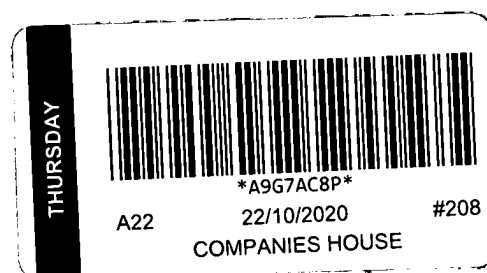


Michael Page International Recruitment Limited

Annual Report and Financial Statements

31 December 2019



Registration Number: 04130921

Michael Page International Recruitment Limited

Table of contents

| | |
|---|-------|
| Corporate information | 1 |
| Strategic report | 2 |
| Directors' report | 8 |
| Independent auditor's report | 11 |
| Statement of comprehensive income | 14 |
| Statement of changes in equity | 14 |
| Balance sheet | 15 |
| Notes to the financial statements | 16-34 |

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
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 2019

The Directors present the Strategic Report of Michael Page International Recruitment Limited ("the Company") for the year ended 31 December 2019.

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 £53,560K (2018 - £14,617k).

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:

| | 2019 | 2018 | Growth rate |
|--|----------------|---------|-------------|
| Revenue | £313.0m | £312.9m | +0.0% |
| Gross profit (net fee income) | £134.4m | £137.7m | -2.4% |
| Gross margin (gross profit/turnover) | 42.9% | 44.0% | |
| Operating profit | £13.8m | £16.0m | -13.7% |
| Conversion (operating profit/gross profit) | 10.3% | 11.6% | |
| Productivity (gross profit per fee earner) | £141.7K | £139.4K | +1.6% |
| Fee earner: support staff ratio | 69:31 | 70:30 | |
| Staff headcount (average) | 1,374 | 1,417 | -3.0% |
| Debtor days | 39 days | 40 days | -2.5% |

Gross Margin 42.9% (2018: 44.0%)

Gross profit as a percentage of turnover. Gross margin declined by £3.3m (-2.4%) due to an increase in temporary placements as a proportion of revenue, which is at a lower margin than permanent placements.

Conversion 10.3% (2018: 11.6%)

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.

Productivity (gross profit per fee earner) £141.7k (2018: £139.4k)

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.

Fee earner : support staff ratio 69:31 (2018: 70:30)

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.

Michael Page International Recruitment Limited
Strategic Report (continued)
for the year ended 31 December 2019

Debtor days 39 (2018: 40)

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 2019

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 2019

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.

Section 172 (1) Statement and Statements on engagement with suppliers, customers and others

S172 of the Companies Act requires Directors to take into consideration the interests of stakeholders in their decision-making. The following describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006. This section of the strategic report and the pages to which it refers, comprises the Company's section 172(1) statement together with the statements as to how the directors have engaged with employees and had regard to their interests and how the Directors have had regard to the Company's business relationships with customers, suppliers and other external stakeholders.

Michael Page International Recruitment Limited
Strategic report (continued)
for the year ended 31 December 2019

The Board understands that providing recruitment services touches many people's lives. As a wholly owned subsidiary of PageGroup plc, the Directors ensure that decisions are beneficial to all the Company's stakeholders as well as having regard to the long-term sustainable success of the Group as a whole. A number of the Directors attend the PageGroup plc board ensuring a close alignment of purpose, strategy and priorities between the Company and its ultimate shareholder. To assist in discharging their s172 duties, the Directors also have access to and receive regular information from the UK Executive Committee known as the "UK Board" who are charged with the day to day running of the Company.

The Company's key stakeholders are listed below together with stakeholder engagement activities:

Employees: we are a people business and delivering the best service possible can only be achieved through having an engaged workforce. Board members communicate with employees through Yammer, a collaborative work-based social networking tool used extensively by the Company's employees. In 2019 the "Have Your Say" engagement survey was undertaken across the workforce. The results of this survey are presented to the Company's employees, along with plans of how any changes identified will be implemented.

Employee networks are well established across the business and the Company has been awarded the Inclusive Top 50 employers award in the UK for our dedication to inclusion across all protected characteristics.

Clients & Candidates: the success of the business depends on offering first class recruitment services and solutions to our customers. Clients and candidates are regularly surveyed to gain insight and aid understanding of our customers' needs. The Board reviews the financial and operational performance of the Company as part of its oversight of the service it delivers to customers.

Suppliers: our business needs responsible business partners with expertise in areas outside of recruitment. The Board considers it important to pay suppliers promptly. Our latest payment practice reporting shows that the average time taken to pay invoices is 2 days and 98% of invoices are paid within 30 days.

Communities: We recognise that businesses need to have a positive impact. Areas considered as crucial to the conduct of the Company's business internally and within the wider community include modern slavery. One of the Directors sits on the modern slavery working group and the Board annually reviews the Company's modern slavery policy.

The Board is highly supportive of giving back to the community. The company is a Charity partner of Great Ormond Street Hospital and supports Smart Works, a charity providing coaching services for unemployed women with confirmed job interviews.

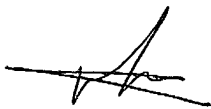
Further details of PageGroup Plc's policies and practices can be found in the latest Annual report of PageGroup plc located on the PageGroup website.

Michael Page International Recruitment Limited
Strategic report (continued)
for the year ended 31 December 2019

Post Balance Sheet Events

During 2020 the World and the UK is experiencing the devastating effects of the Coronavirus pandemic. The effect of Coronavirus on these financial statements would be an adjusting post balance sheet event if further facts came to light about circumstances that existed at year end. It is the Board's view that this is a non-adjusting post balance sheet event. This is on the basis that as at the 31 December 2019 the World Health Organisation had not declared a global health emergency and there were no cases or evidence of the spread of the virus within the UK.

This Strategic Report was approved by the Board on 30 September 2020 and signed on its behalf.



Kelvin Stagg
Director

Company Number 04130921 registered in England and Wales

Registered office:

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

Michael Page International Recruitment Limited
Directors' report
for the year ended 31 December 2019

The Directors of the Company present their report and the financial statements for the year ended 31 December 2019.

Directors

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

Kelvin Stagg
Jeremy Tatham
Kaye Maguire

Dividend

An interim dividend of £42,237k was paid in the year (2018: £2,869k). The Directors do not recommend a final dividend (2018: nil).

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.

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.

Michael Page International Recruitment Limited
Directors' report (continued)
for the year ended 31 December 2019

Going concern

The Board has undertaken a review of the Group's forecasts, of which the Company is a subsidiary, and associated risks and sensitivities, considering the expected impact of COVID-19 on trading in the period to 12 months from approval of the financial statements.

Following the reduction in activity starting in March across the Group, the Management adopted a number of cost control and cash conservation measures. The monthly cost base was reduced by a combination of salary cuts, reduced working weeks, government assistance schemes, reduced travel, and other costs.

PageGroup plc, the ultimate parent company, had £161.7m of cash as at 30 June 2020 with no debt except for IFRS 16 lease liabilities of £121.0m. Debt facilities relevant to the review period comprise a committed £30m BBVA RCF (May 2022 maturity), an uncommitted £300m government CCFF (available to March 2022 if drawn in March 2021), an uncommitted UK trade debtor discounting facility (up to £50m depending on debtor levels) and an uncommitted £20m UK bank overdraft facility.

The Group has developed Base Case and Downside scenarios that demonstrate the Board's best estimate and severe but plausible downside scenarios respectively. The Base Case and Downside forecasts are based on assumptions for gross profit and costs that take account of the possibility of a second COVID wave and further recessionary pressures, but not all the cost containment measures that are available to the Company if required. Both scenarios demonstrate significant cash headroom, thereby not needing to utilise any of the facilities. However, in the remote likelihood that conditions worsen materially beyond our current Downside scenario, we may need to draw upon our £30m RCF, where we have negotiated a covenant waiver that expires on 31 December 2021. The Directors expect that access to the uncommitted Bank of England CCFF £300m facility would also be available.

Having considered the Group's forecasts, the level of cash resources available to the business and the Group's borrowing facilities as well as the ability to manage the cost base, the Board has concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of the financial statements.

Auditor

The Company previously announced that it intended to undertake a competitive tender for the Company's external audit services and that it would announce the outcome of the process ahead of the Annual General Meeting. Given the current circumstances, it has not been possible to conduct the tender and as such we propose that Ernst & Young LLP be reappointed at the forthcoming AGM in accordance with section 485 of the Companies Act 2006. It remains the Company's intention to conduct the tender during the course of 2020 to the extent that it is practicable. An update will be issued in due course.

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.

Michael Page International Recruitment Limited
Directors' report (continued)
for the year ended 31 December 2019

Directors' responsibilities statement (continued)

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.

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 8. 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: 30 September 2020

Michael Page International Recruitment Limited

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 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and the related notes 1 to 19, 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 2019 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 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.

Emphasis of Matter – COVID-19

We draw attention to Note 2.3 "Going Concern" of the financial statements, which describe the financial and operational consequences the Company is facing as a result of COVID-19 which is impacting customer demand. Our opinion is not modified in respect of this matter.

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

Michael Page International Recruitment Limited

Independent auditor's report (continued)

to the members of Michael Page International Recruitment Limited

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.

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.

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.

Michael Page International Recruitment Limited

Independent auditor's report (continued)

to the members of Michael Page International Recruitment Limited

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: 30 September 2020

Michael Page International Recruitment Limited

Statement of comprehensive income for the year ended 31 December 2019

| | Notes | 2019 £000 | 2018 £000 |
|--|-------|-----------------------------|----------------------|
| Revenue | 3 | 312,968 | 312,891 |
| Cost of sales | | <u>(178,568)</u> | <u>(175,148)</u> |
| Gross profit | | <u>134,400</u> | <u>137,743</u> |
| Administrative expenses | | <u>(120,572)</u> | <u>(121,711)</u> |
| Operating profit | 4 | <u>13,828</u> | <u>16,032</u> |
| Income from share in group undertakings | | 42,237 | 2,869 |
| Financial income | 6 | - | 3 |
| Financial expenses | 6 | <u>(80)</u> | <u>(23)</u> |
| | | <u>42,157</u> | <u>2,849</u> |
| Profit before taxation | | 55,985 | 18,881 |
| Income tax | 7 | <u>(2,425)</u> | <u>(4,264)</u> |
| Total comprehensive Income for the year | | <u><u>53,560</u></u> | <u><u>14,617</u></u> |

The above results relate to continuing operations.

Statement of changes in equity for the year ended 31 December 2019

| | Called up Share capital £000 | Retained earnings £000 | Total Equity £000 |
|--------------------------------------|---------------------------------------|------------------------------|-------------------------|
| At 1 January 2018 | 421,544 | 412,297 | 833,841 |
| 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> |
| Gain on adoption of IFRS 16 (note 2) | - | 108 | 108 |
| At 1 January 2019 | 421,544 | 427,873 | 849,417 |
| Profit for the year | - | 53,560 | 53,560 |
| Dividends paid | - | (42,237) | (42,237) |
| Share-based payment transactions | - | 3,294 | 3,294 |
| At 31 December 2019 | <u>421,544</u> | <u>442,490</u> | <u>864,034</u> |

Michael Page International Recruitment Limited
Balance Sheet
at 31 December 2019

| | | 31 Dec 2019 | 31 Dec 2018 |
|--------------------------------|-------|------------------|------------------|
| | Notes | £000 | £000 |
| Non-current assets | | | |
| Intangible assets | 9 | 636 | 529 |
| Property, plant and equipment | 8 | 6,163 | 6,254 |
| Right-of-use assets | 2 | 1,127 | - |
| Investments | 10 | 351,413 | 351,413 |
| Deferred tax assets | 7 | 1,275 | 1,101 |
| | | <u>360,614</u> | <u>359,297</u> |
| Current assets | | | |
| Trade and other receivables | 11 | 1,116,701 | 1,147,561 |
| Income tax receivable | | 9,631 | 1,060 |
| Cash at bank and in hand | | 1,762 | 1,067 |
| | | <u>1,128,094</u> | <u>1,149,688</u> |
| Total assets | | <u>1,488,708</u> | <u>1,508,985</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | (621,441) | (657,781) |
| Lease liabilities | 2 | (223) | - |
| | | <u>(621,664)</u> | <u>(657,781)</u> |
| Net current assets | | <u>506,430</u> | <u>491,907</u> |
| Non-current liabilities | | | |
| Lease liabilities | 2 | (882) | - |
| Other payables | 12 | (2,128) | (1,895) |
| | | <u>(624,674)</u> | <u>(659,676)</u> |
| Total liabilities | | <u>(624,674)</u> | <u>(659,676)</u> |
| Net assets | | <u>864,034</u> | <u>849,309</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 421,544 | 421,544 |
| Retained earnings | 15 | 442,490 | 427,765 |
| Total equity | | <u>864,034</u> | <u>849,309</u> |

The financial statements of Michael Page International Recruitment Limited (Company Number 04130921) set out on pages 14 to 34 were approved by the Board of Directors and authorised for issue on 30 September 2020.

Signed on behalf of the Board of Directors



Kelvin Stagg
Director

Date: 30 September 2020

Michael Page International Recruitment Limited
Notes to the financial statements
at 31 December 2019

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 2019 were authorised for issue by the board of directors on 30 September 2020 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, 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 2019

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

The company adopted IFRS 16 – Leases on the 1 January 2019. For a detailed assessment of the impact on adoption please see note 2.4.

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 11 – 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 7 – 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 2019

2. Accounting policies (continued)

2.3 Significant accounting policies

Going concern

The Board has undertaken a review of the Group's forecasts, of which the Company is a subsidiary, and associated risks and sensitivities, considering the expected impact of COVID-19 on trading in the period to 12 months from approval of the financial statements.

Following the reduction in activity starting in March across the Group, the Management adopted a number of cost control and cash conservation measures. The monthly cost base was reduced by a combination of salary cuts, reduced working weeks, government assistance schemes, reduced travel, and other costs.

PageGroup plc, the ultimate parent company, had £161.7m of cash as at 30 June 2020 with no debt except for IFRS 16 lease liabilities of £121.0m. Debt facilities relevant to the review period comprise a committed £30m BBVA RCF (May 2022 maturity), an uncommitted £300m government CCFF (available to March 2022 if drawn in March 2021), an uncommitted UK trade debtor discounting facility (up to £50m depending on debtor levels) and an uncommitted £20m UK bank overdraft facility.

The Group has developed Base Case and Downside scenarios that demonstrate the Board's best estimate and severe but plausible downside scenarios respectively. The Base Case and Downside forecasts are based on assumptions for gross profit and costs that take account of the possibility of a second COVID wave and further recessionary pressures, but not all the cost containment measures that are available to the Company if required. Both scenarios demonstrate significant cash headroom, thereby not needing to utilise any of the facilities. However, in the remote likelihood that conditions worsen materially beyond our current Downside scenario, we may need to draw upon our £30m RCF, where we have negotiated a covenant waiver that expires on 31 December 2021. The Directors expect that access to the uncommitted Bank of England CCFF £300m facility would also be available.

Having considered the Group's forecasts, the level of cash resources available to the business and the Group's borrowing facilities as well as the ability to manage the cost base, the Board has concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of 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

All revenue arose within the United Kingdom.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

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.

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 2019 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.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

Impairment of assets (continued)

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.

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.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

2. Accounting policies (continued)

2.3 Significant accounting policies (continued)

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.

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 2019

2. Accounting policies (continued)

2.4 Adoption of IFRS 16 Leases

a) Adoption of IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. A lessee can choose to apply the standard using either a full retrospective approach or a modified retrospective approach.

The Company adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the practical expedient on transition allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), lease contracts for which the underlying asset is of low value ('low-value assets') and to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application. Hindsight was used in determining the lease term for those contracts where an option exists to extend or terminate the lease.

The adoption under the Modified Retrospective approach is a combination of both the Modified (a) and Modified (b) method, depending on the specific lease. In both cases a full restatement of comparatives is not necessary. Under both methods the lease liability is equal to the discounted future lease payments using a discount rate at the date of initial application. Under Modified (a) method the right-of-use asset is calculated on a retrospective basis and an adjustment to reserves is made on transition. Under Modified (b) method the right-of-use asset is equal to the lease liability with no reserve adjustment required.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

Impact on the Balance Sheet (increase/(decrease)) as at 1 January 2019

| | £000's |
|--------------------------|----------------|
| Right-of-use assets | 1,391 |
| Prepayments | (35) |
| Total Assets | 1,356 |
| Liabilities | |
| Lease liabilities | (1,359) |
| Deferred Income | 111 |
| Total Liabilities | (1,248) |
| Equity | (108) |

b) Nature of the effect of adoption of IFRS 16

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The £1.4m right of use asset recognised on transition related to Property leases for offices rented. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

2. Accounting policies (continued)

2.4 Adoption of IFRS 16 Leases (continued)

c) Amounts recognised in the Balance Sheet and Statement of Comprehensive Income

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

Amounts recognised in the Balance Sheet and Statement of Comprehensive Income

| | 2019 £'000 |
|--|---------------|
| Statement of Comprehensive Income | |
| Depreciation expense (included in Administrative expenses) | (253) |
| Rental expenses (included in Administrative expenses) | 290 |
| Operating profit | 37 |
| Finance costs | (15) |
| Profit before tax | 22 |

| | Right-of-use Assets | Lease Liabilities |
|-------------------------------|----------------------------|--------------------------|
| | Property | Property |
| | £'000 | £'000 |
| As at 1 January 2019 | 1,391 | (1,359) |
| Additions | - | |
| Disposals | (11) | 11 |
| Depreciation expense | (253) | - |
| Interest expense | - | (15) |
| Payments | - | 258 |
| As at 31 December 2019 | 1,127 | (1,105) |

d) Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

- **Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- **Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

2. Accounting policies (continued)

2.4 Adoption of IFRS 16 Leases (continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- **Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

- **Judgement in determining the lease term of contracts with renewal options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to ten years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3. Revenue

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

4. Operating profit

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| This is stated after charging/(crediting): | | |
| Depreciation of property, plant and equipment | 2,049 | 1,938 |
| Depreciation of right-of-use assets | 253 | - |
| Amortisation of intangible assets | 188 | 162 |
| Net foreign currency exchange differences | (81) | 52 |
| Operating lease payments | 5,703 | 5,593 |
| Profit on disposal of property, plant and equipment | (125) | (67) |

Auditor's remuneration of £50k (2018: £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 2019

5. Staff costs and directors' remuneration

Staff costs

| | 2019 £000 | 2018 £000 |
|---|----------------|----------------|
| Wages and salaries | 84,492 | 87,248 |
| Social security costs | 11,132 | 10,902 |
| Share based payments and deferred cash plan | 4,410 | 5,033 |
| Pension costs – defined contribution plan | 3,251 | 3,189 |
| Total | 103,285 | 106,372 |

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

| | 2019 No. | 2018 No. |
|-----------------|--------------|--------------|
| Management | 57 | 65 |
| Client services | 892 | 924 |
| Support staff | 425 | 428 |
| Total | 1,374 | 1,417 |

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") (2018: £Nil). Total emoluments paid by the PageGroup to the Directors of the Company consisted of remuneration of £1,931k (2018: £2,274k) and pension contributions of £73k (2018: £76k). 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 72 to 94 of the PageGroup Annual Report and Accounts for the year ended 31 December 2019, 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.

6. Financial income and expenses

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Financial income | | |
| Interest receivable | - | 3 |
| Total interest receivable and similar income | - | 3 |
| Financial expenses | | |
| Lease interest | (15) | |
| Bank interest payable | (65) | (74) |
| Total interest payable and similar costs | (80) | (74) |

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

7. Taxation

(a) Tax charged in the Statement of comprehensive income

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Current income tax: | | |
| UK corporation tax | 2,484 | 2,634 |
| Prior year adjustment | 115 | 1,457 |
| Current year tax | <u>2,599</u> | <u>4,091</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (168) | (28) |
| Prior year adjustment | (6) | 201 |
| Total deferred tax | <u>(174)</u> | <u>173</u> |
| Total tax charge | <u>2,425</u> | <u>4,264</u> |

(b) Reconciliation of the total tax charge

The tax expense for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are reconciled below:

| | 2019 £000 | 2018 £000 |
|--|---------------|---------------|
| Accounting profit before income tax | <u>55,985</u> | <u>18,881</u> |
| Tax calculated at UK standard rate of corporation tax of 19.00% (2018: 19.00%) | 10,637 | 3,587 |
| Expenses not deductible for tax purposes | 177 | 154 |
| Non-taxable dividends from group companies | (8,025) | (545) |
| Non-qualifying assets | 59 | 71 |
| Employee Share schemes | (374) | (190) |
| Group relief received | (158) | (471) |
| Prior year adjustment | 109 | 1,658 |
| Total tax charge reported in the Statement of comprehensive income | <u>2,425</u> | <u>4,264</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:

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| Deferred taxation | | |
| At 1 January | 1,101 | 1,274 |
| (Released)/charged for the year | 174 | (173) |
| At 31 December | <u>1,275</u> | <u>1,101</u> |
| The deferred taxation balance is made up as follows: | | |
| Accelerated capital allowances | 139 | 208 |
| Share based payments | 1,136 | 893 |
| | <u>1,275</u> | <u>1,101</u> |

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

8. Property, Plant and Equipment

| | Leasehold improvements | Fixtures & Fittings & office equipment | Computer equipment | Motor vehicles | Total |
|----------------------------|---------------------------|---|-----------------------|-------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Cost: | | | | | |
| At 1 January 2019 | 3,931 | 854 | 2,601 | 1,317 | 8,703 |
| Additions | 1,097 | 259 | 413 | 317 | 2,086 |
| Disposals | (702) | - | (10) | (499) | (1,211) |
| At 31 December 2019 | 4,326 | 1,113 | 3,004 | 1,135 | 9,578 |
| Depreciation: | | | | | |
| At 1 January 2019 | 762 | 176 | 933 | 578 | 2,449 |
| Charge for the year | 858 | 131 | 716 | 344 | 2,049 |
| Disposals | (701) | - | (10) | (372) | (1,083) |
| At 31 December 2019 | 919 | 307 | 1,639 | 550 | 3,415 |
| Carrying amount: | | | | | |
| At 31 December 2019 | 3,407 | 806 | 1,365 | 585 | 6,163 |
| <i>At 31 December 2018</i> | <i>3,169</i> | <i>678</i> | <i>1,668</i> | <i>739</i> | <i>6,254</i> |

9. Intangible assets

| | Computer software £000 | Trademarks £000 | Total £000 |
|----------------------------|------------------------------|--------------------|---------------|
| Cost: | | | |
| At 1 January 2019 | 756 | 762 | 1,518 |
| Additions | 122 | 173 | 295 |
| At 31 December 2019 | 878 | 935 | 1,813 |
| Amortisation: | | | |
| At 1 January 2019 | 379 | 610 | 989 |
| Charge for the year | 168 | 20 | 188 |
| At 31 December 2019 | 547 | 630 | 1,177 |
| Carrying amount: | | | |
| At 31 December 2019 | 331 | 305 | 636 |
| <i>At 31 December 2018</i> | <i>377</i> | <i>152</i> | <i>529</i> |

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

10. Investments

(a) Investments in subsidiaries

| | Investments in subsidiaries £000 |
|---|--|
| Cost and carrying amount 31 December 2019 | <u>351,413</u> |
| Cost and carrying amount 31 December 2018 | <u>351,413</u> |

(b) Details of group undertakings

The Company's subsidiary undertakings at 31 December 2019 and 31 December 2018 are as follows:

| Name of undertaking | Country of incorporation | Percentage held | Principal activity | Registered Address |
|---|-----------------------------|--------------------|-------------------------|---|
| Michael Page Recruitment Group Limited* | England and Wales | 100% | Holding company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page Holdings Limited | England and Wales | 100% | Holding company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page Partnership Limited | England and Wales | 100% | Holding company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page International Holdings Limited | England and Wales | 100% | Holding company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page UK Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Page Personnel (UK) Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Slamway Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page Employment Services Limited | England and Wales | 100% | Recruitment Consultancy | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| The Assessment Centre Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| LPM (Group Services) Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Sales Recruitment Specialists Limited | England and Wales | 100% | Non trading company | Page House, 1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| The Page Partnership Limited | England and Wales | 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 2019

10. Investments (continued)

| Name of undertaking | Country of incorporation | Percentage held | Principal activity | Registered Address |
|--|---------------------------------|------------------------|---------------------------|--|
| Michael Page International Limited (Formerly PageGroup Limited) | England and Wales | 100% | Non trading company | Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page International 1982 Limited | England and Wales | 100% | Non trading company | Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page International Investment Limited | England and Wales | 100% | Non trading company | Page House,1 Dashwood Lang Road, Bourne Business Park, Weybridge, Surrey, KT15 2QW, UK |
| Michael Page International Finance Limited | England and Wales | 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 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) B.V. | Netherlands | 100% | Recruitment Consultancy | World Trade Center, Strawinskylaan 421, 107XX, Amsterdam, Netherlands |
| Page Interim B.V. | 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 (Austria) GmbH | Austria | 100% | Recruitment Consultancy | Second floor, Gumpendorfer Strauße 72, Wien, Austria |
| Michael Page International (Sweden) AB | Sweden | 100% | Recruitment Consultancy | Master Samuelsgatan 42, l4tr 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 2019

10. 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 1009-1012, 10/F, West Tower, World Financial Centre, No.1 East 3rd Ring Middle Road, Chaoyang District, Beijing, 100020, China |
| Michael Page (Shanghai) Recruitment Co., Ltd | China | 100% | Recruitment Consultancy | Level 18, HKRI Taikoo Hui Tower2, 288 Shimen Yi Road, Shanghai, 200041, 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 |
| Agensi Pekerjaan Michael Page International (Malaysia) SDN BHD | Malaysia | 100% | Recruitment Consultancy | 10th Floor, Wisma Hamjah-Kwong Hing, No.1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia |
| 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 Italia Srl | 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 Do Brasil Recrutamento Especializado 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 |
| Michael Page International 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 2019

10. Investments (continued)

| Name of undertaking | Country of incorporation | Percentage held | Principal activity | Registered Address |
|---|---------------------------------|------------------------|---------------------------|--|
| 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 S.A. de C.V. | 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.

11. Trade and other receivables

| | 31 Dec 2019 | 31 Dec 2018 |
|--|--------------------|--------------------|
| | £000 | £000 |
| Trade receivables | 36,374 | 37,049 |
| Less provision for impairment of receivables | <u>(1,087)</u> | <u>(1,224)</u> |
| Net trade receivables | <u>35,287</u> | <u>35,825</u> |
| Amounts owed by group undertakings | 1,063,752 | 1,093,405 |
| Prepayments and accrued income | 837 | 17,033 |
| Other receivables | <u>16,825</u> | <u>1,298</u> |
| | <u>1,116,701</u> | <u>1,147,561</u> |

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

12. Trade and other payables

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

| | 31 Dec 2019 | 31 Dec 2018 |
|------------------------------------|--------------------|--------------------|
| | £000 | £000 |
| Current | | |
| Trade payables | 1,889 | 149 |
| Amounts owed to group undertakings | 589,817 | 627,369 |
| Accruals and deferred income | 5,762 | 21,359 |
| Other taxation and social security | 3,025 | 7,556 |
| Other payables | <u>20,948</u> | <u>1,348</u> |
| | <u>621,441</u> | <u>657,781</u> |
| | 31 Dec 2019 | 31 Dec 2018 |
| | £000 | £000 |
| Non-current | | |
| Other payables | <u>2,128</u> | <u>1,895</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 2019

13. Authorised and issued share capital

| | 2019 thousands | 2018 thousands | 2019 £000 | 2018 £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> |

14. 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 2019:

| Year of Grant | Number of options outstanding 1 Jan 2019 | Exercised in the year | Options granted in the year | Options lapsed | Options trans- ferred | Number of options outstanding 31 December 2019 | Exer- cise price per share | Weighted average remaining contrac- tual life, years |
|-------------------|---|--------------------------|-----------------------------------|-------------------|-----------------------------|---|-------------------------------------|---|
| 2009 (Note 2)* | 38,200 | (31,200) | - | (7,000) | - | - | 187.5p | 0.0 |
| 2010 (Note 1)* | 49,477 | (39,050) | - | - | - | 10,427 | 381.5p | 0.0 |
| 2011 (Note 2) | 392,831 | (39,370) | - | - | 48,493 | 401,954 | 491.0p | 0.1 |
| 2012 (Note 2)* | 224,171 | (10,000) | - | - | 15,000 | 229,171 | 477.0p | 0.2 |
| 2013 (Note 2)* | 226,649 | (10,000) | - | - | (3,333) | 213,316 | 442.0p | 0.2 |
| 2014 (Note 2)* | 370,000 | (15,000) | - | - | 17,500 | 372,500 | 484.0p | 0.5 |
| 2015 (Note 2)* | 280,000 | - | - | - | - | 280,000 | 526.0p | 0.5 |
| 2016 (Note 2)* | 552,611 | (292,085) | - | (37,611) | - | 222,915 | 406.0p | 0.4 |
| 2017 (Note 2)* | 535,000 | - | - | - | - | 535,000 | 435.44p | 1.2 |
| 2018 (Note 2) | 475,000 | - | - | - | - | 475,000 | 529.0p | 1.2 |
| 2019 (Note 2) | - | - | 475,000 | - | - | 475,000 | 458.2p | 1.4 |
| Total 2019 | 3,143,939 | (436,705) | 475,000 | (44,611) | 77,660 | 3,215,283 | | 5.6 |

*These options have fully vested.

Weighted average share price of options exercised during the reported period was £4.01.

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.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

Note 2

Share Options Scheme (SOS)

Executive Directors of the Company are not eligible to participate in this plan. Any exercises of awards made under this plan are settled by shares held in the Employee Benefit Trust.

This share option scheme was created in 2009 to provide an effective plan under which to grant awards from 2009 onwards. It was the Board's view that grants made under the existing ESOS, which would have required an increase over the 2008 base earnings per share of at least 3% per annum above the growth in the UK Retail Price Index by 2011, would not be achievable due to the impact of the global downturn on the Group's EPS and thus would not provide the required retention incentive. 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 2019's operating profit, 46% of this award will have vested.

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 in 2017, the performance criteria have been fully achieved and these awards have fully vested.

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. As Operating Profit of £142.5m was achieved in 2018, the performance criteria have been fully achieved and these awards have fully vested.

For the 2017 grant, if Operating Profit is in excess of £50m, 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 £125m or more. As Operating Profit of £146.7m was achieved in 2019, the performance criteria have been fully achieved and these awards have fully vested.

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.

For the 2019 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.

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 2019, options were granted on 12 March with the estimated fair values of the options granted on that day of £0.68. In 2018, options were granted on 16 March with the estimated fair values of the options granted on that day of £0.96.

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 £3.3m (2018: £3.7m) related to equity-settled share-based payment transactions during the year.

Michael Page International Recruitment Limited
Notes to the financial statements (continued)
at 31 December 2019

15. Reserves

| | Retained earnings £000 |
|----------------------------------|---------------------------------------|
| 1 January 2019 | 427,765 |
| Profit for the year | 53,560 |
| Dividends paid | (42,237) |
| Share based payment transactions | 3,294 |
| Gain on adoption of IFRS 16 | 108 |
| 31 December 2019 | <u>442,490</u> |

16. Capital commitments

At 31 December 2019, the Company had capital commitments relating to property, plant and equipment, which are contracted for but not provided in these financial statements of £nil (2018: nil).

17. 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 2019 amounted to £4.3m (2018: £5.9m).

18. 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.

19. 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 PageGroup, Page House, 1 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey, KT15 2QW.