

# **Protiviti Limited**

Annual Report and Financial Statements

for the year ended 31 December 2009

*Registered Number 04482240*



# **Protiviti Limited**

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## **DIRECTORS and ADVISORS for the year ended 31 December 2009**

### **EXECUTIVE DIRECTORS**

R W Glass  
M K Waddell

### **SECRETARY**

A M Plumbly

### **REGISTERED OFFICE**

Washington House  
International Square  
Off Starley Way  
Birmingham  
B37 7GN

### **REGISTERED AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants & Registered Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### **BANKERS**

The Royal Bank of Scotland plc  
1 St Phillips Place  
Birmingham  
B3 2RB

### **SOLICITORS**

Baker & McKenzie  
100 New Bridge Street  
London  
EC4V 6JA

# **Protiviti Limited**

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## **DIRECTORS' REPORT**

**for the year ended 31 December 2009**

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **PRINCIPAL ACTIVITY OF THE COMPANY**

The principal activity of the company continues to be the provision of internal audit and business risk consulting services

### **COMPANY NUMBER**

The registered company number is 04482240

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The company continues to address the challenges brought about by the adverse economic conditions, closely monitoring and where appropriate realigning the cost base to reflect the reality of today's marketplace. Investment has also been made in key areas to enable the company to maximise its opportunities as economic conditions improve. Over the course of 2009 the company has continued to develop its business to further reduce its reliance upon business risk services. As a result of the ongoing economic downturn the company made an operating loss of £1.8 million (2008: £1.5 million loss).

During 2009, the number of staff decreased by 16% from an average of 77 in 2008 to 65. Whilst the company has seen a lower demand for its services for Sarbanes-Oxley compliance, it has continued to develop its workforce to provide them with more diverse skills to expand into other areas of risk management and internal audit in order to support sustained growth.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

#### ***Dependence upon personnel***

The company's performance depends largely on the ability to continue to attract, train and retain high calibre individuals. The company has focused on improving employee benefits and continuing to offer equity incentives to support the long term retention of valued employees. While the company has retained its key personnel to date, there can be no assurance that it will continue to be able to do so.

#### ***Reputation***

The success of the company's performance is highly dependent upon its reputation. Any event that adversely impacts the reputation of the business could materially and adversely affect the future results of the company.

#### ***Demand for services***

The company provides services related to Sarbanes-Oxley and other regulatory compliance. There can be no assurance that there will be an ongoing demand for these services or that the current regulatory framework will be maintained in its current form.

#### ***Competition***

The company operates in a highly competitive business, where the barriers to entry are quite low.

#### ***Potential liability***

The company consists of providing internal audit and business risk consulting services. A liability may arise or litigation could be instituted against the company for claims related to these activities or to prior transactions or activities. There can be no assurance that such liability or litigation will not have an adverse impact on the company.

## Protiviti Limited

### DIRECTORS' REPORT

for the year ended 31 December 2009 (continued)

#### KEY PERFORMANCE INDICATORS (KPIs)

Company performance during the year has been measured by management using the following financial and non-financial KPIs. The source of the data and calculation methods year-on-year are on a consistent basis. Performance during the year together with comparative data is set out in the table below.

| KPI                     | 2009 | 2008 | Definition and method of calculation  |
|-------------------------|------|------|---|
| Growth in Revenue       | -25% | 10%  | Year on year revenue decline/growth expressed as a percentage. Source: Profit and loss account in the financial statements.   |
| Gross Margin %          | 7%   | 13%  | Ratio of gross profit to revenue expressed as a percentage. Gross profit is after charging direct employee costs, advertising, bad debt and royalties. Source: Profit and loss account in the financial statements.   |
| Operating Loss Margin % | -26% | -16% | Ratio of operating loss before interest and tax to revenue expressed as a percentage. Source: Profit and loss account in the financial statements.  |
| Growth in staff         | -16% | -8%  | Year on year reduction in staff expressed as a percentage. The company reduced its overall staffing levels from 2008. Source: Note 6 of the financial statements.   |
| Debtors Days            | 35   | 60   | Number of days sales outstanding calculated using the count back method. The company successfully reduced its days sales outstanding by 25 days. Source: Internal data.   |
| Current Ratio           | 1.08 | 0.78 | The current ratio is derived by dividing current assets by current liabilities, and is a good indicator of the company's ability to meet short-term debt obligations. The higher the ratio the more liquid the company is. The current ratio is higher than last year due to increases in both cash and debtors. Source: Balance sheet in the financial statements. |

#### FINANCIAL RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 December 2009 are set out on pages 7 to 19.

The financial results show a loss for the financial year of £1,426,913 (2008: £1,299,012). No dividends were paid or proposed during the year (2008: £nil).

#### DIRECTORS

The directors who served during the year and subsequently were as follows:

R W Glass  
M K Waddell

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## **Protiviti Limited**

### **DIRECTORS' REPORT**

**for the year ended 31 December 2009 (continued)**

#### **EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company is committed to an active Equal Opportunities policy to ensure individuals are appointed, promoted, trained and developed, and treated on the basis of their relevant merits and abilities. The company's objective is to ensure no applicant or employee receives less favourable treatment, directly or indirectly on the grounds of sex, colour, race, religion, ethnic or national origin, marital status, disability, age or sexual orientation.

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This information is circulated to employees through a dedicated website and regular email announcements.

#### **POLITICAL AND CHARITABLE DONATIONS**

There were no political or charitable donations made in either the current or prior year.

#### **SUPPLIER PAYMENT POLICY**

The company's policy is to abide by the agreed terms of payment with suppliers where the goods and services have been supplied in accordance with the relevant terms and conditions of contract. The number of days purchases outstanding for payment by the company at 31 December 2009 is 10 (2008: 2 days).

#### **FINANCIAL RISK MANAGEMENT**

The directors have not disclosed the company's financial risk management objectives and policies nor the company's exposure to price risk, credit risk, liquidity risk and cash flow risk as such information is not considered material for the assessment of the company's assets, liabilities, financial position and loss for the financial year.

# **Protiviti Limited**

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## **DIRECTORS' REPORT**

**for the year ended 31 December 2009 (continued)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (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 judgements 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

### **STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware.

Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the board,



Director

24 September 2010

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROTIVITI LIMITED**

We have audited the financial statements of Protiviti Limited for the year ended 31 December 2009 which comprise the Profit And Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

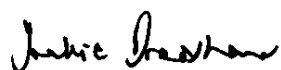
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept, 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



Jackie Bradshaw (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Birmingham

27 September 2010

## Protiviti Limited

### PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

|  | <i>Note</i> | <b>2009</b><br>£   | <b>2008</b><br>£   |
|--|-------------|--------------------|--------------------|
| <b>TURNOVER</b>                                    | 3           | <b>7,073,217</b>   | <b>9,393,577</b>   |
| Cost of sales                                      |             | <b>(6,610,911)</b> | <b>(8,182,523)</b> |
| <b>GROSS PROFIT</b>                                |             | <b>462,306</b>     | <b>1,211,054</b>   |
| Administrative expenses                            |             | <b>(2,267,888)</b> | <b>(2,710,518)</b> |
| <b>OPERATING LOSS</b>                              | 7           | <b>(1,805,582)</b> | <b>(1,499,464)</b> |
| Interest receivable and similar income             | 8           | <b>16,501</b>      | <b>-</b>           |
| Interest payable and similar charges               | 8           | <b>(151,634)</b>   | <b>(165,343)</b>   |
| <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |             | <b>(1,940,715)</b> | <b>(1,664,807)</b> |
| Tax on loss on ordinary activities                 | 9           | <b>513,802</b>     | <b>365,795</b>     |
| <b>LOSS FOR THE FINANCIAL YEAR</b>                 | 16,17       | <b>(1,426,913)</b> | <b>(1,299,012)</b> |

The accompanying notes on pages 9 to 19 are an integral part of the financial statements. All activities relate to continuing operations for both financial years.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial years as stated above and their historical cost equivalents.

The company has no recognised gains and losses in either year other than the loss for the financial years as stated above and therefore no separate statement of total recognised gains and losses has been presented.

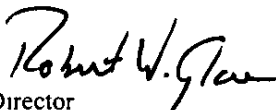


## Protiviti Limited

### BALANCE SHEET as at 31 December 2009

|   | <i>Note</i> | <i>2009</i><br>£ | <i>2008</i><br>£ |
|---|-------------|------------------|------------------|
| <b>FIXED ASSETS</b>                                   |             |                  |                  |
| Tangible assets                                       | 11          | 15,217           | 38,723           |
| <b>CURRENT ASSETS</b>                                 |             |                  |                  |
| Debtors Amounts falling due within one year           | 12          | 4,531,930        | 3,730,728        |
| Cash at bank and in hand                              |             | 1,633,143        | 704,553          |
|   |             | 6,165,073        | 4,435,281        |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b> | 13          | (5,710,088)      | (5,694,827)      |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>               |             | 454,985          | (1,259,546)      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |             | 470,202          | (1,220,823)      |
| <b>PROVISION FOR LIABILITIES AND CHARGES</b>          | 14          | (145,869)        | (92,826)         |
| <b>NET ASSETS/(LIABILITIES)</b>                       |             | 324,333          | (1,313,649)      |
| <b>CAPITAL AND RESERVES</b>                           |             |                  |                  |
| Called up share capital                               | 15          | 3,000,001        | 1                |
| Profit and loss account                               | 17          | (2,675,668)      | (1,313,650)      |
| <b>TOTAL SHAREHOLDERS' FUNDS/(DEFICIT)</b>            | 16          | 324,333          | (1,313,649)      |

The financial statements on pages 7 to 19 were approved by the board of directors and signed on its behalf by

  
Director  
24 September 2010

The accompanying notes on pages 9 to 19 are an integral part of these financial statements

# Protiviti Limited

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

### 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been consistently followed for both the current and prior years are set out below

#### *Basis of accounting*

The financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and with applicable accounting standards in the United Kingdom

#### *Tangible fixed assets*

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of fixed assets is their purchase cost and any costs directly attributable to bringing them into working condition for their intended use. Depreciation is calculated so as to write off the cost of the tangible fixed assets, less their estimated residual values, on the following bases:

|   |  |
|---|--|
| Fixtures, fittings and computer equipment | - 20% to 50% per annum straight line                                     |
| Leasehold improvements                    | - the shorter of 20% per annum straight line, or to the first break date |

Profits or losses on disposal of tangible fixed assets are included within operating profit/loss

#### *Taxation*

UK corporation tax is provided at amounts expected to be paid using tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

#### *Turnover*

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes

#### *Revenue recognition*

Risk consulting and internal audit services are generally provided on a time-and-material basis or fixed-fee basis. Revenues earned under the time-and-material arrangements are recognised as services are provided. Revenues on a fixed-fee basis are recognised using a proportional performance method as the hours are incurred relative to total estimated hours for the engagement

The company periodically evaluates the need to provide for any losses on these projects, and losses are recognised when it is probable that a loss will be incurred. Reimbursements, including those relating to travel and out-of-pocket expenses are included in revenues and equivalent amounts of reimbursable expenses are included in direct costs of services. The company occasionally acts as an agent by arranging the provision of services on behalf of a principal. Where this is the case only the commission received in return for its performance under the agency agreement is included in turnover

# Protiviti Limited

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## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### *Pension costs*

The company operates a defined contribution scheme for certain employees. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

#### *Foreign currency*

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

#### *Leases*

Rentals under operating leases are charged on a straight-line basis to the profit and loss account over the lease term, even if the payments are not made on such a basis. Benefits received or receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### *Share-based payments*

The company has applied the requirements of FRS 20 'Share-Based Payment'. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The company issues equity-settled share-based payments to certain employees. The fair value of equity-settled share-based payments is determined at the date of grant and is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares or options that will eventually vest.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been based on the company's historical share data. The fair value of restricted shares is based on the share price at close of business on the date of grant. Further details are set out in note 10.

### 2. CASH FLOW STATEMENT

The company has taken advantage of the exemption of Financial Reporting Standard 1 (revised 1996) for wholly owned subsidiaries and has not prepared a cash flow statement as its cash flows are incorporated in the consolidated financial statements of the ultimate parent company whose financial statements are publicly available (see note 21).

## Protiviti Limited

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 3. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is stated net of value added tax, is generated from the company's principal activity of the provision of internal audit and business risk consulting services, for both financial years  
An analysis of turnover by geographical market is given below

|                | 2009<br>£        | 2008<br>£        |
|----------------|------------------|------------------|
| United Kingdom | 5,050,304        | 5,277,460        |
| Rest of Europe | 158,100          | 1,210,973        |
| North America  | 1,431,457        | 2,332,851        |
| Other          | 433,356          | 572,293          |
|                | <u>7,073,217</u> | <u>9,393,577</u> |

#### 4. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under Financial Reporting Standard 8 – 'Related Party Disclosures', not to disclose details of its transactions with related parties. This exemption is available as the transactions are with entities that are part of the same group and the consolidated financial statements of the ultimate parent company are publicly available (see note 21)

#### 5. DIRECTORS' EMOLUMENTS

The directors are also directors/officers of Robert Half International Inc and their emoluments are included in the financial statements of that company. It is not possible for the company to apportion any of their emoluments in respect of services rendered to the company during either the current or prior year.

#### 6. STAFF COSTS

The aggregate staff costs comprise

|  | 2009<br>£        | 2008<br>£        |
|--|------------------|------------------|
| Wages and salaries                                   | 5,699,530        | 6,893,407        |
| Social security costs                                | 629,197          | 846,822          |
| Pension costs (see note 19)                          | 5,820            | 9,085            |
| Equity settled share-based payments (see note 10,16) | 64,895           | 73,248           |
|  | <u>6,399,442</u> | <u>7,822,562</u> |

Wages and salaries include £337,295 (2008: £261,354), which represents the cost of subcontractors who are not employed under a contract of services by the company. These subcontractors are hired through other group companies and third party companies and provide services on which the company may recognise revenue and these costs have been included within cost of sales. Although these subcontractors do not have a contract of service from the company, for completeness these costs have been included in the above disclosure.

## Protiviti Limited

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 6. STAFF COSTS (continued)

The average monthly number of employees employed by the company during the year was as follows

|   | <i>2009<br/>Number</i> | <i>2008<br/>Number</i> |
|---|------------------------|------------------------|
| Sales and administration  | 60                     | 75                     |
| Subcontractors (not employed under a contract of services by Protiviti Limited) | 5                      | 2                      |
|   | <u>65</u>              | <u>77</u>              |

#### 7. OPERATING LOSS

Operating loss is stated after charging

|   | <i>2009<br/>£</i> | <i>2008<br/>£</i> |
|---|-------------------|-------------------|
| Depreciation of owned tangible fixed assets (see note 11) | 23,506            | 63,648            |
| Operating lease rentals – other                           | 573,165           | 607,010           |
| Loss on disposal of fixed assets                          | -                 | 20,779            |
| <b>Services provided by the company's auditor</b>         |                   |                   |
| Fees payable for the audit                                | <u>22,775</u>     | <u>22,775</u>     |

#### 8. NET INTEREST EXPENSE

|  | <i>2009<br/>£</i> | <i>2008<br/>£</i> |
|--|-------------------|-------------------|
| Bank deposit interest income                 | 3,552             | -                 |
| Intercompany interest receivable             | 12,949            | -                 |
| Total interest receivable and similar income | <u>16,501</u>     | <u>-</u>          |
| Interest expense on group loans              | (151,634)         | (165,343)         |
| Total interest payable and similar charges   | <u>(151,634)</u>  | <u>(165,343)</u>  |
| Net interest expense                         | <u>(135,133)</u>  | <u>(165,343)</u>  |

## Protiviti Limited

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 9. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

##### a) Analysis of tax credit for the year

|   | 2009<br>£               | 2008<br>£               |
|---|-------------------------|-------------------------|
| The tax credit comprises                                |                         |                         |
| <b>Current tax:</b>                                     |                         |                         |
| UK corporation tax                                      | (500,610)               | (401,036)               |
| Adjustments in respect of prior years                   |                         |                         |
| - UK corporation tax                                    | (941)                   | 19,155                  |
| <i>Total current tax</i>                                | <u>(501,551)</u>        | <u>(381,881)</u>        |
| <b>Deferred tax: origination and reversal of timing</b> |                         |                         |
| Current year  | 5,855                   | 3,917                   |
| Adjustment in respect of prior years                    | (18,106)                | 12,169                  |
| <i>Total deferred tax</i>                               | <u>(12,251)</u>         | <u>16,086</u>           |
| <b>Tax credit on loss on ordinary activities</b>        | <u><u>(513,802)</u></u> | <u><u>(365,795)</u></u> |

##### b) Factors affecting tax for the year

The tax assessed on the loss on ordinary activities for both years is higher than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The tax charge has been affected by the change in the UK tax rate which was reduced to 28% with effect from 1 April 2008.

The differences are explained below:

|  | 2009<br>£               | 2008<br>£               |
|--|-------------------------|-------------------------|
| Loss on ordinary activities before tax   | (1,940,715)             | (1,664,807)             |
| Loss on ordinary activities multiplied by the standard rate of corporation tax of 28% (2008 28.5%) | (543,400)               | (474,470)               |
| <b>Effect of:</b>  |                         |                         |
| Expenses non deductible for tax purposes   | 48,191                  | 63,047                  |
| Short term timing differences  | -                       | (6,301)                 |
| Depreciation in excess of capital allowances   | (1,346)                 | 2,963                   |
| Timing differences on stock options  | (4,055)                 | 13,725                  |
| Adjustments in respect of prior years  | (941)                   | 19,155                  |
| <b>Current tax credit for the year</b>   | <u><u>(501,551)</u></u> | <u><u>(381,881)</u></u> |

## Protiviti Limited

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 9. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)

A number of changes to the UK Corporation Tax system were announced in the 2010 Budget Report which have been enacted in the 2010 Finance Act. The impact of these is not considered to be material to the future tax charge in the UK.

Further changes were announced in the UK Government's Emergency Budget on 22 June 2010. This included a reduction in the main corporation tax rate from the current 28% to 24% comprising a 1% per annum reduction over the course of a four year period commencing from 1 April 2011. In addition, the rates of capital allowances on assets in the main and special pools are expected to fall from 20% to 18% and from 10% to 8% respectively from 1 April 2012. The Directors are in the process of evaluating the impact these changes will have on future tax charges.

#### 10. SHARE-BASED PAYMENTS

The company's equity-settled share-based payments comprise both stock options and restricted stock programs. The last grant under the stock option plan was made in July 2003. Only certain employees were eligible for options which are valued using the Black-Scholes stock option valuation method. The grants vest at 25% per annum in years one through four and the options expire 10 years after the grant date. Furthermore, options are forfeited within 30 days of the employee leaving the company. Effective from 1 July 2006, the company replaced its employee stock option plan with a discretionary restricted stock program. At the vesting date, ownership of the shares will transfer to the employee, with no exercise or purchase requirements. The grants will vest 25% on each anniversary of the grant date. All unvested units will be forfeited upon termination. The company has in the past made discretionary awards of restricted shares to individuals for their contribution based on US Senior Management decisions.

##### Share Option Program

Details of outstanding share options are set out below.

| Grant Date                             | Outstanding at 1 Jan 09 | Transfers Out | Exercised in Year | Forfeited in Year | Outstanding at 31 Dec 09 | Exercise Price | Exercise Date From | Exercise Date To |
|--|-------------------------|---------------|-------------------|-------------------|--------------------------|----------------|--------------------|------------------|
| 10 02 2003                             | 1,600                   | (400)         | -                 | -                 | 1,200                    | £8.71          | Feb-2004           | Feb-2013         |
| 01 07 2003                             | 1,000                   | (500)         | -                 | -                 | 500                      | £11.30         | Jul-2004           | Jul-2013         |
| <b>No of Shares</b>                    | <b>2,600</b>            | <b>(900)</b>  | <b>-</b>          | <b>-</b>          | <b>1,700</b>             |                |                    |                  |
| <b>Weighted Average Exercise Price</b> | <b>£9.71</b>            | <b>£10.15</b> |                   |                   | <b>£9.47</b>             |                |                    |                  |

The fair value of share options has been estimated using a Black-Scholes pricing model with the following assumptions:

|                           | 10 Feb 2003 | 1 Jul 2003 |
|---------------------------|-------------|------------|
| Share Price at Grant Date | £8.71       | £11.30     |
| Exercise Price            | £8.71       | £11.30     |
| Interest rate             | 3.03%       | 2.48%      |
| Expected Dividend Yield   | 0%          | 0%         |
| Expected Volatility       | 51%         | 51%        |
| Expected Life             | 6 Years     | 6 Years    |
| Valuation per Share       | £4.40       | £5.65      |

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 5-6 years. The expected life used in the model has been based on management's best estimate based on historical activity over the previous 5-6 years.





## Protiviti Limited

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 10. SHARE-BASED PAYMENTS (continued)

##### Restricted Stock Programs

Details of unvested restricted stocks awarded to employees are set out below

| Grant Date                        | Outstanding<br>at 1 Jan 09 | Granted<br>in Year | Transfers<br>In/(out) | Vested<br>in Year | Forfeited<br>in Year | Outstanding<br>at 31 Dec 09 | Share Price | Vesting Date<br>From | Vesting Date<br>To |
|-----------------------------------|----------------------------|--------------------|-----------------------|-------------------|----------------------|-----------------------------|-------------|----------------------|--------------------|
| 01 07 2005                        | 37                         | -                  | (37)                  | -                 | -                    | -                           | £14 04      | Jul-2006             | Jul-2009           |
| 24 08 2005                        | 129                        | -                  | (129)                 | -                 | -                    | -                           | £18 08      | Jul-2006             | Jul-2009           |
| 24 04 2006                        | 300                        | -                  | -                     | (300)             | -                    | -                           | £23 86      | Jul-2006             | Jul-2009           |
| 31 07 2006                        | 1,256                      | -                  | (289)                 | (484)             | -                    | 483                         | £17 37      | Jun-2007             | Jun-2010           |
| 31 07 2007                        | 2,599                      | -                  | (207)                 | (773)             | (73)                 | 1,546                       | £16 79      | Jun-2008             | Jun-2011           |
| 31 01 2008                        | 1,440                      | -                  | -                     | (360)             | (1,080)              | -                           | £13 96      | Dec-2008             | Dec-2011           |
| 31 07 2008                        | 10,593                     | -                  | -                     | (2,648)           | -                    | 7,945                       | £12 77      | Jun-2009             | Jun-2012           |
| 31 10 2008                        | 49                         | -                  | (19)                  | (7)               | -                    | 23                          | £11 60      | Sep-2009             | Sep-2012           |
| 02 03 2009                        | -                          | 4,550              | -                     | (1,137)           | -                    | 3,413                       | £10 15      | Dec-2009             | Dec-2012           |
| 31 07 2009                        | -                          | -                  | 68                    | -                 | -                    | 68                          | £15 07      | Jun-2010             | Jun-2013           |
| 30 10 2009                        | -                          | 45                 | -                     | -                 | -                    | 45                          | £14 10      | Jun-2010             | Jun-2013           |
| <b>No of Shares</b>               | <b>16,403</b>              | <b>4,595</b>       | <b>(613)</b>          | <b>(5,709)</b>    | <b>(1,153)</b>       | <b>13,523</b>               |             |                      |                    |
| <b>Weighted Average<br/>Price</b> | <b>£14 11</b>              | <b>£10 19</b>      | <b>£17 20</b>         | <b>£13 84</b>     | <b>£14 14</b>        | <b>£12 75</b>               |             |                      |                    |

Shares are awarded over the ultimate parent company and therefore there will be no impact on the share capital of Protiviti Limited. The company has not paid any money to the ultimate parent company in respect of shares granted to the company's employees during the current or prior years.

# Protiviti Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

### 11. TANGIBLE FIXED ASSETS

|                                 | <i>Leasehold<br/>improvements</i> | <i>Fixtures, fittings<br/>and computer<br/>equipment</i> | <i>Total</i>   |
|---------------------------------|-----------------------------------|--|----------------|
|                                 | £                                 | £  | £              |
| <b>Cost:</b>                    |                                   |  |                |
| At 1 January 2009               | 23,898                            | 274,072  | 297,970        |
| <b>At 31 December 2009</b>      | <b>23,898</b>                     | <b>274,072</b>   | <b>297,970</b> |
| <b>Accumulated depreciation</b> |                                   |  |                |
| At 1 January 2009               | 6,723                             | 252,524  | 259,247        |
| Provided during the year        | 8,671                             | 14,835   | 23,506         |
| <b>At 31 December 2009</b>      | <b>15,394</b>                     | <b>267,359</b>   | <b>282,753</b> |
| <b>Net book value:</b>          |                                   |  |                |
| <b>At 31 December 2009</b>      | <b>8,504</b>                      | <b>6,713</b>   | <b>15,217</b>  |
| At 31 December 2008             | 17,175                            | 21,548   | 38,723         |

### 12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | <i>2009</i>      | <i>2008</i>      |
|--|------------------|------------------|
|  | £                | £                |
| Trade debtors  | 2,243,096        | 2,447,360        |
| Amounts owed by other Robert Half International undertakings | 1,468,497        | 514,269          |
| Corporation tax  | 500,590          | 414,349          |
| Prepayments and accrued income                               | 319,747          | 354,750          |
|  | <b>4,531,930</b> | <b>3,730,728</b> |

Loan amounts owed by other Robert Half International undertakings have no fixed repayment terms and bear interest at 2% over the UK Libor Rate

Included within prepayments and accrued income above is a deferred tax asset comprising

|   | <i>2009</i>   | <i>2008</i>   |
|---|---------------|---------------|
|   | £             | £             |
| Accelerated capital allowances                        | 25,603        | 11,258        |
| Timing differences in respect of share-based payments | 13,310        | 15,404        |
|   | <b>38,913</b> | <b>26,662</b> |

# Protiviti Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

### 12 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The movement in the deferred tax asset can be analysed as

|   | 2009          | 2008          |
|---|---------------|---------------|
|   | £             | £             |
| Deferred tax asset at the start of the year   | 26,662        | 42,748        |
| Deferred tax credit/(charge) to the profit and loss account for the year (see note 9) | 12,251        | (16,086)      |
| Deferred tax asset at the end of the year   | <u>38,913</u> | <u>26,662</u> |

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|  | 2009             | 2008             |
|--|------------------|------------------|
|  | £                | £                |
| Trade creditors  | 51,917           | 5,991            |
| Amounts owed to other Robert Half International undertakings | 4,462,435        | 4,707,386        |
| Other taxation and social security                           | 536,047          | 303,360          |
| Accruals and deferred income                                 | 659,689          | 678,090          |
|  | <u>5,710,088</u> | <u>5,694,827</u> |

Loan amounts owed to other Robert Half International undertakings have no fixed repayment terms and bear interest at 2% over the Libor Rate

Other amounts owed to other Robert Half International undertakings are trading balances and are repayable under the normal terms of business

### 14. PROVISIONS FOR LIABILITIES AND CHARGES

|                                   | <i>Dilapidations</i> |
|-----------------------------------|----------------------|
|                                   | £                    |
| At 1 January 2009                 | 92,826               |
| Charge to profit and loss account | 53,043               |
| At 31 December 2009               | <u>145,869</u>       |

#### *Dilapidation provisions*

Full provision has been made for leasehold properties which have dilapidation commitments included. The provision is expected to unwind within the next 2 years.

# Protiviti Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

### 15. CALLED UP SHARE CAPITAL

|                    | <i>Authorised</i>                         |                   |
|--------------------|---|-------------------|
|                    | <i>2009</i>                               | <i>2008</i>       |
|                    | <i>£</i>                                  | <i>£</i>          |
| Ordinary £1 shares | 5,000,001                                 | 1,000,000         |
|                    | <u>          </u>                         | <u>          </u> |
|                    | <i>Allotted, called up and fully paid</i> |                   |
|                    | <i>2009</i>                               | <i>2008</i>       |
|                    | <i>£</i>                                  | <i>£</i>          |
| Ordinary £1 shares | 3,000,001                                 | 1                 |
|                    | <u>          </u>                         | <u>          </u> |

On 31 March 2009, an ordinary resolution was passed to increase the authorised share capital of the Company from £1,000,000 to £5,000,001 by the creation of a further 4,000,001 ordinary shares of £1 each to rank pari passu with the existing ordinary shares of the Company. On 31 March 2009, an ordinary resolution was passed to allot 3,000,000 £1 shares to Protiviti Inc. The shares were paid for in cash.

The authorised share capital of the company is 5,000,001 ordinary shares (2008: 1,000,000) of £1 each and the allotted, called up and fully paid share capital is 3,000,001 ordinary shares (2008: 1) of £1.

### 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)

|   | <i>2009</i>       | <i>2008</i>       |
|---|-------------------|-------------------|
|   | <i>£</i>          | <i>£</i>          |
| Loss for the financial year   | (1,426,913)       | (1,299,012)       |
| Increase in allotted, called up and fully paid Ordinary share capital   | 3,000,000         | -                 |
| Capital contribution in respect of share-based payments (see note 6,10) | 64,895            | 73,248            |
|   | <u>          </u> | <u>          </u> |
| Net addition to/(reduction in) to shareholders' funds                   | 1,637,982         | (1,225,764)       |
|   | <u>          </u> | <u>          </u> |
| Opening shareholders' deficit   | (1,313,649)       | (87,885)          |
|   | <u>          </u> | <u>          </u> |
| Closing shareholders' funds/(deficit)                                   | 324,333           | (1,313,649)       |
|   | <u>          </u> | <u>          </u> |

### 17. RESERVES

|                                      | <i>Profit and loss<br/>account</i> |
|--------------------------------------|------------------------------------|
|                                      | <i>£</i>                           |
| At 1 January 2009                    | (1,313,650)                        |
| Loss for the financial year          | (1,426,913)                        |
| Share-based payments (see note 6,10) | 64,895                             |
|                                      | <u>          </u>                  |
| At 31 December 2009                  | (2,675,668)                        |
|                                      | <u>          </u>                  |

## Protiviti Limited

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009 (continued)

#### 18. FINANCIAL COMMITMENTS

At 31 December 2009 the company had annual commitments under non cancellable operating leases as set out below

|                      | <i>Land and buildings</i> |             |
|----------------------|---------------------------|-------------|
|                      | <i>2009</i>               | <i>2008</i> |
|                      | <i>£</i>                  | <i>£</i>    |
| Expiry date          |                           |             |
| In two to five years | 802,752                   | 766,497     |

There were no capital commitments at either year end

#### 19. PENSION COMMITMENTS

The company pays into a defined contribution pension scheme in respect of certain employees. Pension costs for the year were £5,820 (2008 £9,085) and these were fully paid as at 31 December 2009 and 31 December 2008.

#### 20. CONTINGENT LIABILITIES

Robert Half International Inc issues stock options to employees and directors of the company as an integral part of its compensation programs.

Share options granted subsequent to 5 April 1999 in the UK under unapproved schemes are subject to national insurance contributions on the gain made on the exercise of such options by employees.

An accrual of £18,557 has been made at 31 December 2009 (2008 £10,235) based on the year end share price of \$26.73 (2008 \$20.82) and the elapsed portion of the relevant vesting periods.

Based on the year end share price there is a further contingent liability of approximately £14,219 (2008 £19,057) arising by the end of the vesting period that has not been provided for in the financial statements.

#### 21. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard Protiviti Inc, a company incorporated in the USA, as the immediate parent company and Robert Half International Inc, a company incorporated in the USA, as the ultimate parent company and the ultimate controlling party. Robert Half International Inc heads the largest and smallest group to consolidate these financial statements. Copies of the group financial statements are available from 2884 Sand Hill Road, Menlo Park, California, 94025, USA.