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EXTRASTAFF LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



EXTRASTAFF LIMITED

COMPANY INFORMATION

Directors	T M Millward S Hill G K Prince D Wilson
Registered number	04063881
Registered office	Unit 1 Sandridge Park, Porters Wood St. Albans Hertfordshire AL3 6PH
Independent auditors	Barnes Roffe LLP Chartered Accountants & Statutory Auditor 3 Brook Business Centre Cowley Mill Road Uxbridge Middlesex UB8 2FX

EXTRASTAFF LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

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

Business review

Extrastaff Ltd is a recruitment business specialising in the supply of driving and industrial temporary workers from 16 High Street branch locations and 10 located on client sites.

The company's strategy continues to be to become the UK's number one high street specialist in the supply of driving and industrial personnel.

In 2018 turnover increased by 10.2% entirely organically to £39,627,074, with some larger onsite contracts gained during the year tightening margins slightly to around 18.2%.

Extrastaff was again awarded the Sunday Times Best Companies 2 star 'Outstanding' rating and won The Employer of the Year at the Herts Business Awards. We were shortlisted in the Best Company to Work For (up to 150 employees) at the IRP Awards.

Extrastaff operates from 26 locations across the UK and are planning more branch openings in 2019. We are proud to maintain 80% plus staff retention; very unusual in recruitment, which traditionally has very high attrition and we continue to invest heavily in our own unique recruitment IT solution.

NORMALISED EBITDA

Normalised earnings before interest, tax, depreciation and amortisation ('EBITDA') are shown below:

	2018	2017
	£000	£000
Operating profit	1,462	1,422
Depreciation	144	136
Amortisation	Nil	2
Normalised EBITDA	1,606	1,559

Principal risks and uncertainties

The continued growth of the business and the execution of the company's strategy are subject to a number of risks. Many of these risks are common in other companies. Careful risk management is fundamental to the ability of the business to execute its strategic objectives.

Financial key performance indicators

The directors monitor turnover which has increased by 10.2% from 2017, gross profit percentage has slightly dropped to 18.2% (2017: 18.3%) and the level of net profit has decreased to £1,092k (2017: £1,140k).

EXTRASTAFF LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

FUTURE DEVELOPMENTS

The business plan remains to expand the branch network organically. Extrastaff is also broadening the reach of the company.

Significant investment in mentoring staff training and EFOS the unique IT system will continue to provide new applications to assist the branches with their growth and offerings over the next year. Extrastaff is also investing in an ongoing branch renovation programme. The most recent refurbishments in the Ilford and Hanger Lane branches provide an efficient and attractive work environment for staff and a welcoming place for temps when joining Extrastaff.

The Board is delighted with the performance in 2018 particularly putting in place infrastructure improvements, which will enable the business to grow confidently. There has been an improvement in market conditions during 2018 resulting in a current growth of approximately 10.2% in revenue.

Whilst recognising the need to manage the cost base, the business will continue to invest in sectors where there is long term growth potential and in a strengthening economy, the board believes the company is strongly positioned for 2019 and beyond.

This report was approved by the board on 27th June 2019 and signed on its behalf.



T M Millward
Director

EXTRASTAFF LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements 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;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,091,846 (2017 - £1,140,151).

Directors

The directors who served during the year were:

T M Millward
S Hill
G K Prince
D Wilson

Matters covered in the strategic report

The company has chosen, in accordance with section 414C of the Companies Act 2006, to set out the following information which would otherwise be required to be contained in the director's report within strategic report:

Likely financial risk management objective and policies; business review and future developments in the business of the company.

EXTRASTAFF LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

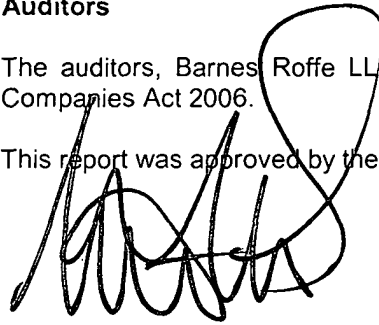
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Barnes Roffe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27th June 2019 and signed on its behalf.



T M Millward
Director

EXTRASTAFF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EXTRASTAFF LIMITED

Opinion

We have audited the financial statements of Extrastaff Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

EXTRASTAFF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EXTRASTAFF LIMITED (CONTINUED)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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; and
- 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 or 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 3, 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.

EXTRASTAFF LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EXTRASTAFF LIMITED (CONTINUED)

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.



Nigel Goodman (Senior statutory auditor)
for and on behalf of
Barnes Roffe LLP
Chartered Accountants & Statutory Auditor
3 Brook Business Centre
Cowley Mill Road
Uxbridge
Middlesex
UB8 2FX

Date: 21st August 2019

EXTRASTAFF LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	3	39,627,074	35,966,765
Cost of sales		(32,382,432)	(29,397,055)
Gross profit		7,244,642	6,569,710
Administrative expenses		(5,782,526)	(5,147,888)
Operating profit	4	1,462,116	1,421,822
Interest receivable and similar income	8	15,357	29,198
Interest payable and similar charges	9	(62,788)	(52,939)
Profit before tax		1,414,685	1,398,081
Tax on profit	10	(322,839)	(257,930)
Profit for the financial year		1,091,846	1,140,151
Total comprehensive income for the year		1,091,846	1,140,151

The notes on pages 14 to 31 form part of these financial statements.

EXTRASTAFF LIMITED
REGISTERED NUMBER:04063881

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

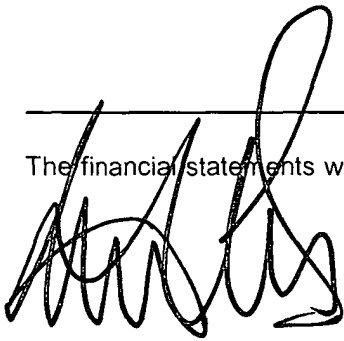
	Note	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	12	-	-	-	-
Tangible assets	13	1,642,376		1,680,794	
			<u>1,642,376</u>		<u>1,680,794</u>
Current assets					
Debtors: amounts falling due within one year	14	5,995,985		3,577,069	
Cash at bank and in hand	15	226,424		258,354	
			<u>6,222,409</u>		<u>3,835,423</u>
			<u>7,864,785</u>		<u>5,516,217</u>
Capital and reserves					
Called up share capital	22	54,347		54,347	
Profit and loss account	23	2,502,109		1,410,263	
			<u>2,556,456</u>		<u>1,464,610</u>
Provisions for liabilities					
Deferred tax	21		43,564		2,618
Liabilities					
Creditors: amounts falling due within one year	16	4,597,741		3,310,367	
Creditors: amounts falling due after more than one year	17	667,024		738,622	
			<u>5,264,765</u>		<u>4,048,989</u>
			<u>7,864,785</u>		<u>5,516,217</u>

EXTRASTAFF LIMITED
REGISTERED NUMBER: 04063881

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

27th JUNE 2019.



T M Millward
Director

EXTRASTAFF LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	54,347	1,410,263	1,464,610
Comprehensive income for the year			
Profit for the year	-	1,091,846	1,091,846
Total comprehensive income for the year	-	1,091,846	1,091,846
Total transactions with owners	-	-	-
At 31 December 2018	54,347	2,502,109	2,556,456

The notes on pages 14 to 31 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	54,347	1,470,112	1,524,459
Comprehensive income for the year			
Profit for the year	-	1,140,151	1,140,151
Total comprehensive income for the year	-	1,140,151	1,140,151
Dividends: Equity capital	-	(1,200,000)	(1,200,000)
Total transactions with owners	-	(1,200,000)	(1,200,000)
At 31 December 2017	54,347	1,410,263	1,464,610

The notes on pages 14 to 31 form part of these financial statements.

EXTRASTAFF LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,091,846	1,140,151
Adjustments for:		
Amortisation of intangible assets	-	1,647
Depreciation of tangible assets	143,722	135,995
Loss on disposal of tangible assets	-	(29,527)
Interest payable	62,788	52,939
Interest receivable	(15,357)	(29,198)
Taxation charge	322,839	257,930
Increase in debtors	(2,418,916)	(744,662)
Increase in creditors	341,094	815,071
Corporation tax (paid)	(257,923)	(277,074)
Net cash (used in)/generated from operating activities	(729,907)	1,323,272
Cash flows from investing activities		
Purchase of tangible fixed assets	(105,304)	(262,835)
Sale of tangible fixed assets	-	98,805
Interest received	15,357	29,198
HP interest paid	(5,434)	(6,321)
Net cash used in investing activities	(95,381)	(141,153)

EXTRASTAFF LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from financing activities		
Repayment of loans	(44,070)	(51,380)
Repayment of/new finance leases	(39,518)	68,557
Dividends paid	-	(1,200,000)
Interest paid	(57,354)	(46,618)
Net cash used in financing activities	(140,942)	(1,229,441)
Net (decrease) in cash and cash equivalents	(966,230)	(47,322)
Cash and cash equivalents at beginning of year	258,354	305,676
Cash and cash equivalents at the end of year	(707,876)	258,354
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	226,424	258,354
Bank overdrafts	(934,300)	-
	(707,876)	258,354

The notes on pages 14 to 31 form part of these financial statements.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 General information and basis of preparation of financial statements

Extrastaff Limited is a company limited by shares, incorporated in England and Wales. The address of the registered office is Unit 1 Sandridge Park, Porters Wood, St. Albans, Hertfordshire, AL3 6PH.

The company specialises in supply of drivers and industrial temporary workers.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006 and on the assumption that the company is a going concern. The company's functional and presentation currency is the pound sterling.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The development expenditure is amortised over 3 years.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives on the following bases:

Freehold property	- over 50 years
Long-term leasehold property	- over 50 years
Long term leasehold improvements	- over the length of the lease
Motor vehicles	- straight line over five years
Fixtures and fittings	- straight line over five years
Office equipment	- straight line over five years
Computer equipment	- straight line over three years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

1.5 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

1.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 Creditors

Creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.12 Operating lease

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

1.13 Pensions

The company operates a defined contribution for its employees. A defined contribution plan is a pension plan under which the company a fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amount not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in the independently administered funds

1.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

1.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.16 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

1.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.19 Debtors - linked presentation

The company has entered into a recourse invoice discounting agreement with integrated credit insurance protection on certain debtors at approved limits. The substance of this arrangement makes it similar in nature to a non-recourse arrangement and therefore the finance is shown as linked presentation as a deduction from debtors. Repayment of the finance and related interest is solely from the funds generated by items financed. Some debts within this facility fall outside of the credit insurance arrangement and therefore presented in creditors in line with a normal invoice discounting arrangement.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgments in applying the above accounting policies that have had the most significant effect on the amounts recognised in the financial statements:

1. Determine whether there are indicators of impairments of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected further financial performance of the assets.
2. Determine whether trade debtors are recoverable. Factors taken into consideration include credit insurance and expected recovery.
3. Holiday pay is calculated using the last 12 week period that employees have worked, if an employee has not worked after 10 weeks, they are removed from holiday pay calculation. This is to cover the amount of un-utilised holiday.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Turnover

The whole of the turnover relates to the company's principal activity and arose within the UK.

4. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	143,722	135,995
Amortisation of intangible assets	-	1,647
Operating lease rentals	342,955	336,960
Defined contribution pension cost	238,778	130,771
Profit on sale of tangible asset	-	(29,527)
	<u> </u>	<u> </u>

5. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	14,520	12,920
	<u> </u>	<u> </u>

EXTRASTAFF LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	33,947,774	30,731,436
Social security costs	2,170,606	1,986,369
Cost of defined contribution scheme	238,778	130,771
	<u>36,357,158</u>	<u>32,848,576</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Administrative staff	<u>88</u>	<u>77</u>

The number of employees relates to those staff that have a contract of employment whereas the staff costs above include the temporary staff as well.

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	634,535	580,558
Company contributions to defined contribution pension schemes	8,430	8,143
	<u>642,965</u>	<u>588,701</u>

During the year retirement benefits were accruing to 4 directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £219,623 (2017 - £199,180).

EXTRASTAFF LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	616	311
Other interest receivable	14,741	28,887
	<u>15,357</u>	<u>29,198</u>

9. Interest payable and similar expenses

	2018 £	2017 £
Bank overdraft interest payable	33,716	23,580
Bank loan interest payable	23,638	23,038
Finance leases and hire purchase contracts	5,434	6,321
	<u>62,788</u>	<u>52,939</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	281,900	257,930
Adjustments in respect of previous periods	(7)	-
	<u>281,893</u>	<u>257,930</u>
 Accelerated capital allowances	 <u>40,946</u>	 <u>-</u>

EXTRASTAFF LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Taxation (continued)**Factors affecting tax charge for the year**

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

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,414,685</u>	<u>1,398,081</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	268,790	265,635
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	313
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	22,800	16,043
Accelerated/(decelerated) capital allowances	8,889	(13,435)
Short-term timing difference leading to a increase/(decrease) in taxation	925	(5,994)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(19,489)	(7,932)
Deferred tax	40,946	-
Difference in tax rate	-	3,304
Under provision in prior year	(7)	-
Under provision in current year	(15)	(4)
Total tax charge for the year	<u>322,839</u>	<u>257,930</u>

Factors that may affect future tax charges

There were no material factors that may affect future tax charges.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Dividends

	2018 £	2017 £
Dividends paid on equity capital	-	1,200,000
	<u>-</u>	<u>1,200,000</u>

Directors interests in the dividends are as follows:

S Hill - £Nil (2017 - £72,004)
T M Millward - £Nil (2017 - £1,104,017)
D Wilson - £Nil (2017 - £11,990)

12. Intangible assets

	Development costs £
Cost	
At 1 January 2018	135,060
At 31 December 2018	<u>135,060</u>
Amortisation	
At 1 January 2018	135,060
At 31 December 2018	<u>135,060</u>
Net book value	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Tangible fixed assets

	Freehold property £	Long term leasehold property £	Long term leasehold improvements £	Motor vehicles £	Fixtures and fittings £
Cost					
At 1 January 2018	576,390	937,984	15,662	247,785	236,827
Additions	-	-	-	-	72,225
At 31 December 2018	576,390	937,984	15,662	247,785	309,052
Depreciation					
At 1 January 2018	108,386	60,320	13,243	55,411	151,550
Charge for the year on owned assets	11,527	18,760	1,075	9,688	39,680
Charge for the year on financed assets	-	-	-	44,512	-
At 31 December 2018	119,913	79,080	14,318	109,611	191,230
Net book value					
At 31 December 2018	456,477	858,904	1,344	138,174	117,822
At 31 December 2017	468,004	877,664	2,419	192,374	85,277

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Tangible fixed assets (continued)

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 January 2018	34,875	124,216	2,173,739
Additions	-	33,079	105,304
At 31 December 2018	34,875	157,295	2,279,043
Depreciation			
At 1 January 2018	26,999	77,036	492,945
Charge for the year on owned assets	6,190	12,290	99,210
Charge for the year on financed assets	-	-	44,512
At 31 December 2018	33,189	89,326	636,667
Net book value			
At 31 December 2018	1,686	67,969	1,642,376
At 31 December 2017	7,876	47,180	1,680,794

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Motor vehicles	137,245	181,757
	137,245	181,757

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Debtors

	2018 £	2017 £
Trade debtors	6,851,758	5,658,620
Non-recourse debts	(2,133,093)	(2,234,532)
Other debtors	1,105,773	3,996
Prepayments and accrued income	171,547	148,985
	<u>5,995,985</u>	<u>3,577,069</u>

Non-recourse borrowings

Extrastaff Limited has in substance due to integrated credit insurance, a non-recourse discounting arrangement. Under the terms of the agreement, Extrastaff Limited is obliged to support a first loss of £500. Repayment of finance and related interest is solely from funds generated by items financed.

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	226,424	258,354
Less: ID line	(934,300)	-
	<u>(707,876)</u>	<u>258,354</u>

EXTRASTAFF LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
ID line	934,300	-
Bank loans	54,363	66,353
Trade creditors	230,150	69,056
Corporation tax	281,900	257,930
Other taxation and social security	1,751,143	1,451,059
Obligations under finance lease and hire purchase contracts	44,952	44,952
Other creditors	861,617	834,426
Accruals and deferred income	439,316	586,591
	<u>4,597,741</u>	<u>3,310,367</u>

Secured Loans

The ID line represents the portion of the invoice discounting arrangement that is beyond agreed credit limits.

Bank loans and ID line disclosed under creditors falling due within one year of £988,663 (2017 - £66,353) are secured by the way of a legal and a fixed and floating charge over the properties and assets of the company.

Net obligations under finance leases and hire purchase contracts of £44,952 (2017 - £44,952) are secured by the assets to which they relate.

17. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans	577,820	609,900
Net obligations under finance leases and hire purchase contracts	89,204	128,722
	<u>667,024</u>	<u>738,622</u>

Bank loans disclosed under creditors falling due after more than one year of £577,820 (2017 - £609,900) are secured by the way of a legal and a fixed and floating charge over the properties and assets of the company.

Net obligations under finance leases and hire purchase contracts of £89,204 (2017 - £128,722) are secured by the assets to which they relate.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	54,363	66,353
	<u>54,363</u>	<u>66,353</u>
Amounts falling due 1-2 years		
Bank loans	54,363	54,363
	<u>54,363</u>	<u>54,363</u>
Amounts falling due 2-5 years		
Bank loans	163,090	163,090
	<u>163,090</u>	<u>163,090</u>
Amounts falling due after more than 5 years		
Bank loans	360,367	392,447
	<u>360,367</u>	<u>392,447</u>
	<u>632,183</u>	<u>676,253</u>

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018 £	2017 £
Within one year	44,952	44,952
Between 1-5 years	89,204	128,722
	<u>134,156</u>	<u>173,674</u>

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>5,824,438</u>	<u>3,428,084</u>
Financial liabilities		
Financial liabilities that are credit instruments measured at amortised cost	<u>2,792,406</u>	<u>1,753,409</u>

Financial assets that are debt instruments measured at amortised cost comprises trade debtors and other debtors.

Financial liabilities measured at amortised cost comprises bank loans, trade creditors, other creditors and finance leases.

21. Deferred taxation

	2018 £
At beginning of year	2,618
Charged to the Statement of comprehensive income	40,946
At end of year	<u><u>43,564</u></u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	45,755	4,809
Short term timing differences	(2,191)	(2,191)
	<u><u>43,564</u></u>	<u><u>2,618</u></u>

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

22. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
54,347 Ordinary shares of £1 each	<u>54,347</u>	<u>54,347</u>

23. Reserves

Profit and loss account

The profit and loss account includes all current and prior year retained profits and losses.

24. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £238,778 (2017 - £130,771).

Contributions totalling £37,783 (2017 - £49,452) were payable to the fund at the balance sheet date and are included in creditors.

EXTRASTAFF LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

25. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land & buildings		
Not later than 1 year	243,283	233,200
Later than 1 year and not later than 5 years	644,650	670,391
Later than 5 years	216,000	308,971
	<u>1,103,933</u>	<u>1,212,562</u>
	2018 £	2017 £
Other		
Not later than 1 year	24,032	53,018
Later than 1 year and not later than 5 years	17,002	4,432
	<u>41,034</u>	<u>57,450</u>

26. Transactions with directors

T M Millward and D Wilson, directors of the company had loan account balances with the company at year end. At the year end, they owed the company £1,082,924 (2017 - £Nil). Interest was charged of £16,445 (2017 - £11,304) on their balances.

The maximum outstanding during the year was £1,082,924 (2017 - £822,437).

27. Related party transactions

Included within other creditors is an amount owed to the director, T M Millward, amounting to £Nil (2017 - £93,570).

During the year, the company had transactions with L Millward (connected person) totalling £Nil (2017 - £2,400). At the year end, a balance of £Nil (2017 - £Nil), was owed to L Millward.

Total remuneration of key management, who are only the directors, during the year is disclosed in Note 7.

28. Controlling party

The ultimate controlling party is T Millward by virtue of his majority shareholding in the company.