

**The Best Connection Group Limited**

**Annual report and financial statements**

**Registered number 02600534**

**For the year ended 30 November 2018**

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## Strategic report

### Review of business activities, key performance indicators and future developments

The Company is one of the UK's most leading independent job creating companies who provide flexible workplace solutions to the industrial, driving, warehouse and distribution markets throughout its national network of branches.

The profit and loss account, set out on page 7 shows a turnover for 2018 of £363,268,635 (2017: £343,435,574) and a profit before tax for the year of £2,431,647 (2017: £5,262,949). These key financial performance indicators represent another successful year of trading for the Company.

This satisfactory performance has again been achieved against an economic background of uncertainty.

The focus of the Company looking ahead will be to expand the differing income streams from temporary and permanent recruitment.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due, and therefore have prepared the financial statements on a going concern basis.

### Principal risk and uncertainties

The principal risks and uncertainties facing the Company are:

#### *Competitive risks*

The Company is reliant on certain customers for contracts which are subject to periodic tender. Renewal of these contracts is uncertain and based on financial and performance criteria. Competitive pressure in the UK is reducing margins across the industry.

#### *Legislative risks*

In order to operate in its chosen market, the Company must comply with various UK legislation and laws. Compliance imposes costs and failure to comply with the standards could materially affect the Company's ability to operate.

#### *Credit risk*

The Company's trade and other receivables are actively monitored to avoid significant concentrations of credit risk as well as careful reviewing of all customers, especially those with lack of an extensive credit history.

#### *Brexit*

The UK's decision to leave the EU is not expected to have an immediate impact on the Company. The Directors will keep this under review to determine any longer term impacts.

By order of the Board



AC Sweeney  
Director

14 August 2019

## **Directors' report**

The Directors present the annual report and audited financial statements for the year ended 30 November 2018.

### **Principal activity**

The principal activity of the Company is that of an employment agency for both temporary and permanent staff.

### **Results and dividends**

The profit and loss account is set out on page 8 and shows the profit for the year.

An interim dividend of 12p (2017: 60p) per share was declared during the year. The Directors do not recommend the payment of a final dividend.

### **Directors**

The Directors who served during the year were as follows:

AC Sweeney  
NR Yorke  
MJ Recci  
MT Cooper  
D Ainge  
L Harris  
JM Jepson (resigned 8 June 2018)  
D Pollard  
D Schilling  
P Simmonds

### **Financial instruments and going concern**

The Company is financed by a combination of loans from other group companies and an invoice discounting facility.

The current economic conditions create uncertainty particularly with regard to the level of demand for services provided by the Company. However, the Company's forecasts and projections, taking account of changes in trading performance, show that it should be able to operate within the level of its current available financing facilities.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

### **Employment of disabled persons**

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the Company.

### **Employees**

The Company's policy is to ensure that equal opportunities exist, including training, career development and promotion for persons disabled at or subsequent to recruitment, having regard to their particular aptitudes and abilities.

Procedures for the consultation with, and involvement of employees are in operation as appropriate to the Company's circumstances.

## **Directors' report** *(continued)*

### **Statement of disclosures to auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Strategic report**

The review of the business, key performance indicators, future developments and principal risks and uncertainties are not shown in the Directors report as they are shown in the Strategic report in accordance with Section 414C(11) of the Companies Act 2006.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

Approved by the Board



A.C. Sweeney  
Director

Unit 1  
Topaz Way  
Bromsgrove  
Worcestershire  
B61 0GD

14 August 2019

**Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

## **Independent Auditor's Report to the Members of The Best Connection Group Limited**

### **Opinion**

We have audited the financial statements of The Best Connection Group Limited ("the company") for the year ended 30 November 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Directors' report**

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

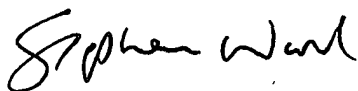
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Stephen Ward (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

15 August 2019

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 30 November 2018*

|                                        | <i>Note</i> | <b>2018</b><br>£     | <b>2017</b><br>£ |
|----------------------------------------|-------------|----------------------|------------------|
| <b>Turnover</b>                        | 2           | <b>363,268,635</b>   | 343,435,574      |
| Cost of sales                          |             | <b>(323,903,038)</b> | (303,327,099)    |
| <b>Gross profit</b>                    |             | <b>39,365,597</b>    | 40,108,475       |
| Administrative expenses                |             | <b>(36,539,320)</b>  | (34,489,300)     |
| <b>Operating profit</b>                | 3           | <b>2,826,277</b>     | 5,619,175        |
| Interest receivable and similar income | 4           | <b>31,576</b>        | 8,941            |
| Interest payable and similar expenses  | 5           | <b>(426,206)</b>     | (365,167)        |
| <b>Profit before taxation</b>          |             | <b>2,431,647</b>     | 5,262,949        |
| Tax on profit                          | 8           | <b>(608,730)</b>     | (337,090)        |
| <b>Profit for the year</b>             |             | <b>1,822,917</b>     | 4,925,859        |

The accompanying notes form part of these financial statements.

All amounts relate to continuing activities.

There are no recognised gains or losses other than those included above and therefore no separate statement of other comprehensive income has been included.

**Balance Sheet**  
*at 30 November 2018*

|                                                                | <i>Note</i> | <b>2018</b>         |                   | <b>2017</b>         |                   |
|----------------------------------------------------------------|-------------|---------------------|-------------------|---------------------|-------------------|
|                                                                |             | £                   | £                 | £                   | £                 |
| <b>Fixed assets</b>                                            |             |                     |                   |                     |                   |
| Tangible assets                                                | 10          |                     | 3,390,940         |                     | 3,434,142         |
| Fixed asset investments                                        | 11          |                     | 90,829            |                     | 251,087           |
|                                                                |             |                     | <u>3,481,769</u>  |                     | <u>3,685,229</u>  |
| <b>Current assets</b>                                          |             |                     |                   |                     |                   |
| Debtors                                                        | 12          | 85,949,077          |                   | 82,518,937          |                   |
| Cash at bank and in hand                                       |             | -                   |                   | -                   |                   |
|                                                                |             | <u>85,949,077</u>   |                   | <u>82,518,937</u>   |                   |
| <b>Creditors: amounts falling due within one year</b>          | 13          | <u>(74,215,037)</u> |                   | <u>(71,611,274)</u> |                   |
| <b>Net current assets</b>                                      |             |                     | <u>11,734,040</u> |                     | <u>10,907,663</u> |
| <b>Total assets less current liabilities, being net assets</b> |             |                     | <u>15,215,809</u> |                     | <u>14,592,892</u> |
| <b>Capital and reserves</b>                                    |             |                     |                   |                     |                   |
| Called up share capital                                        | 14          | 102,910             |                   | 102,910             |                   |
| Share premium account                                          |             | 28,710              |                   | 28,710              |                   |
| Capital redemption reserve                                     |             | 280                 |                   | 280                 |                   |
| Profit and loss account                                        |             | 15,083,909          |                   | 14,460,992          |                   |
| <b>Shareholders' funds</b>                                     |             |                     | <u>15,215,809</u> |                     | <u>14,592,892</u> |

The accompanying notes form part of these financial statements.

These financial statements were approved by the Directors on 14 August 2019 and were signed on its behalf by:

  
AC Sweeney  
Director

Company registered number: 02600534

**Statement of Changes in Equity**  
*for the year ended 30 November 2018*

|                                    | <b>Called up<br/>share<br/>capital<br/>£</b> | <b>Share<br/>premium<br/>account<br/>£</b> | <b>Capital<br/>redemption<br/>reserve<br/>£</b> | <b>Profit and<br/>loss account<br/>£</b> | <b>Total<br/>£</b> |
|------------------------------------|----------------------------------------------|--------------------------------------------|-------------------------------------------------|------------------------------------------|--------------------|
| Balance at 1 December 2016         | 102,910                                      | 28,710                                     | 280                                             | 15,709,733                               | 15,841,633         |
| Profit for the year                | -                                            | -                                          | -                                               | 4,925,859                                | 4,925,859          |
| Dividends                          | -                                            | -                                          | -                                               | (6,174,600)                              | (6,174,600)        |
| Balance at 30 November 2017        | 102,910                                      | 28,710                                     | 280                                             | 14,460,992                               | 14,592,892         |
| Balance at 1 December 2017         | 102,910                                      | 28,710                                     | 280                                             | 14,460,992                               | 14,592,892         |
| Profit for the year                | -                                            | -                                          | -                                               | 1,822,917                                | 1,822,917          |
| Dividends                          | -                                            | -                                          | -                                               | (1,200,000)                              | (1,200,000)        |
| <b>Balance at 30 November 2018</b> | <b>102,910</b>                               | <b>28,710</b>                              | <b>280</b>                                      | <b>15,083,909</b>                        | <b>15,215,809</b>  |

The accompanying notes form part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The Best Connection Group Limited (the “Company”) is a Company limited by shares and incorporated and domiciled in the UK. The registered number is 02600534 and the registered address is Unit 1 Topaz, Topaz Way, Bromsgrove, B61 0GD.

The financial statements are prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2016. The amendments to FRS 102 issued in July 2017 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The Company’s ultimate parent undertaking, Strategic Workforce Solutions Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Strategic Workforce Solutions Group Limited are prepared in accordance with FRS 102 applicable in the UK and Republic of Ireland and are available to the public and may be obtained from Unit 1, Topaz Way, Bromsgrove, Worcestershire B61 0GD. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis, with the exception of listed equity investments.

#### 1.2 Going concern

Notwithstanding the uncertainty explained in note 19 concerning the uncertain outcome of an ongoing enquiry with HMRC, after reviewing the Company’s forecasts and projections, the Directors have the reasonable expectation that the Company has adequate resources including access to considerable banking facilities, to continue in operational existence for the 12 months from the date of signing these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Basic financial instruments

##### *Trade and other debtors / creditors*

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

#### 1.4 Other financial instruments

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

#### 1.5 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.9 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

|                       |         |
|-----------------------|---------|
| Fixtures and fittings | 4 years |
| Computer equipment    | 3 years |
| Motor vehicles        | 4 years |
| Leasehold buildings   | 5 years |

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

##### *Fixed asset investments*

Listed investments are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in the income statement in the period they arise.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

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

#### 1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

#### 1.8 Turnover

Turnover represents amounts chargeable to clients for the provision of both temporary and permanent staff provided during the year, exclusive of direct expenses incurred on client assignments and excluding value added tax. Turnover is recognised when a right to consideration has been obtained through performance under each contract for the provision of both temporary and permanent staff.

#### 1.9 Expenses

##### *Operating lease*

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

##### *Interest receivable and Interest payable*

Interest payable and similar charges includes interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

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

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

### 2 Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

### 3 Expenses and auditors' remuneration

|                                                              | 2018<br>£ | 2017<br>£ |
|--------------------------------------------------------------|-----------|-----------|
| <i>Operating profit is stated after charging/(crediting)</i> |           |           |
| Depreciation of tangible fixed assets                        | 1,585,992 | 1,504,479 |
| Operating leases:                                            |           |           |
| Buildings                                                    | 1,415,468 | 1,313,474 |
| Impairment/(revaluation) of listed investments               | 160,258   | 119,236   |
| Profit on disposal of tangible fixed assets                  | (248,721) | (270,254) |
| <i>Auditor's remuneration</i>                                |           |           |
| Audit of these financial statements                          | 53,700    | 65,000    |
| Taxation compliance services                                 | 11,800    | 6,750     |

### 4 Interest receivable and similar income

|                           | 2018<br>£ | 2017<br>£ |
|---------------------------|-----------|-----------|
| Other interest receivable | 31,576    | 8,941     |

## Notes (continued)

### 5 Interest payable and similar expenses

|                                        | 2018<br>£      | 2017<br>£      |
|----------------------------------------|----------------|----------------|
| Bank interest                          | 22,126         | 2,713          |
| Interest payable to group undertakings | 156,988        | 212,599        |
| Invoice discounting interest           | 247,092        | 149,855        |
|                                        | <u>426,206</u> | <u>365,167</u> |

### 6 Staff numbers and costs

The average number of employees of the Company (including the Directors) during the year was 825 (2017: 763).

The aggregate payroll costs of these persons were as follows:

|                       | 2018<br>£         | 2017<br>£         |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 24,354,656        | 23,018,214        |
| Social security costs | 2,566,921         | 2,446,478         |
| Pensions              | 478,673           | 373,361           |
| Training Levy         | 106,277           | 68,745            |
|                       | <u>27,506,527</u> | <u>25,906,798</u> |

### 7 Directors' remuneration

|                                                         | 2018<br>£        | 2017<br>£        |
|---------------------------------------------------------|------------------|------------------|
| Directors' emoluments                                   | 3,099,208        | 3,145,817        |
| Company contributions to money purchase pension schemes | 171,409          | 167,415          |
|                                                         | <u>3,270,617</u> | <u>3,313,232</u> |

There were eight Directors in the Company's defined contribution pension scheme during the year (2017: eight).

The total amount payable to the highest paid Director in respect of emoluments was £616,500 (2017: £615,297). Company pension contributions of £10,000 (2017: £21,436) were made to a money purchase scheme on their behalf.

## Notes (continued)

### 8 Taxation

|                                                | 2018<br>£ | £         | 2017<br>£ | £         |
|------------------------------------------------|-----------|-----------|-----------|-----------|
| <i>UK Corporation tax</i>                      |           |           |           |           |
| Current tax                                    | 1,367,779 |           | 1,379,141 |           |
| Adjustment in respect of prior periods         | (64,542)  |           | (43,412)  |           |
|                                                | <hr/>     |           | <hr/>     |           |
| Total current tax                              |           | 1,303,237 |           | 1,335,729 |
| <i>Deferred tax</i>                            |           |           |           |           |
| Origination and reversal of timing differences | (736,355) |           | (303,309) |           |
| Effect of tax rate change                      | 41,848    |           | (695,330) |           |
|                                                | <hr/>     |           | <hr/>     |           |
| Total deferred tax                             |           | (694,507) |           | (998,639) |
|                                                |           | <hr/>     |           | <hr/>     |
| Tax on profit                                  |           | 608,730   |           | 337,090   |
|                                                |           | <hr/>     |           | <hr/>     |

#### *Factors affecting the tax charge for the current period*

The current tax charge for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.33%). The differences are explained below:

|                                                | 2018<br>£ | 2017<br>£ |
|------------------------------------------------|-----------|-----------|
| <i>Current tax reconciliation</i>              |           |           |
| Profit before tax                              | 2,431,647 | 5,262,949 |
|                                                | <hr/>     | <hr/>     |
| Current tax at 19% (2017: 19.33%)              | 462,013   | 1,017,407 |
| <i>Effects of:</i>                             |           |           |
| Expenses not deductible for tax purposes       | 47,275    | 25,133    |
| Reduction in tax rate on deferred tax balances | -         | (695,330) |
| Group relief received                          | -         | (37,330)  |
| Other tax adjustments and margin relief        | 86,630    | 41,597    |
| Fixed asset differences                        | 35,506    | 29,025    |
| Adjustment in respect of previous periods      | (22,694)  | (43,412)  |
|                                                | <hr/>     | <hr/>     |
| Total tax charge for year                      | 608,730   | 337,090   |
|                                                | <hr/>     | <hr/>     |

#### *Factors that may affect future current and total tax charges*

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 November 2018 has been calculated based on these rates.

## Notes (continued)

### 9 Dividends

|                                           | 2018<br>£ | 2017<br>£ |
|-------------------------------------------|-----------|-----------|
| Ordinary shares                           |           |           |
| Interim paid of 12p (2017: 60p) per share | 1,200,000 | 6,174,600 |

### 10 Tangible fixed assets

|                       | Leasehold<br>land and<br>buildings<br>£ | Motor<br>vehicles<br>£ | Fixtures and<br>fittings<br>£ | Computer<br>equipment<br>£ | Total<br>£  |
|-----------------------|-----------------------------------------|------------------------|-------------------------------|----------------------------|-------------|
| <b>Cost</b>           |                                         |                        |                               |                            |             |
| At beginning of year  | 673,114                                 | 4,416,093              | 892,621                       | 963,845                    | 6,945,673   |
| Additions             | 249,587                                 | 1,107,511              | 161,019                       | 223,962                    | 1,742,079   |
| Disposals             | -                                       | (1,072,721)            | -                             | -                          | (1,072,721) |
| Intergroup transfers  | -                                       | (67,098)               | -                             | -                          | (67,098)    |
| At end of year        | 922,701                                 | 4,383,785              | 1,053,640                     | 1,187,807                  | 7,547,933   |
| <b>Depreciation</b>   |                                         |                        |                               |                            |             |
| At beginning of year  | 292,113                                 | 1,904,034              | 661,350                       | 654,034                    | 3,511,531   |
| Charge in the year    | 149,861                                 | 1,059,450              | 150,386                       | 226,295                    | 1,585,992   |
| Disposals             | -                                       | (921,144)              | -                             | -                          | (921,144)   |
| Intergroup transfers  | -                                       | (19,386)               | -                             | -                          | (19,386)    |
|                       | 441,974                                 | 2,022,954              | 811,736                       | 880,329                    | 4,156,993   |
| <b>Net book value</b> |                                         |                        |                               |                            |             |
| At 30 November 2018   | 480,727                                 | 2,360,831              | 241,904                       | 307,478                    | 3,390,940   |
| At 30 November 2017   | 381,001                                 | 2,512,059              | 231,271                       | 309,811                    | 3,434,142   |

### 11 Fixed asset investments

|                     | Listed<br>investments<br>£ |
|---------------------|----------------------------|
| <b>Fair value</b>   |                            |
| At 30 November 2018 | 90,829                     |
| At 30 November 2017 | 251,087                    |

The market value of the listed investments at 30 November 2018 was £90,829 (2017: £251,087).

## Notes (continued)

### 12 Debtors

|                                                     | 2018<br>£  | 2017<br>£  |
|-----------------------------------------------------|------------|------------|
| <i>Amounts falling due within one year:</i>         |            |            |
| Trade debtors                                       | 68,896,102 | 71,541,857 |
| Amounts owed by group undertakings                  | 3,326,369  | 1,349,894  |
| Corporation tax                                     | 737,393    | 737,393    |
| Other debtors and accrued income                    | 10,875,825 | 7,470,912  |
|                                                     | <hr/>      | <hr/>      |
|                                                     | 83,835,689 | 81,100,056 |
| <i>Amounts receivable after more than one year:</i> |            |            |
| Deferred taxation                                   | 2,113,388  | 1,418,881  |
|                                                     | <hr/>      | <hr/>      |
|                                                     | 85,949,077 | 82,518,937 |
|                                                     | <hr/>      | <hr/>      |

All amounts shown under debtors fall due for payment within one year unless otherwise specified. Debtors due from group undertakings are unsecured, interest free and repayable on demand.

#### Deferred taxation

|                                     | £         |
|-------------------------------------|-----------|
| At beginning of year                | 1,418,811 |
| Credited to profit and loss account | 694,507   |
|                                     | <hr/>     |
| At end of year                      | 2,113,388 |
|                                     | <hr/>     |

The amount of deferred tax provided for is as follows:

|                                | 2018<br>£ | 2017<br>£ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 148,180   | 171,180   |
| Short term timing differences  | 1,965,208 | 1,247,701 |
|                                | <hr/>     | <hr/>     |
|                                | 2,113,388 | 1,418,881 |
|                                | <hr/>     | <hr/>     |

### 13 Creditors: amounts falling due within one year

|                                          | 2018<br>£  | 2017<br>£  |
|------------------------------------------|------------|------------|
| Bank loans and overdrafts (secured)      | 193,477    | 74,715     |
| Other loans (see note 17)                | 1,050,000  | 40,000     |
| Trade creditors                          | 522,761    | 398,458    |
| Amounts owed to group undertakings       | 13,489,574 | 13,681,079 |
| Corporation tax                          | 298,416    | 496,614    |
| Other taxation and social security       | 22,997,894 | 12,879,699 |
| Amounts due to invoice discounting agent | 18,585,849 | 19,401,025 |
| Other creditors                          | 17,077,066 | 24,639,704 |
|                                          | <hr/>      | <hr/>      |
|                                          | 74,215,037 | 71,611,274 |
|                                          | <hr/>      | <hr/>      |

All amounts shown under creditors are unsecured and fall due for repayment within one year. Creditors due from group undertakings are unsecured and repayable on demand.

## Notes (continued)

### 13 Creditors: amounts falling due within one year (continued)

The bank overdraft is secured by a fixed and floating charge over all of the Company's assets.

Amounts due to the invoice discounting agent are secured by a fixed and floating charge over certain assets of the Company.

### 14 Called up share capital

|                                            | 2018<br>£ | 2017<br>£ |
|--------------------------------------------|-----------|-----------|
| <i>Allotted, called up and fully paid:</i> |           |           |
| 10,291,000 Ordinary shares of 10p each     | 102,910   | 102,910   |

### 15 Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge amounted to £1,564,753 (2017: £898,788). Contributions amounting to £521,973 (2017: £216,746) were payable to the fund at the year end and are included in creditors.

### 16 Commitments under operating leases

Non-cancellable operating lease rentals are payable as follows:

|                                | 2018<br>£        | 2017<br>£        |
|--------------------------------|------------------|------------------|
| Operating leases which expire: |                  |                  |
| Within one year                | 1,384,238        | 1,262,210        |
| Within two to five years       | 3,680,575        | 3,769,333        |
| After more than five years     | 689,503          | 961,533          |
|                                | <u>5,754,316</u> | <u>5,993,076</u> |

### 17 Related party disclosures

#### *Related party transactions and balances*

The Company is a wholly owned subsidiary of Strategic Workforce Solutions Group Limited and has taken advantage of the exemption conferred by Section 33 of FRS 102 not to disclose transactions with Strategic Workforce Solutions Group Limited or other wholly owned subsidiaries within the group.

During the year the Company incurred costs of £227,564 (2017: £234,222) in respect of accountancy, bookkeeping, computer and management services provided by Fact Pact Services Limited. The balance due to Fact Pact Services Limited at 30 November 2018 was £Nil (2017: £Nil). During the year the company also made payments on behalf of Fact Pact Services Limited. The balance due from Fact Pact Services Limited at 30 November 2018 was £57,402 (2017: £14,693). Fact Pact Services Limited is owned and controlled by AC Sweeney and NR Yorke.

During the year, the Company incurred costs of £53,000 (2017: £65,000) in respect of book-keeping services provided by Bestex Limited. The balance due to Bestex Limited at 30 November 2018 was £Nil (2017: £Nil).

The Company also incurred rental costs of £411,952 (2017: £354,539) on property owned by AC Sweeney and NR Yorke.

## Notes (continued)

### 17 Related party disclosures (continued)

#### Other loans 2018

Other loans represent amounts received from Directors.

|            | 2018<br>£ | 2017<br>£ |
|------------|-----------|-----------|
| AC Sweeney | 650,000   | -         |
| NR Yorke   | 400,000   | 40,000    |

Interest payable on the above loans is at a market rate.

### 18 Ultimate parent undertaking

The Company is a subsidiary undertaking of Strategic Workforce Solutions Group Limited which is the ultimate parent Company incorporated in the United Kingdom.

The largest group in which the results of the Company are consolidated is that headed by Strategic Workforce Solutions Group Limited, incorporated in the United Kingdom. The consolidated financial statements of the Company are available to the public and may be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. No other group financial statements include the results of the Company.

### 19 Contingent Liability

A contingent liability exists with regard to an ongoing discussion with HMRC regarding two travel schemes implemented in prior years. The nature of the discussions is complex and the directors are unable to form a view of the most likely outcome because they have not yet agreed with HMRC the facts and circumstances of the schemes. The directors have taken external advice, including that of Counsel. Given the uncertainties relating to the amount or timing of any liability that may arise, the directors have estimated a number of likely outcomes, which could include penalties and interest, resulting in a settlement of up to £14m. Should any financial obligation crystallise, the directors are satisfied that the Group would be in a position to satisfy such obligation.

### 20 Post balance sheet events

There were no significant events to disclose to the date on which these financial statements were approved.