown within borrowings in current liabilities in the statement of financial position.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the fair value on initial recognition net of transaction costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest basis is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Significant Accounting policies (continued)

Defined contribution pension obligations

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Share based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

In addition the Company operates a Share Incentive Plan ("SIP") for its employees.

The SIP awards "Free Shares" and "Partnership Shares" to eligible employees. As this is a cash settled scheme the cost of the Free Share awards is charged to the profit and loss account over the performance period. The credit entry for the charge to the income statement is included in liabilities.

Pertemps Network Group Limited has de facto control of the shares held by the Pertemps Limited SIP and bears their benefits and risks. Pertemps Limited records certain assets and liabilities of the SIP as its own.

Pertemps Network Group Limited also operated a Share Incentive Plan ("SIP") during the year for the employees of the Group.

The SIP awards "Partnership Shares" and "Matching Shares" to eligible employees. As this is a cash settled scheme the cost of the Matching Share awards is charged to the profit and loss account over the performance period. The credit entry for the charge to the income statement is included in liabilities.

Pertemps Network Group Limited has de facto control of the shares held by the SIP and bears their benefits and risks.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provision for doubtful debts

The Group makes an estimate of the recoverable value of trade receivables and other debtors. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivable assets. For other receivables and amounts due from group undertakings a 12 month expected credit loss model is applied. See note 16 for the net carrying amount of these receivables.

The provision for doubtful debts at 31 December 2018 was £1,090,000 (2017: £928,000).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the year end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill, intangible assets and property, plant and equipment

Determining whether goodwill, intangible assets and property, plant and equipment is impaired requires an estimation of the value in use of the cash-generating units to which goodwill, intangible assets and property, plant and equipment has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The value of goodwill, intangible assets and property, plant and equipment at 31 December 2018 was £11,446,000 (2017: £11,477,000), £14,372,000 (2017: £17,213,000) and £8,366,000 (2017: £8,126,000) respectively.

4 Revenue

The analysis of the Group's revenue for the year is as follows:

	2018	2017
	£ 000	£ 000
Sale of services	721,495	636,673

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

5 Non-recurring costs

The analysis of the Group's non-recurring costs is as follows:

	2018 £ 000	2017 £ 000
Costs incurred with acquisition of subsidiary undertakings	-	18
New business start up costs	1,259	1,648
	<u>1,259</u>	<u>1,666</u>

6 Profit for the year

Arrived at after charging

	2018 £ 000	2017 £ 000
Depreciation expense	1,163	1,097
Amortisation expense	7,317	7,090
Operating lease expense - property	2,519	2,173
Operating lease expense - other	2,331	2,081
	<u>2,331</u>	<u>2,081</u>

7 Finance income and costs

	2018 £ 000	2017 £ 000
Finance income		
Interest receivable	236	420
Finance costs		
Interest on bank overdrafts and borrowings	(1,246)	(780)
Net finance costs	<u>(1,010)</u>	<u>(360)</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018	2017
	£ 000	£ 000
Wages and salaries	39,113	35,771
Social security costs	3,855	3,620
Pension costs, defined contribution schemes	969	800
Share-based payment expenses	551	957
	<u>44,488</u>	<u>41,148</u>

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

	2018	2017
	No.	No.
Administration and support	1,154	1,027
Executive directors	8	9
	<u>1,162</u>	<u>1,036</u>

The Group has an approved Company Share Option Plan (CSOP) and has in issue share options which are held by Directors of the Company and directors and staff of subsidiary undertakings. At the year end options over 30,000 (2017: 564,175) ordinary shares were held by Directors of the Company.

No Directors exercised any option over shares during the year.

The Company has a Share Incentive Plan (SIP). At the year end the Company's directors were entitled to nil (2017: nil) beneficial SIP shares.

The Pertemps Network Group Limited Group operated an additional Share Incentive Plan (SIP) during 2018. At the year end the Company's directors were entitled to 56,700 (2017: 50,400) beneficial SIP shares. Following the year end the Company's directors were awarded an entitlement to a further 12,600 (2017: 14,400) beneficial SIP shares.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£ 000	£ 000
Remuneration	2,248	1,683
Contributions paid to defined contribution pension schemes	128	130
	<u>2,376</u>	<u>1,813</u>

In respect of the highest paid director:

	2018	2017
	£ 000	£ 000
Remuneration	463	288
Company contributions paid to defined contribution pension schemes	<u>30</u>	<u>30</u>

10 Auditors' remuneration

	2018	2017
	£ 000	£ 000
Audit of the Group's financial statements	120	118
Audit of the Company's financial statements	<u>10</u>	<u>10</u>
	<u>130</u>	<u>128</u>

There were no other fees paid to the auditor for the year.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

11 Taxation

Tax charged in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	2,547	5,979
UK corporation tax adjustment to prior periods	(595)	-
	<u>1,952</u>	<u>5,979</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(33)	(551)
Tax expense in the income statement	<u>1,919</u>	<u>5,428</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2017 - the same as the standard rate of corporation tax in the UK) of - (2017 - 0%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	<u>7,091</u>	<u>6,653</u>
Corporation tax at standard rate	1,347	1,281
Decrease in current tax from adjustment for prior periods	(595)	(46)
Increase from effect of expenses not deductible in determining taxable profit	1,167	417
Decreases arising from group relief	-	3,776
Total tax charge	<u>1,919</u>	<u>5,428</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

12 Property, plant and equipment

Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2017	4,667	5,247	9,914
Additions	1,927	1,086	3,013
Subsidiaries acquired	-	82	82
	<u>6,594</u>	<u>6,415</u>	<u>13,009</u>
At 31 December 2017	6,594	6,415	13,009
At 1 January 2018	6,594	6,415	13,009
Additions	189	1,214	1,403
	<u>6,783</u>	<u>7,629</u>	<u>14,412</u>
At 31 December 2018	6,783	7,629	14,412
Depreciation			
At 1 January 2017	208	3,578	3,786
Charge for year	94	1,003	1,097
	<u>302</u>	<u>4,581</u>	<u>4,883</u>
At 31 December 2017	302	4,581	4,883
At 1 January 2018	302	4,581	4,883
Charge for the year	130	1,033	1,163
	<u>432</u>	<u>5,614</u>	<u>6,046</u>
At 31 December 2018	432	5,614	6,046
Carrying amount			
At 31 December 2018	<u>6,351</u>	<u>2,015</u>	<u>8,366</u>
At 31 December 2017	<u>6,292</u>	<u>1,834</u>	<u>8,126</u>
At 1 January 2017	<u>4,459</u>	<u>1,669</u>	<u>6,128</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

12 Property, plant and equipment (continued)

Company

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2017	4,667	235	4,902
Additions	1,927	5	1,932
At 31 December 2017	6,594	240	6,834
At 1 January 2018	6,594	240	6,834
Additions	190	247	437
At 31 December 2018	6,784	487	7,271
Depreciation			
At 1 January 2017	208	109	317
Charge for year	94	48	142
At 31 December 2017	302	157	459
At 1 January 2018	302	157	459
Charge for the year	131	87	218
At 31 December 2018	433	244	677
Carrying amount			
At 31 December 2018	6,351	243	6,594
At 31 December 2017	6,292	83	6,375
At 1 January 2017	4,459	126	4,585

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Intangible assets

Group

	Goodwill	Other intangible assets	Total
	£ 000	£ 000	£ 000
Cost			
At 1 January 2017	17,320	31,805	49,125
Additions	-	3,204	3,204
Subsidiaries acquired	-	1,739	1,739
At 31 December 2017	<u>17,320</u>	<u>36,748</u>	<u>54,068</u>
At 1 January 2018	17,320	36,748	54,068
Additions	-	4,445	4,445
At 31 December 2018	<u>17,320</u>	<u>41,193</u>	<u>58,513</u>
Amortisation			
At 1 January 2017	5,843	12,445	18,288
Amortisation charge	-	7,090	7,090
At 31 December 2017	<u>5,843</u>	<u>19,535</u>	<u>25,378</u>
At 1 January 2018	5,843	19,535	25,378
Amortisation charge	31	7,286	7,317
At 31 December 2018	<u>5,874</u>	<u>26,821</u>	<u>32,695</u>
Carrying amount			
At 31 December 2018	<u>11,446</u>	<u>14,372</u>	<u>25,818</u>
At 31 December 2017	<u>11,477</u>	<u>17,213</u>	<u>28,690</u>
At 1 January 2017	<u>11,477</u>	<u>19,360</u>	<u>30,837</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Intangible assets (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. The Group has three material CGUs being Pertemps (Scotland) Limited, Pertemps Recruitment Partnership Limited and Red Personnel Limited.

Where impairment has been identified within one of the sub-groups it is carried forward into the consolidated financial statements.

After recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2018	2017
	£ 000	£ 000
Pertemps (Scotland) Limited	979	1,010
Pertemps Recruitment Partnership Limited	640	640
Red Personnel Limited	573	573
Others (all under £500,000)	9,254	9,254
	<u>11,446</u>	<u>11,477</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Intangible assets (continued)

The Group tests annually for impairment or more frequently if there are indications that goodwill is impaired. The recoverable amounts of goodwill and other intangible assets in respect of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates based on the Group weighted average cost of capital. Management has assumed a growth rate of zero purely for the purposes of this assessment. The Group prepares cash flow forecasts derived from the EBITDA from the most recent forecasts approved by management for the next financial year and extrapolates cash flows for the following twenty years. The rate used to discount the forecast cash flows for all CGUs is 5.8% (2017: 5.8%). This is a pre tax discounted rate. The key sensitivities in the assumptions above for each of the CGUs are highlighted in the table below. The recoverable amount for each of the CGUs is sensitive to changes in EBITDA and changes in the discount rate.

	Amount by which the recoverable amount exceeds the carrying value	Amount by which the recoverable amount exceeds the carrying value	Percentage reduction in the EBITDA which would result in the recoverable amount equalling the carrying value	Percentage reduction in the EBITDA which would result in the recoverable amount equalling the carrying value
	2018 £ 000	2017 £ 000	2018 %	2017 %
Pertemps (Scotland) Limited	9,108	10,934	89.9	91.1
Pertemps Recruitment Partnership Limited	148,549	117,230	96.8	95.8
Red Personnel Limited	<u>1,417</u>	<u>1,886</u>	<u>69.8</u>	<u>75.6</u>

Assuming a 20% reduction in forecast EBITDA for the next financial year:

	2018 £ 000	2017 £ 000	2018 %	2017 %
Pertemps (Scotland) Limited	7,090	8,545	87.3	88.9
Pertemps Recruitment Partnership Limited	118,031	92,977	96.0	94.8
Red Personnel Limited	<u>1,019</u>	<u>1,394</u>	<u>62.2</u>	<u>69.4</u>

Assuming a two percentage points increase in the pre-tax discount rate:

	2018 £ 000	2017 £ 000	2018 %	2017 %
Pertemps (Scotland) Limited	7,658	9,217	89.9	86.8
Pertemps Recruitment Partnership Limited	126,612	99,796	96.8	93.9
Red Personnel Limited	<u>1,131</u>	<u>1,532</u>	<u>69.8</u>	<u>63.8</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Intangible assets (continued)

Company

	Other intangible assets £ 000	Total £ 000
Cost		
At 1 January 2017	4,500	4,500
At 31 December 2017	4,500	4,500
At 1 January 2018	4,500	4,500
At 31 December 2018	4,500	4,500
Amortisation		
At 1 January 2017	3,226	3,226
Amortisation charge	900	900
At 31 December 2017	4,126	4,126
At 1 January 2018	4,126	4,126
Amortisation charge	374	374
At 31 December 2018	4,500	4,500
Carrying amount		
At 31 December 2018	-	-
At 31 December 2017	374	374
At 1 January 2017	1,274	1,274

Included in Group other intangible assets is the intellectual property for industry matching database software used in the business of the Group with a carrying amount of £nil at 31 December 2018 (2017: £1,057,000).

Also included in Group other intangible assets is the intellectual property for new CRM software with a carrying amount of £2,501,000 at 31 December 2018 (2017: £2,192,000).

Group other intangible assets also include the brand names and customer relationships arising on acquisition, with carrying values at 31 December 2018 of £4,702,000 (2017: £5,687,000) and £3,188,000 (2017: £4,456,000) respectively.

Included in Group and Company other intangible assets are trademarks used in the business of the Group with a carrying value of £nil at 31 December 2018 (2017: £374,000)

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Investments in subsidiaries

Group subsidiaries

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership	
			2018	2017
Pertemps Jobshop Limited	Holding Company	England	100%	100%
RMG Modelling and Promotions Limited	Modelling Agency	England	90%	90%
Pertemps Contracts Limited	Staff Agency	England	100%	100%
GW816 Limited	Holding Company	England	100%	100%
Pertemps New Directions Limited	Staff Agency	England	100%	100%
Pertemps Recruitment Partnership Limited	Staff Agency	England	100%	100%
Pertemps Recruitment Solutions (Croydon) Limited	Staff Agency	England	50.2%	50.2%
Pertemps (Scotland) Limited	Staff Agency	Scotland	100%	100%
Pertemps Online Shopping Hub Limited	Dormant	England	100%	100%
Pertemps Network Administration Limited	Holding Company	England	100%	100%
ESOS Net Limited	Support Services	England	100%	100%
ESOS Limited	Support Services		84%	84%
Red Personnel Limited	Staff Agency	England	100%	100%
Riverside Recruitment (UK) Limited	Staff Agency	England	51%	51%
Pertemps Swindon Limited	Staff Agency	England	100%	100%
Pertemps Payroll Services Limited	Staff Agency	England	100%	100%
NHSC (Scotland) Limited	Dormant	Scotland	75%	75%
PPF Group Limited	Holding Company	England	100%	100%
PPF Grp Limited	Holding Company	England	100%	100%
LGV Network Limited	Dormant	England	100%	100%

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Investments in subsidiaries (continued)

TW Network Limited	Dormant	England	100%	100%
LGV Training Network Limited	Dormant	England	100%	100%
PPF Limited	Staff Agency	England	100%	100%
BJD Group Limited	Staff Agency	England	100%	100%
LGV Driver Network Limited	Dormant	England	100%	100%
CPC Training Network Limited	Dormant	England	100%	100%
TSolv Limited	Dormant	England	100%	100%
ADR Contracting Limited	Dormant	England	100%	100%
Agency Drivers Register Limited	Dormant	England	100%	100%
Promoting the Perfect Fit Limited	Dormant	England	100%	100%
ADR Network Limited	Dormant	England	100%	100%
Agency Drivers Network Limited	Dormant	England	100%	100%
ADR Resources Limited	Dormant	England	100%	100%
ISE Partners Limited	Staff Agency	England	63.3%	63.3%
Rapier Employment Limited	Staff Agency	England	90%	90%

All subsidiaries have the registered office of Meriden Hall, Main Road, Meriden, Warwickshire, CV7 7PT with the exception of Pertemps (Scotland) Limited's registered office of Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF.

Summary of the Company investments

	2018 £ 000	2017 £ 000
Investments in subsidiaries (cost and carrying amount)	<u>6,532</u>	<u>6,327</u>
Cost and Carrying Amount		
At 1 January 2017		6,115
Additions - share based payment costs		<u>212</u>
At 31 December 2017		<u>6,327</u>
At 1 January 2018		6,327
Additions - share based payment costs		<u>205</u>
At 31 December 2018		<u>6,532</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

15 Other financial assets

<i>Group</i>	2018	2017
Non-current financial assets	£ 000	£ 000
Unlisted investment	<u>360</u>	<u>360</u>

The investment represents 44% of the share capital of Network IT Recruitment Limited. The majority shareholder is a fellow subsidiary of Pertemps Network Group Limited. The Directors consider that they do not exercise significant influence over this investment as they are not actively involved and are not influential in the direction of the company's policy and decision making and as such the investment is accounted for as a participating interest.

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)[illegible]

The Directors consider that the carrying amount of receivables approximates their fair value.

Included in the Group's trade receivable balance are receivables with a carrying amount of £15,393,000 (2017: £15,041,000) which are past due at the year end date for which the Group has not provided as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. An allowance was made for estimated irrecoverable amounts of £1,090,000 (2017: £928,000).

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

16 Trade and other receivables (continued)

Ageing of past due but not impaired receivables

	2018	2017
<i>Group</i>	£ 000	£ 000
7 to 30 days overdue	11,388	11,750
31 to 60 days overdue	2,523	2,255
61 to 90 days overdue	430	841
91 to 120 days overdue	1,052	195
	<u>15,393</u>	<u>15,041</u>

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The movement in the allowance for doubtful debts is as follows

	2018	2017
	£ 000	£ 000
Balance at the beginning of the year	928	1,225
Impairment losses recognised	259	-
Amounts written off as uncollectible	(97)	(297)
Balance at the end of the year	<u>1,090</u>	<u>928</u>

17 Cash and cash equivalents

	2018	2017
<i>Group</i>	£ 000	£ 000
Cash in hand	724	921
Bank borrowings	<u>(81,926)</u>	<u>(73,426)</u>
Cash and cash equivalents in statement of cash flows	<u>(81,202)</u>	<u>(72,505)</u>

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

18 Trade and other payables

	2018 £ 000	2017 £ 000
<i>Group</i>		
Trade payables	12,670	13,705
Accrued expenses	16,217	13,369
Amounts due to related parties	2,802	1,731
Social security and other taxes	27,013	26,677
Other payables	15,509	18,983
	<u>74,211</u>	<u>74,465</u>

The Directors consider that the carrying amount of Trade and other payables approximates to their fair value.

	2018 £ 000	2017 £ 000
<i>Company</i>		
Other creditors	189	189
Amounts due to related parties	7,407	6,818
	<u>7,596</u>	<u>7,007</u>

19 Loans and borrowings

	2018 £ 000	2017 £ 000
<i>Group</i>		
Current loans and borrowings		
Bank borrowings	<u>81,926</u>	<u>73,426</u>

The bank borrowings are secured by an All Assets Debenture over the Company and certain subsidiaries. The Group total assets were £209,870,000 at December 2018 (2017 : £200,260,000) (note 25).

20 Other Non-current Liabilities

	2018 £ 000	2017 £ 000
<i>Group</i>		
Share incentive plan (SIP)	<u>1,859</u>	<u>1,507</u>

At 31 December 2018 a liability of £1,859,000 (2017: £1,507,000) had been established with respect to vested shares in the SIP.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

20 Other Non-current Liabilities (continued)

<i>Company</i>	2018	2017
	£ 000	£ 000
Share incentive plan (SIP)	<u>1,040</u>	<u>1,040</u>

At 31 December 2018 a liability of £1,040,000 (2017: £1,040,000) had been established with respect to vested shares in the SIP.

21 Deferred Tax

Deferred tax

Group

Deferred tax balances

	2018	2017
	£ 000	£ 000
Accelerated tax depreciation	(749)	(440)
Other items	157	(185)
	<u>(592)</u>	<u>(625)</u>

Deferred tax movement during the year:

	At 1 January 2018 £ 000	Recognised in income £ 000	At 31 December 2018 £ 000
Accelerated tax depreciation	(440)	(309)	(749)
Other items	(186)	342	156
Net tax assets/(liabilities)	<u>(626)</u>	<u>33</u>	<u>(593)</u>

Deferred tax movement during the prior year:

	At 1 January 2017 £ 000	Recognised in income £ 000	Other £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	(1,268)	847	(19)	(440)
Other items	110	(296)	-	(186)
Net tax assets/(liabilities)	<u>(1,158)</u>	<u>551</u>	<u>(19)</u>	<u>(626)</u>

Other movement of £nil (2017: £19,000) during the year relates to acquisitions of subsidiaries.

Unrecognised for deferred tax in 2018 amounted to £nil (2017: £nil)

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

22 Equity

Share capital - allotted, called up and fully paid

	2018		2017	
	No.	£ 000	No.	£ 000
Ordinary Shares of 0.1p each	23,627,173	24	23,627,173	24
Ordinary B Shares of 0.1p each	<u>2,561,099</u>	<u>2</u>	<u>2,561,099</u>	<u>2</u>
	<u>26,188,272</u>	<u>26</u>	<u>26,188,272</u>	<u>26</u>

Merger reserve

The merger reserve represents the reserve arising from business combinations accounted for as a merger.

Investment in own shares

Investment in own shares has been classified as a deduction from equity. These shares are valued at the weighted average cost of purchase and comprise shares held by employee benefit trusts.

The number of shares held at 31 December 2018 was 2,561,099 (2017: 2,561,099) 'B' Ordinary shares of 0.1p each representing 9.8% (2017: 9.8%) of the called up Ordinary Share Capital. These are shares held for obligations under a Company Share Option Plan.

Capital contribution reserve

The capital contribution reserve represents the cumulative charge on outstanding Group share options. Once the options have been exercised or lapsed, this reserve is transferred into retained earnings.

Retained earnings

Retained earnings are the cumulative profits recognised by the Group and Company.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

22 Equity (continued)

Equity-settled share option schemes

Pertemps Network Group Limited, the parent company, established an approved Company Share Option Plan (CSOP) in July 2012. Share options in Pertemps Limited were exchanged for options in the parent Company. All rights of the option holders were maintained in the new scheme. There are 4,733,718 (2017: 8,063,261) share options in issue at exercise prices of between 26.15p and 100.0p exercisable between 3 and 10 years after issue. At the balance sheet date 4,733,718 (2017: 6,101,611) of the share options were exercisable. There are no performance based vesting conditions.

Date of grant of original options	Exercise price per share	Outstanding at 1 January 2018 No.	Granted during the year No.	Exercised during the year No.	Lapsed during the year No.	Outstanding at 31 December 2018 No.
Feb-08	28.08p	3,247,799	-	3,247,799	-	-
Jan-09	29.23p	102,633	-	-	-	102,633
Apr-10	26.15p	114,721	-	-	-	114,721
Aug-11	36.54p	2,636,458	-	6,730	-	2,629,728
Sep-15	100.0p	1,961,650	-	-	75,014	1,886,636
		<u>8,063,261</u>	<u>-</u>	<u>3,254,529</u>	<u>75,014</u>	<u>4,733,718</u>

Date of grant of original options	Exercise price per share	Outstanding at 1 January 2017 No.	Granted during the year No.	Exercised during the year No.	Lapsed during the year No.	Outstanding at 31 December 2017 No.
Feb-08	28.08p	3,354,634	-	106,835	-	3,247,799
Jan-09	29.23p	102,633	-	-	-	102,633
Apr-10	26.15p	229,442	-	114,721	-	114,721
Aug-11	36.54p	2,661,458	-	25,000	-	2,636,458
Sep-15	100.0p	2,185,150	-	198,000	25,500	1,961,650
		<u>8,533,317</u>	<u>-</u>	<u>444,556</u>	<u>25,500</u>	<u>8,063,261</u>

Of the above total of 4,733,718 (2017: 8,063,261) outstanding share options at 31 December 2018, 30,000 (2017: 564,175) are held by directors of the Company with the remainder held by directors and staff of subsidiaries undertakings of the Company.

The weighted average exercise price of options exercisable at 31 December 2018 was 61.42p (2017: 31.72p). For options exercised during the year, the weighted average share price at the date of exercise was £2.00 (2017: £2.00) and the remaining weighted average life was 4.2 years. (Options exercised in 2017: 3.2 years)

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

22 Equity (continued)

The fair value of options granted was established using the Black-Scholes model. There were no options granted during 2018.

The charge to income for the year ended 31 December 2018 is £206,000 (2017: £212,000).

Cash-settled share option schemes

The Company has a Share Incentive Plan (SIP).

The parent Company also operated a Share Incentive Plan (SIP) during the year for employees of the Group.

Under the SIP arrangement the Group issues to certain employees rights that require the Group to pay the value of the SIP shares to the employee at the date of exercise.

Under the SIP schemes the fair value of the shares is calculated by reference to an average profit before tax. For 2018 this was £2.00 (2017: £2.00) and this figure was agreed with HM Revenue and Customs.

SIP costs are spread over a vesting period of 3 years plus the year of accumulation.

At the year end a liability of £1,859,000 (2017: £1,507,000) had been established with respect to cash settled share based payments.

The charge to income for the year ended 31 December 2017 is £551,000 (2017: £957,000).

23 Retirement benefits

The Group participates in defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

The amount charged to income for the year was £969,000 (2017: £800,000).

There were outstanding contributions at the year end date of £736,000 (2017: £365,000)

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

24 Obligations under leases and hire purchase contracts

Group

Finance leases

There are currently no finance leases and hire purchase contracts within the Group.

Operating leases

The Group occupies properties with no formal lease and hence there are no annual commitments. These properties are leased by a related entity P Investments Limited for which the Group reimburses P Investments Limited.

The total future value of these minimum lease payments is as follows:

	2018 £ 000	2017 £ 000
Within one year	2,806	2,717
In the second to fifth years inclusive	2,517	2,774
In over five years	130	-
	<u>5,453</u>	<u>5,491</u>

25 Dividends

	2018 £ 000	2017 £ 000
Interim dividend of £0.1693 (2017 - £0.1058) per ordinary share	<u>4,000</u>	<u>2,500</u>

26 Contingent liabilities

Group

The Company and certain subsidiaries entered into a Guarantee and Indemnity arrangement on 3 February 2012, which guaranteed the bank borrowings of Network Group Holdings Limited a fellow subsidiary and its subsidiaries and the ultimate parent company Pertemps Network Group Limited. At 31 December 2018, these borrowings were £12,129,000 (2017: £12,857,000).

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

27 Related party transactions

Key management personnel

During the year the directors operated current accounts. Included in other debtors is £169,000 (2017: £197,000) in relation to directors' current accounts.

The maximum amount outstanding during the year was £197,000 (2017: £197,000)

Key management remuneration

	2018 £ 000	2017 £ 000
Salaries and other short term employee benefits	2,248	1,683
Post-employment benefits	128	130
	<u>2,376</u>	<u>1,813</u>

Group

During the year, Pertemps Network Group Limited recharged at cost of expenditure for goods and services to the Company amounting to £1,348,000 (2017: £1,318,000)

The total amount due from Pertemps Network Group Limited at the balance sheet date was £18,352,000 (2017: £10,110,000).

During the year, the Company recharged at cost of expenditure for goods and services to Network Group Holdings Limited and its subsidiaries amounting to £8,768,000 (2017: £5,731,000). The Group also charged interest of £116,000 (2017: £300,000) to Network Group Holdings limited in respect of outstanding amounts owed to the Company.

The total amount due from Network Group Holdings Limited and its subsidiaries at the balance sheet date was £9,497,000 (2017: £6,024,000).

During the year Network Group Holdings Limited and its subsidiaries recharged at cost of expenditure for goods and services to the Company amounting to £10,442,000 (2017: £11,007,000).

The total amount due to Network Group Holdings Limited and its subsidiaries at the balance sheet date was £2,695,000 (2017: £1,247,000).

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

27 Related party transactions (continued)

Company

During the year, the Company received dividends from Pertemps Jobshop Limited, a subsidiary company, amounting to £4,000,000 (2017: £3,200,000) and from RMG Modelling and Promotions Limited, a subsidiary company, amounting to £24,000 (2017: nil).

During the year, the Company paid dividends to Pertemps Network Group Limited amounting to £4,000,000 (2017: £2,500,000).

Summary of transactions with other related parties

P Investments Limited is related as it shares significant common shareholders with Pertemps Network Group Limited.

The total amount due from P Investments Limited as the balance sheet date was £12,263,000 (2017: £11,388,000).

The Directors have fully considered the outstanding amount and are satisfied that it is not impaired.

During the year, the Group recharged at cost of expenditure for goods and services to P Investments Limited amounting to £217,000 (2017: £254,000). The Group also charged interest of £120,000 (2017: £120,000) to P Investments Limited in respect of outstanding amounts owed to the Group.

During the year P Investments Limited recharged at cost of expenditure for goods and services to the Group amounting to £1,071,000 (2017: £5,231,000).

The total amount owed to P Investments Limited at the balance sheet date was £106,000 (2017: £484,000).

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

28 Financial Instruments

Classification

All financial assets have been classified as financial assets measured at amortised cost and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial risk management

The Group uses various financial instruments. These include bank loans, cash, and various items such as trade receivables, trade payables and other financial assets and liabilities that arise from its operations.

Their existence exposes the Group to a number of financial risks which are described in more detail below.

Interest Rate Risk

The Group finances its operations through a mixture of retained profits and borrowings. The interest on bank borrowings and bank loans is at floating market rate and the Group's policy is to keep the bank borrowings within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The Directors monitor the overall level of borrowings and interest costs to limit any adverse effects on the financial performance of the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the year end date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the year end date was outstanding for the whole period.

Management's assessment is that there is unlikely to be a significant change in interest rates in the foreseeable future and therefore the risk associated with floating rate borrowings is considered low.

If interest rates had been 0.5% higher / lower and all other variables were held constant the Group's profit for the year ended 31 December 2018 would decrease / increase by £240,000 (2017: £291,000).

The Group's sensitivity to interest rates has slightly increased during the current year period mainly due to the increase in variable debt instruments.

Currency Risk

The Group trades predominantly in the United Kingdom and has no material exposure in its trading operations to the risk of changes in foreign currency exchange rates. Cash and bank deposits held in foreign currency are not considered to be material.

Pertemps Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

28 Financial Instruments (continued)

Liquidity Risk and Going Concern

The Group policy is to ensure that sufficient funding is available to fund on-going operations whilst reducing net debt.

The Group meets its day to day working capital requirements by utilising credit facilities. The Group, including Network Group Holdings Limited, is currently, and is forecasting to continue, operating well within its current facility levels of £100,000,000 (2017: £100,000,000).

The Group's bankers have confirmed to the directors that they will continue to provide the existing facilities with a periodic review to be undertaken on at least an annual basis. Consequently, the directors have a reasonable expectation that the Group will have sufficient finance for the foreseeable future and as such continue to adopt the going concern basis of preparation for the financial statements.

Maturity analysis

The Group's financial liabilities on a contractual undiscounted cashflow basis are:

Trade and other payables less than one year £74,211,000 (2017: £74,465,000)

Trade and other payables two to five years £1,859,000 (2017: £1,507,000)

Bank borrowings less than one year £81,926,000 (2017: £73,426,000)

Credit Risk

The Group's principal financial assets are cash balances, trade receivables, and certain other receivables which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables (note 16).

Credit risk for trade receivables is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. Policies and procedures exist to ensure that customers have an appropriate credit history and suitable credit limits are set and monitored.

The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Appropriate expected credit loss allowances for estimated irrecoverable amounts are recognised in profit or loss. The allowance recognised is measured as the expected credit loss allowance method as stated by IFRS 9 Financial Instruments. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. See note 16.

This is not considered to be a significant risk area to the Group

29 Ultimate parent undertaking

The ultimate parent is Pertemps Network Group Limited. These financial statements are available upon request from Meriden Hall, Meriden, Warwickshire, CV7 7PT.

This is the largest group of which the Company was a member and for which group accounts are prepared.

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