

Michael Page International Recruitment Limited

Annual Report and Financial Statements

31 December 2018



Registration Number: 04130921

Michael Page International Recruitment Limited

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Michael Page International Recruitment Limited

Corporate information

Directors

Kelvin Stagg
Jeremy Tatham
Kaye Maguire

Company secretary

Kaye Maguire

Registered number

04130921

Registered office

Page House
1 Dashwood Lang Road
1 Bourne Business Park
Addlestone
Surrey
United Kingdom
KT15 2QW

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Michael Page International Recruitment Limited

Strategic report

for the year ended 31 December 2018

The Directors present the Strategic Report of Michael Page International Recruitment Limited ("the Company") for the year ended 31 December 2018.

Principal Activity and Business review

The principal activity of the company is to provide recruitment services to the UK market. The profit for the year, after taxation, amounted to £14,617K (2017 - £40,385k).

Key performance indicators ("KPIs")

Michael Page International Recruitment Limited operates as a specialist recruitment consultancy. The financial and non-financial key performance indicators used by management to monitor progress are listed below:

	2018	2017	Growth rate
Revenue	£312.9m	£312.1m	+0.3%
Gross profit (net fee income)	£137.7m	£139.9m	-1.6%
Gross margin (gross profit/turnover)	44.0%	44.8%	
Operating profit	£16.0m	£47.7m	-66.4%
Conversion (operating profit/gross profit)	11.6%	34.1%	
Productivity (gross profit per fee earner)	£139.4K	£138.4k	+0.7%
Fee earner: support staff ratio	70:30	72:28	
Staff headcount (average)	1,417	1,274	11.2
Debtor days	40 days	46 days	-12.7%

Gross Margin 44.0% (2017: 44.8%)

Gross profit as a percentage of turnover. Gross margin remained broadly flat compared to prior year.

Conversion 11.6% (2017: 34.6%)

Operating profit as a percentage of gross profit showing the Company's effectiveness at controlling the costs and expenses associated with its normal business operations and the level of investment for the future. The decrease in conversion is a result of the decrease in operating profit. This was primarily due to the rights to the royalty income from PageGroup plc subsidiaries being novated to Michael Page Recruitment Group Limited during 2017. As such no royalty was receivable in 2018 (2017: £25.1m) and a royalty was payable of £18.5m (2017: nil).

Productivity (gross profit per fee earner) £139.4k (2017: £138.4k)

Represents how productive fee earners are in the business and is calculated by dividing the gross profit for the year by the average number of fee earners and directors. The higher the value, the higher their productivity. Productivity is a function of the rate of investment in new fee earners, the impact of pricing and the general conditions of the recruitment market. There has been a slight increase in productivity due to a lower fee earner headcount and various initiatives to decrease fee earner administrative tasks.

Michael Page International Recruitment Limited
Strategic Report (continued)
for the year ended 31 December 2018

Fee earner : support staff ratio 70:30 (2017: 72:28)

Represents the balance between operational and non-operational staff. The decrease year-on-year is due to natural attrition within our more junior fee earners and an increase in support heads to facilitate group wide projects.

Debtor days 40 (2017: 46)

Represents the length of time the Company receives payments from its debtors. Calculated by comparing how many days' billings it takes to cover the debtor balance. The decrease year-on-year is due to a focus on debt collection around the year end period.

The source of data and calculation methods year-on-year are on a consistent basis.

Principal Risks and Uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of PageGroup plc ("the Group"), which is the Company's ultimate holding company, and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company and its subsidiaries, are as follows:

Shift in business model

The emergence of new technology platforms providers offering HR solutions and consulting may lead to increased competition and pressure on margins which may adversely affect the Group's results if it is unable to respond effectively.

Transformation and change

The company has implemented a new suite of IT applications and this has now been successfully delivered to all of our users. We have a working application suitable for our business which will deliver benefits on a global basis. There are still some residual risks around timing. As our business grows we may be unable to support our front end activities in an efficient and effective manner.

PageGroup brands and reputation

The quality and relevance of service we provide to both clients and candidates, could have a significant impact on how our brand is seen.

As the way clients and candidates source information changes the awareness of the PageGroup brand and services of clients and candidates could deteriorate.

In the short-term any event that could cause reputational damage is a risk to the Company such as a failure to comply with legislation, or other regulatory requirements, or confidential data being lost or stolen. Use of new social media network sites has increased the speed of communication and the reach, increasing the impact of an incident.

People attraction, development and retention

The company needs to hire, train and retain a large number of appropriately skilled people to achieve its vision. The factors that motivate, encourage and enable individuals to perform to their best have and will continue to evolve with an emphasis on work life balance, flexibility and the working environment.

Michael Page International Recruitment Limited
Strategic Report (continued)
for the year ended 31 December 2018

Principal Risks and Uncertainties (continued)

People attraction, development and retention (continued)

Diversity is a key enabler to any successful business. A lack of diversity in our people will impact on the achievement of our objectives. Our biggest challenge is still to address attrition levels during the first year of training.

Macro-economic exposure – risk of downturn

Recruitment activity is driven largely by economic cycles and the levels of business confidence. Businesses are less likely to need new hires and employees are less likely to move jobs when they do not have confidence in the market so leading to reduced recruitment activity.

A substantial proportion of the Company's profit arises from fees that are contingent upon the successful placement of a candidate in a position. If the client cancels the assignment at any stage in the process, the Company receives no remuneration. Brexit has increased the levels of uncertainty in the UK.

Foreign exchange – translation risk

Material changes in the strength of the sterling against the functional currencies of other group companies could have an effect on the reported sterling profits in the financial statements.

Information systems - technology

Our systems are an integral part of our operations. A major loss of systems capability would have a high impact on our performance, impacting the quality of service we provide to clients and candidates and our ability to deliver our financial performance. Failure of our IT systems to adapt to levels of business activity could result in lost opportunity during periods of rapid expansion or excessive costs during periods of contraction.

Our move to the delivery of IT as a flexible service increases our reliance on third party vendors for service delivery. Should one of these vendors fail we are at risk of a service disruption. Our systems must be able to adapt to the evolving technologies around Cloud to allow faster implementation of innovation or we could miss business opportunities.

Cyber security

Confidential, sensitive and personal data is held across the Company. Failure to secure and handle this data properly could expose the Company to loss of business, financial penalties and/or reputational damage. As stated earlier, our move to the delivery of IT as a flexible service increases our reliance on third parties. As a consequence, we also have an increased reliance on the third parties' IT security to secure our confidential and sensitive data.

We operate in an external environment that is seeing an increase in, and sophistication of, cyber-attacks from organized crime and nation states. In addition, the increased use of social media and digital communications channels, as well as reliance on third parties, Cloud computing and mobile data facilities, increase our exposure.

Michael Page International Recruitment Limited

Strategic report (continued) for the year ended 31 December 2018

Principal Risks and Uncertainties (continued)

Fiscal and legal compliance

Any non-compliance with client contract requirements and legislation or regulatory requirements could have an adverse effect on the Company's financial results.

Data protection regulations

New European data protection legislation comes into force in May 2018. This increases data governance and management requirements significantly, as well as increasing the potential penalties for non-compliance or data breaches.

Financial management and control

Failure to maintain adequate financial and management processes and controls could lead to poor quality management decisions, resulting in the Company not achieving its financial targets, or errors in the Company's financial reporting.

The Company has adopted the following risk management policies that seek to mitigate its exposure to financial risk:

Financial assets and liabilities that expose the Company to financial risk consist principally of cash, investments, third party receivables and intercompany debtors and creditors. The financial risks associated with these financial instruments are considered minimal. The most significant financial risk relates to investments, intercompany debtors and creditors. The recoverability of investments is assessed at year end and when indicators of impairments arise. The intercompany debtors and creditors are recoverable within the enlarged PageGroup.

The company places its cash in creditworthy institutions. The profile of trade debtors is such that the concentration of credit risk is not considered a concern. The carrying amounts of cash and bank balances and trade debtors approximate their respective fair values due to the short term maturity of these financial instruments. The Directors are of a view that the Company is not exposed to any significant interest rate or inflation rate risks.

This Strategic Report was approved by the Board on ²⁶ September 2019 and signed on its behalf.



Kelvin Stagg

Director

Company Number 04130921 registered in England and Wales

Registered office:

Page House
1 Dashwood Lang Road
The Bourne Business Park
Addlestone
Surrey, KT15 2QW

Michael Page International Recruitment Limited
Directors' report
for the year ended 31 December 2018

The Directors of the Company present their report and the financial statements for the year ended 31 December 2018.

Directors

The Directors who served during the year, and up to the date of this report, were:

Kelvin Stagg

Elaine Marriner (resigned 10 August 2018)

Jeremy Tatham (appointed 10 August 2018)

Kaye Maguire (appointed 11 December 2018)

Dividend

An interim dividend of £2,869k was paid in the year (2017: nil). The Directors do not recommend a final dividend (2017: nil).

Future developments

Whilst operating profit was down on 2018 this is due to the novation of circa 300 support staff from Michael Page Holdings, a fellow subsidiary, to the company. The year saw continued uncertain economic conditions as clients are reluctant to make investment decisions whilst Brexit negotiations are ongoing. The Company is well placed, through diversification by location and discipline, to continue to provide recruitment services to its clients and benefit from improved confidence levels in the future.

Disabled employees

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Employment policy

The Company continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate. The Company also remains committed to employee involvement throughout the business. Employees are kept well informed of the performance and strategy of the Company through personal briefings, regular meetings, emails and other communications from the Chief Executive Officer and members of the Executive Board.

Michael Page International Recruitment Limited
Directors' report (continued)
for the year ended 31 December 2018

Directors' and officers' liability

The Company has made qualifying third party indemnity provision for the benefit of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in place during the year and remains in force as at the date of approving this Directors' Report.

Going concern

The Company's business activities, together with the factors likely to affect its future development and principle risks and uncertainties are described in the Strategic Report on pages 2 to 5.

The Company is profitable and in a net asset position as at 31 December 2018. As a consequence, the Directors believe that it is well placed to manage its business risks successfully.

The Directors have undertaken a review of future forecast profitability and liquidity. Based on this review the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

The Auditor, Ernst & Young LLP, will be proposed for reappointment at the Company's annual general meeting in accordance with section 485 of the Companies Act 2006.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

Michael Page International Recruitment Limited

**Directors' report (continued)
for the year ended 31 December 2018**

Directors' responsibilities statement (continued)

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Risk Management

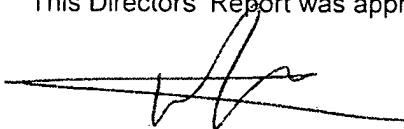
Please refer to the Strategic Report for comments about the financial risk management of the Company.

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow Directors and of the Company's Auditor, each of these Directors confirms that:

- so far as each Director at the date of approving this Report is aware, there is no information (that is, information needed by the Company's Auditor in connection with preparing their report) of which the Company's Auditor are unaware; and
- each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Auditor is aware of that information.

This Directors' Report was approved by the Board and signed on its behalf.



Kelvin Stagg
Director

Date: 26 September 2019

Independent auditor's report

to the members of Michael Page International Recruitment Limited

Opinion

We have audited the financial statements of Michael Page International Recruitment Limited for the year ended 31 December 2018 which comprise the statement of comprehensive income, statement of changes in equity, balance sheet and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit 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 below. We are independent of the company 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.

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 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of Michael Page International Recruitment Limited

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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the 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 the knowledge and understanding of the 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 in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)

to the members of Michael Page International Recruitment Limited

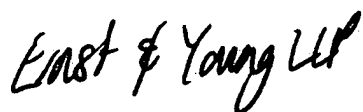
Auditor's responsibilities for the audit of the financial statements

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our 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.



Rachel Savage (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 27 September 2019

Michael Page International Recruitment Limited
Statement of comprehensive income
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue	3	312,891	312,080
Cost of sales		<u>(175,148)</u>	<u>(172,147)</u>
Gross profit		<u>137,743</u>	<u>139,933</u>
Other operating income	4	-	25,420
Administrative expenses		<u>(121,711)</u>	<u>(117,642)</u>
Operating profit	5	<u>16,032</u>	<u>47,712</u>
Income from share in group undertakings		2,869	-
Financial income	7	3	3
Financial expenses	7	<u>(23)</u>	<u>(74)</u>
		<u>2,849</u>	<u>(71)</u>
Profit before taxation		18,881	47,641
Income tax	8	<u>(4,264)</u>	<u>(7,256)</u>
Profit for the year		<u>14,617</u>	<u>40,385</u>
Other comprehensive income		-	-
Total comprehensive Income for the year		<u>14,617</u>	<u>40,385</u>

The above results relate to continuing operations.

Statement of changes in equity
for the year ended 31 December 2018

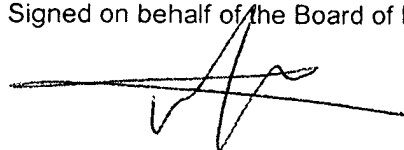
	Called up Share capital £000	Retained earnings £000	Total Equity £000
At 1 January 2017	421,544	370,377	791,921
Total comprehensive income for the year	-	40,385	40,385
Share-based payment transactions	-	1,535	1,535
At 31 December 2017	<u>421,544</u>	<u>412,297</u>	<u>833,841</u>
Profit for the year	-	14,617	14,617
Dividends paid	-	(2,869)	(2,869)
Share-based payment transactions	-	3,720	3,720
At 31 December 2018	<u>421,544</u>	<u>427,765</u>	<u>849,309</u>

Michael Page International Recruitment Limited
Balance Sheet
at 31 December 2018

		31 Dec 2018	31 Dec 2017
	Notes	£000	£000
Non-current assets			
Intangible assets	10	529	477
Property, plant and equipment	9	6,254	6,894
Investments	11	351,413	351,413
Deferred tax assets	8	1,101	1,274
		<u>359,297</u>	<u>360,058</u>
Current assets			
Trade and other receivables	12	1,147,561	970,368
Cash at bank and in hand		1,067	2,862
Income tax receivable		1,060	-
		<u>1,149,688</u>	<u>973,230</u>
Total assets		<u>1,508,985</u>	<u>1,333,288</u>
Current liabilities			
Trade and other payables	13	(657,781)	(494,812)
Income tax payable		-	(2,561)
		<u>(657,781)</u>	<u>(497,373)</u>
Net current assets		<u>491,907</u>	<u>475,857</u>
Non-current liabilities			
Other payables	13	(1,895)	(2,074)
		<u>(1,895)</u>	<u>(2,074)</u>
Total liabilities		<u>(659,676)</u>	<u>(499,447)</u>
Net assets		<u>849,309</u>	<u>833,841</u>
Capital and reserves			
Called up share capital	14	421,544	421,544
Retained earnings	16	427,765	412,297
Total equity		<u>849,309</u>	<u>833,841</u>

The financial statements of Michael Page International Recruitment Limited (Company Number 04130921) set out on pages 12 to 30 were approved by the Board of Directors and authorised for issue on 26 September 2019.

Signed on behalf of the Board of Directors



Kelvin Stagg
Director

Date: 26 September 2019

Michael Page International Recruitment Limited
Notes to the financial statements
at 31 December 2018

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Michael Page International Recruitment Limited (the 'Company') for the year ended 31 December 2018 were authorised for issue by the board of directors on 26 September 2019 and the balance sheet was signed on the board's behalf by Kelvin Stagg. Michael Page International Recruitment Limited is a private company limited by share capital incorporated and domiciled in England and Wales.

These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of PageGroup plc.

The results of Michael Page International Recruitment Limited are included in the consolidated financial statements of PageGroup plc which are available from The Page Group, Page House, 1 Dashwood Lang Road, The Bourne Business Park, Addlestone, Weybridge, KT15 2QW.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (e) the requirements of paragraphs 10(d), 10(f), 40(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, changes in Estimates and Errors
- (i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that transactions are between wholly owned members of the same Group; and
- (j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

New standards, interpretations and amendments

During 2018, a detailed assessment of IFRS 15 – Revenue from Customers and IFRS 9 – Financial Instruments was completed. As a result of these assessments no adjustments were required.

2.2 Judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes.

- **Note 2.3 – revenue recognition**

In making its judgement, management considered the detailed criteria for the recognition of revenue from permanent placements where a position has been accepted by a candidate, a start date agreed but employment has not yet commenced. A provision is made by management based on past historical experience, for the proportion of those placements where the candidate is expected to reverse their acceptance prior to the start date.

For revenue earned on a retained basis we have assessed there is one performance obligation, namely the provision of recruitment services which happens over time. It creates an asset with no other alternative use.

- **Note 12 – trade and other receivables**

There is uncertainty regarding customers who may not be able to pay as their invoices fall due. In reviewing the appropriateness of the provisions in respect of recoverability of trade receivables, consideration has been given to the economic climate in the respective markets, the ageing of the debt and the potential likelihood of default.

- **Note 8 – deferred tax**

Management has estimated the likely value of deferred tax assets in respect of share based payments and accelerated capital allowances.

Michael Page International Recruitment Limited

Notes to the financial statements (continued) at 31 December 2018

2. Accounting policies (continued)

2.3 Significant accounting policies

Going concern

The directors have undertaken a review of future forecast profitability and liquidity. Based on this the directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue and income recognition

Revenue, which excludes value added tax ("VAT"), constitutes the value of services undertaken by the Company from its principal activities which are recruitment consultancy and other ancillary services. These consist of:

- revenue from temporary placements, which represents amounts billed for the services of temporary staff, including the salary cost of these staff. This is recognised when the service has been provided;
- revenue from permanent placements is typically based on a percentage of the candidate's remuneration package and is derived from both retained assignments (income recognised on completion of defined stages of work) and non-retained assignments (income recognised at the date an offer is accepted by a candidate and where a start date has been determined). The latter includes revenues anticipated, but not invoiced, at the balance sheet date, which is correspondingly accrued on the balance sheet within prepayments and accrued income. Retained revenue is deemed to have one performance obligation, namely the provision of recruitment services. The transfer of services happens over time since our work creates an asset with no alternative use. A provision is made against accrued income for possible cancellations of placements prior to, or shortly after the commencement of employment;
- revenue from amounts billed to clients for expenses incurred on their behalf (principally advertisements) is recognised when the expense is incurred; and
- revenue from royalties from fellow group subsidiaries are recognised when the right to receive payment is established (see Note 4).

All revenue arose within the United Kingdom.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Michael Page International Recruitment Limited

Notes to the financial statements (continued) at 31 December 2018

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

Intangible assets

(i) Trademark

Acquired trademarks are stated at cost and are written down over five years on a straight line basis, which represents the estimated useful life of the asset.

(ii) Computer Software

Computer software acquired or developed by the Company is stated at cost less accumulated amortization. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of the intangible assets. Computer software is amortised at 20% per annum unless it is considered to have a shorter life, in which case the period of amortization is reduced. The company reviews intangible software assets for any indication of impairment annually. The Company performed this test on the carrying amount of computer software at 31 December 2018 and noted no indications of impairment.

Property, plant and equipment

Property plant and equipment are stated at original cost less accumulated depreciation. Depreciation is calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life at the following rates:

- Motor vehicles 25% per annum
- Leasehold improvements 10% per annum or period of lease if shorter
- Computer equipment 10-20% per annum
- Fixtures & Fittings and Office equipment 10-20% per annum

Investments

Fixed asset investments are stated at cost less provision for impairment.

Impairment of assets

In relation to non-financial assets with finite useful lives, the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount to determine the extent of any impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For certain categories of financial asset such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the corporation tax and deferred tax charges. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to profit or loss, 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 Company intends to settle its current tax assets and liabilities on a net basis.

Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension costs charged to profit or loss represent the contributions payable by the Company to the funds during each period.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

Share-based payments

The PageGroup PLC group operates a number of equity-settled share-based compensation plans which are provided to certain employees of the Company.

(i) Share option schemes

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense to the income statement with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example earnings per share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the estimate of the number of options that are expected to become exercisable is revised. The Company recognises the impact of the revision of original estimates, if any, in the income statement and the corresponding adjustment to equity over the remaining vesting period.

(ii) Deferred Annual Bonus and Long-term Incentive Plans

Where deferred awards are made to Directors and senior executives under either the Management Incentive Plan or the Long-Term Incentive Plan, to reflect that the awards are for services over a longer period, the value of the expected award is charged to the income statement on a straight-line basis over the vesting period to which the award relates.

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, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Financial assets and liabilities

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, trade and other payables and Group balances.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost less any impairment.

Cash and cash equivalents includes cash-in-hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Trade and other payables are stated at cost. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

3. Revenue

All revenue arose from fees charged to external customers in the United Kingdom.

4. Other operating income

	2018	2017
	£000	£000
Royalty receivable	<u>-</u>	<u>25,420</u>

In June 2017 license fee rights of the company were novated to Michael Page Recruitment Group Limited. As such no royalties were receivable from fellow group subsidiaries in 2018 (2017: £25.1m), with £18.5m being payable to Michael Page Recruitment Group Limited (2017: nil).

5. Operating profit

	2018	2017
	£000	£000
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment	1,938	1,112
Amortisation of intangible assets	162	237
Net foreign currency exchange differences	52	1
Operating lease payments	5,593	2,317
Profit on disposal of property, plant and equipment	(67)	(153)

Auditor's remuneration of £50k (2017: £50k) for the audit of the financial statements of Michael Page International Recruitment Limited was borne by the intermediate parent company in the current and prior year.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

6. Staff costs and directors' remuneration

Staff costs

	2018 £000	2017 £000
Wages and salaries	87,248	70,849
Social security costs	10,902	9,003
Share based payments and deferred cash plan	5,033	1,951
Pension costs – defined contribution plan	3,189	2,356
Total	106,372	83,948

The average monthly number of employees during the year was made up as follows:

	2018 No.	2017 No.
Management	65	70
Client services	924	946
Support staff	428	258
Total	1,417	1,274

Directors' remuneration

No remuneration was paid or is payable to the Directors in their capacity as Directors of the Company as they were remunerated in respect of their employment with other companies within the PageGroup plc group ("PageGroup") (2017: £Nil). Total emoluments paid by the PageGroup to the Directors of the Company consisted of remuneration of £2,274k (2017: £1,938k) and pension contributions of £76k (2017: £89k). Remuneration details for Directors of Michael Page International Recruitment Limited who also serve on the Board of the ultimate parent company can be found in the Directors' Remuneration Report on pages 65 to 77 of the PageGroup Annual Report and Accounts for the year ended 31 December 2018, which does not form part of this report but can be found on the Group web site at www.page.com/investors. It is not practicable to identify the proportion of these emoluments that relate to the services to this Company.

7. Financial income and expenses

	2018 £000	2017 £000
Financial income		
Interest receivable	3	3
Total interest receivable and similar income	3	3
Financial expenses		
Bank interest payable	(23)	(74)
Total interest payable and similar costs	(23)	(74)

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

8. Taxation

(a) Tax charged in the Statement of comprehensive income

	2018 £000	2017 £000
Current income tax:		
UK corporation tax	2,634	8,285
Prior year adjustment	1,457	(28)
Current year tax	<u>4,091</u>	<u>8,237</u>
Deferred tax:		
Origination and reversal of temporary differences	(28)	(814)
Prior year adjustment	201	(167)
Total deferred tax	<u>173</u>	<u>(981)</u>
Total tax charge	<u>4,264</u>	<u>7,256</u>

(b) Reconciliation of the total tax charge

The tax expense for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £000	2017 £000
Accounting profit before income tax	<u>18,881</u>	<u>47,640</u>
Tax calculated at UK standard rate of corporation tax of 19.00% (2017: 19.25%)	3,587	9,171
Expenses not deductible for tax purposes	154	660
Non-taxable dividends from group companies	(545)	-
Non-qualifying assets	71	(226)
Employee Share schemes	(190)	(609)
Group relief received	(471)	(1,546)
Prior year adjustment	1,658	(195)
Total tax charge reported in the Statement of comprehensive income	<u>4,264</u>	<u>7,256</u>

(c) Change in corporation tax rates

Reductions to the UK main corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 were both substantively enacted prior to the year end. Consequently, these rates have been used in the calculation of the tax balances in the Company's financial statements for the current year.

(d) Deferred tax

The deferred tax included in the company balance sheet is as follows:

	2018 £000	2017 £000
Deferred taxation		
At 1 January	1,274	293
(Released)/charged/ for the year	(173)	981
At 31 December	<u>1,101</u>	<u>1,274</u>
The deferred taxation balance is made up as follows:		
Accelerated capital allowances	208	450
Share based payments	893	824
	<u>1,101</u>	<u>1,274</u>

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

9. Property, Plant and Equipment

	Leasehold improvements	Fixtures & Fittings & office equipment	Computer equipment	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 January 2018	3,753	748	2,007	1,770	8,278
Additions	559	110	594	327	1,590
Disposals	(381)	(4)	-	(780)	(1,165)
At 31 December 2018	3,931	854	2,601	1,317	8,703
Depreciation:					
At 1 January 2018	360	55	266	703	1,384
Charge for the year	783	121	667	366	1,937
Disposals	(381)	-	-	(491)	(872)
At 31 December 2018	762	176	933	578	2,449
Carrying amount:					
At 31 December 2018	3,169	678	1,668	739	6,254
<i>At 31 December 2017</i>	<i>3,394</i>	<i>694</i>	<i>1,741</i>	<i>1,066</i>	<i>6,894</i>

10. Intangible assets

	Computer software £000	Trademarks £000	Total £000
Cost:			
At 1 January 2018	557	747	1,304
Additions	199	15	214
At 31 December 2018	756	762	1,518
Amortisation:			
At 1 January 2018	227	600	827
Charge for the year	152	10	162
At 31 December 2018	379	610	989
Carrying amount:			
At 31 December 2018	377	152	529
<i>At 31 December 2017</i>	<i>330</i>	<i>147</i>	<i>477</i>

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

11. Investments

(a) Investments in subsidiaries

	Investments in subsidiaries £000
Cost and carrying amount 31 December 2018	351,413
Cost and carrying amount 31 December 2017	<u>351,413</u>

(b) Details of group undertakings

The Company's subsidiary undertakings at 31 December 2018 and 31 December 2017 are as follows:

Name of undertaking	Country of incorporation	Percentage held	Principal activity	Registered Address
Michael Page Recruitment Group Limited*	Great Britain	100%	Holding company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page Holdings Limited	Great Britain	100%	Holding company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page Partnership Limited	Great Britain	100%	Holding company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page International Holdings Limited	Great Britain	100%	Holding company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page UK Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Page Personnel (UK) Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Slamway Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page Employment Services Limited	Great Britain	100%	Recruitment Consultancy	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
The Assessment Centre Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
MPM (Group Services) Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Sales Recruitment Specialists Limited	Great Britain	100%	Non trading company	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
The Page Partnership Limited	Great Britain	100%	Dormant	Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

11. Investments (continued)

Name of undertaking	Country of incorporation	Percentage held	Principal activity	Registered Address
Michael Page International Limited (Formerly PageGroup Limited)	Great Britain	100%	Non trading company	Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page International 1982 Limited	Great Britain	100%	Non trading company	Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page International Investment Limited	Great Britain	100%	Non trading company	Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page International Finance Limited	Great Britain	100%	Non trading company	Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK
Michael Page International (Deutschland) GmbH	Germany	100%	Recruitment Consultancy	Carl Theodor Strasse 1, 40213 Dusseldorf, Germany
Page Personnel (Deutschland) GmbH	Germany	100%	Recruitment Consultancy	Carl Theodor Strasse 1, 40213 Dusseldorf, Germany
Michael Page Interim (Deutschland) GmbH	Germany	100%	Recruitment Consultancy	Carl Theodor Strasse 1, 40213 Dusseldorf, Germany
Page Personnel Services GmbH	Germany	100%	Recruitment Consultancy	Carl Theodor Strasse 1, 40213 Dusseldorf, Germany
Michael Page International (Nederland) BV	Netherlands	100%	Recruitment Consultancy	World Trade Center, Strawinskylaan 421, 107XX, Amsterdam, Netherlands
Page Interim BV	Netherlands	100%	Recruitment Consultancy	World Trade Center, Strawinskylaan 421, 107XX, Amsterdam, Netherlands
Michael Page International (Belgium) NV/SA	Belgium	100%	Recruitment Consultancy	Place du Champ de Mars 5 , 1050 Brussels, Belgium
Page Interim (Belgium) NV/SA	Belgium	100%	Recruitment Consultancy	Place du Champ de Mars 5 , 1050 Brussels, Belgium
Michael Page International GmbH	Austria	100%	Recruitment Consultancy	Second floor, Gumpendorfer StrauÙe 72, Wien, Austria
Michael Page International (Sweden) AB	Sweden	100%	Recruitment Consultancy	Master Samuelsgatan 42, 14tr 111 57 Stockholm, Sweden
Michael Page International (Switzerland) SA	Switzerland	100%	Recruitment Consultancy	Quai de la Poste 12, CH-1204 Geneva, Switzerland
Michael Page International Canada Limited	Canada	100%	Recruitment Consultancy	130 Adelaide Street West, 21st Floor, Toronto, Ontario, M5H 1J8, Canada
Michael Page International (Japan) K.K.	Japan	100%	Recruitment Consultancy	6F Hulin Kamiyacho Building, 4-3-13 Toranomon, Minato-ku, Tokyo 105-0001, Japan
Michael Page International (Hong Kong) Limited	Hong Kong	100%	Recruitment Consultancy	611 One Pacific Place, 88 Queensway, Hong Kong

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

11. Investments (continued)

Name of undertaking	Country of incorporation	Percentage held	Principal activity	Registered Address
Michael Page (Beijing) Recruitment Co. Ltd	China	100%	Recruitment Consultancy	Room 2701 & 2708, SK Tower Beijing, No.6 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, China
Michael Page (Shanghai) Recruitment Co. Ltd	China	100%	Recruitment Consultancy	Level 11, Tower 2, Jing An Kerry Centre, 1539 Nanjing Road West, Shanghai, 200040, China
Michael Page International (Shanghai) Consulting Ltd	China	100%	Recruitment Consultancy	Suite 1010, Shanghai Kerry Centre, 1515 Nanjing West Road, Shanghai, PRC
Taiwan Michael Page International Co. Ltd*	Taiwan	100%	Recruitment Consultancy	8F-1 Shin Kong Xin Yi Financial Building, 36-1 Songren Road Xin-Yi District, Taipei City, Taiwan 110
Michael Page International (SA) (Pty) Limited	South Africa	100%	Recruitment Consultancy	PO Box 653555, Benmore 2010, South Africa
Michael Page Africa (SA) (Pty) Limited	South Africa	100%	Recruitment Consultancy	PO Box 653555, Benmore 2010, South Africa
Michael Page International (Poland) Sp.Z.O.O	Poland	100%	Recruitment Consultancy	ul. Zlota 59, 00-120 Warsaw, Poland
Michael Page International (UAE) Limited	UAE	100%	Recruitment Consultancy	No. 202, Al Fattan Currency House, Tower 1, Dubai International Finance Centre (DIFC), PO Box 506702, Dubai, United Arab Emirates
Michael Page International (Australia) Pty Limited	Australia	100%	Recruitment Consultancy	Level 32, 225 George Street, Sydney, NSW 2000, Australia
Michael Page International (Malaysia) Sdn Bhd	Malaysia	100%	Recruitment Consultancy	10th Floor, Wisma Hamjah-Kwong Hing, No.1 Leboh Ampang, 50100 Kuala Lumpur
Michael Page International Recruitment Pvt Ltd	India	9.15%	Recruitment Consultancy	5th Floor, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (E), Mumbai 400051, India
Michael Page International Personnel Italia Spa	Italy	25%	Recruitment Consultancy	Via Spadari 1, 20123 Milan, Italy
Page Personnel Italia Spa	Italy	25%	Recruitment Consultancy	Via Spadari 1, 20123 Milan, Italy
Michael Page International Brasil SC Ltda	Brazil	10%	Recruitment Consultancy	Rua Funchal 375, 7th Floor Vila Olimpia, CEP 04551-060, Sao Paulo, Brazil
Michael Page International Chile Ltda	Chile	10%	Recruitment Consultancy	Magdalena 181, Piso 16, Las Condes, Santiago 7550055, Chile
Page Personnel International Chile Ltda*	Chile	50%	Recruitment Consultancy	Magdalena 181, Piso 16, Las Condes, Santiago 7550055, Chile
Empresa de Servicios Transitorios Page Interim Chile Ltda*	Chile	50%	Recruitment Consultancy	Magdalena 181, Piso 16, Las Condes, Santiago 7550055, Chile
MPI Argentina SA	Argentina	12%	Recruitment Consultancy	Carlos Pellegrini 1265, Piso 12, Ciudad de Buenos Aires, C1009ABY, Argentina

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

11. Investments (continued)

Name of undertaking	Country of incorporation	Percentage held	Principal activity	Registered Address
Page Personnel Argentina SA	Argentina	25%	Recruitment Consultancy	Carlos Pellegrini 1265, Piso 12, Ciudad de Buenos Aires, C1009ABY, Argentina
Page Personnel Argentina Servicios Eventuales SA	Argentina	25%	Recruitment Consultancy	Carlos Pellegrini 1265, Piso 12, Ciudad de Buenos Aires, C1009ABY, Argentina
Michael Page International Mexico Servicios Corporativos SA de CV	Mexico	10%	Recruitment Consultancy	Av. Paseo de la Reforma, No. 115, Piso 10, Col. Lomas de Chapultepec, Z.C. 11000, CDMX, Mexico
Michael Page International Mexico Reclutamiento Especializado SA de CV	Mexico	10%	Recruitment Consultancy	Av. Paseo de la Reforma, No. 115, Piso 10, Col. Lomas de Chapultepec, Z.C. 11000, CDMX, Mexico
Michael Page International Empresa de Trabalho Temporario e Servicos de Consultadoria Lda	Portugal	2%	Recruitment Consultancy	Avenida da Liberdade n 180A, 1250-146 Lisboa, Portugal

* The equity of the subsidiary undertaking is held directly by the Company. The other subsidiaries are held through indirect ownership.

All companies operate principally in their country of incorporation. The Group headed by PageGroup plc holds 100% of all classes of issued share capital.

12. Trade and other receivables

	31 Dec 2018 £000	31 Dec 2017 £000
Trade receivables	37,049	44,868
Less provision for impairment of receivables	(1,224)	(1,040)
Net trade receivables	<u>35,825</u>	<u>43,828</u>
Amounts owed by group undertakings	1,093,405	912,988
Prepayments and accrued income	17,033	12,293
Other receivables	<u>1,298</u>	<u>1,261</u>
	<u>1,147,561</u>	<u>970,368</u>

All amounts due from Group undertakings are unsecured, interest-free and repayable on demand

13. Trade and other payables

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

	31 Dec 2018 £000	31 Dec 2017 £000
Current		
Trade payables	149	777
Amounts owed to group undertakings	627,369	463,255
Accruals and deferred income	21,359	19,825
Other taxation and social security	7,556	8,397
Other payables	<u>1,348</u>	<u>2,558</u>
	<u>657,781</u>	<u>494,812</u>
Non-current		
Other payables	<u>1,895</u>	<u>2,074</u>

All amounts due from Group undertakings are unsecured, interest-free and repayable on demand

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2018

14. Authorised and issued share capital

	2018 thousands	2017 thousands	2018 £000	2017 £000
Cost:				
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>421,544</u>	<u>421,544</u>	<u>421,544</u>	<u>421,544</u>

15. Share-based payments

Certain employees of the company have received share awards from the ultimate parent company 'PageGroup plc' under the following share schemes: Executive Share Option Scheme (ESOS) and Share Option Scheme (SOS). Under these schemes, options are awarded over ordinary 1 pence shares in PageGroup plc. All options granted are settled by physical delivery of shares. The company has no legal or constructive obligation to repurchase or settle the options in cash.

The following table summarises transactions during the year and the share awards outstanding at 31 December 2018:

Year of Grant	Number of options outstanding 1 Jan 2018	Exercised in the year	Options granted in the year	Options lapsed	Options trans- ferred	Number of options outstanding 31 December 2018	Exer- cise price per share	Weighted average remaining contrac- tual life, years
2009 (Note 2)*	88,750	(92,259)	-	-	41,709	38,200	187.5p	0.0
2010 (Note 1)*	548,774	(765,804)	-	-	266,507	49,477	381.5p	0.0
2011 (Note 2)	519,069	(42,788)	-	(93,977)	10,527	392,831	491.0p	0.3
2012 (Note 2)*	366,308	(176,410)	-	-	34,273	224,171	477.0p	0.2
2013 (Note 2)*	453,000	(258,070)	-	-	31,719	226,649	442.0p	0.3
2014 (Note 2)*	640,000	(293,940)	-	-	23,940	370,000	484.0p	0.6
2015 (Note 2)*	564,945	(284,839)	-	(106)	-	280,000	526.0p	0.5
2016 (Note 2)*	590,000	-	-	(37,389)	-	552,611	406.0p	1.3
2017 (Note 2)	590,000	-	-	(30,000)	(25,000)	535,000	435.44p	1.4
2018 (Note 2)	-	-	510,000	(35,000)	-	475,000	529.0p	1.4
Total 2018	4,360,846	1,914,111	510,000	(196,472)	383,676	3,143,939		6.0

*These options have fully vested.

Weighted average share price of options exercised during the reported period was £4.29.

Note 1

Executive Share Option Scheme (ESOS)

Under the ESOS, awards of share options can be made to key management personnel and senior employees to receive shares in the ultimate holding company, PageGroup plc. Share options are exercisable at the market price of the shares at the date of the grant. No awards were made under the ESOS scheme since 2010, and this award has fully vested.

For grants under the ESOS plan, the performance condition is tested on the third anniversary and no retesting is allowed thereafter. The share options under the ESOS were granted subject to a performance condition requiring that an option may only be exercised, in normal circumstances, if there has been an increase in base earnings per share of at least 3% per annum above the growth in the UK Retail Price Index.

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Note 2

Share Options Scheme (SOS)

The share awards granted in 2011, 2013, 2014, 2015 and 2016 were granted under SOS plan. Under this plan, performance conditions will be tested, initially, three years after the date of grant and then annually until either the grant has vested, or ten years from the date of the award have elapsed, in which case any awards outstanding under the grant will lapse. The performance condition is directly linked to the operating profit of PageGroup. If Operating Profit is £30m, then 30% of the award would vest. For every £1m of Operating Profit over £30m, a further 1% would vest. 100% of the award would vest if Operating Profit was £100m.

The performance conditions for each award outstanding are as follows:

As the Group's 2011 Operating Profit was £86.0m, 86% of this award vested on 10 March 2012, with a further 4% vesting on 10 March 2016 following the 2015 result. Following 2016's Operating Profit of £101.0m, the final portion of the award vested on 10 March 2017.

Further grants under the SOS have been made in each year from 2011. The performance conditions for these grants are also directly linked to the Group's Operating Profit.

For the 2011 grant, if Operating Profit is in excess of £100m, 1% of the award will vest for every additional £1m of Operating Profit achieved, up to a maximum of 100% at Operating Profit of £200m or more. Following 2017's operating profit, 18% of this award will vest.

For grants between 2012 and 2015, if Operating Profit is in excess of £50m, a proportion of the award equivalent to the amount of Operating Profit achieved will vest up to a maximum of 100% if the Operating Profit is £100m or more. As Operating Profit of £118.3m was achieved this year, the performance criteria have been fully achieved and these awards will vest in full when their three year time periods have elapsed.

For the 2016 grant, if Operating Profit is in excess of £75m, 2% of the award will vest for every additional £1m of Operating Profit achieved, up to a maximum of 100% at Operating Profit of £125m or more.

For the 2017 grant, if Operating Profit is in excess of £50m, 1% of the award will vest for every additional £1m of Operating Profit achieved, up to a maximum of 100% at Operating Profit of £125m or more.

For the 2018, grant if Operating profit is in excess of £75m, 25% of the award will vest. 1% of the award will vest for every additional £1m of Operating profit achieved, up to a maximum of 100% at Operating Profit of £150m or more.

Other share-based payment plans

The Company also operates a Management Incentive Plan for the Executive Directors and senior employees and a Long-Term Incentive Plan for the Senior Executives. Details of these plans are disclosed in the Directors' Remuneration Report and are settled by cash or the physical delivery of shares, currently satisfied by shares held in the Employee Benefit Trust, part of PageGroup plc, to the extent that service and performance conditions are met.

Share option valuation and measurement

In 2018, options were granted on 16 March with the estimated fair values of the options granted on that day of £0.96. In 2017, options were granted on 16 March with the estimated fair values of the options granted on that day of £1.11.

Share options are granted under service and non-market performance conditions. These conditions are not taken into account in the fair value measurement at grant date. There are no market conditions associated with the share option grants.

The Company recognised total expenses of £3.7m (2017: £1.6m) related to equity-settled share-based payment transactions during the year.

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16. Reserves

	Retained earnings £000
1 January 2018	412,297
Profit for the year	14,617
Dividends paid	(2,869)
Share based payment transactions	3,720
31 December 2018	<u>427,765</u>

17. Capital commitments

At 31 December 2018, the Company had capital commitments relating to property, plant and equipment, which are contracted for but not provided in these financial statements of £nil (2017: £59k).

18. Contingent liabilities

As a result of a group registration for VAT purposes, the Company is contingently liable for VAT liabilities arising in other companies within the VAT group, which at 31 December 2018 amounted to £5.9m (2017: £6.1m).

19. Related Party Transactions

The company is taking advantage of the exemption in IAS 24 Related Party Disclosures not to disclose transactions with entities that are also wholly owned subsidiaries of PageGroup plc.

20. Ultimate Group undertaking

The immediate parent company and ultimate parent company is PageGroup plc, a company incorporated in Great Britain. PageGroup plc is the parent undertaking of the largest and smallest group which includes the Company and for which group financial statements are prepared. Copies of the group financial statements of PageGroup plc are available from The Page Group, Page House, 1 Dashwood Lang Road, The Bourne Business Park, Addlestone, Surrey, KT15 2QW.