MORSON GROUP

MORSON GROUP LIMITED

Annual Report and Accounts

2018

WELCOME TO THE MORSON GROUP ANNUAL REPORT 2018

EVER SINCE WE PLACED OUR FIRST CANDIDATE IN 1969, WE HAVE REMAINED COMMITTED TO PROVIDING QUALITY SERVICES TO OUR CLIENTS AND CONTRACTORS THROUGH EXCEPTIONAL DELIVERY, WHICH HAS SEEN US BECOME ONE OF THE MOST RESPECTED NAMES IN THE INDUSTRIES WITHIN WHICH WE OPERATE.

These three core principles of quality, service and delivery underpin everything we do and have driven us to achieve great success as we enter our 50th year.

The Morson Group is a unique blend of specialist talent provider and design consultancy businesses that provide our clients with the skilled talent needed to succeed, as well as supporting our growing candidate base and finding their next assignments. Our market-leading engineering design solutions leverage the latest technology and systems, which are provided by experienced and highly-regarded design professionals.

To find out more visit our website at:

www.morson.com

Strategic Report

Governance

Financial Statements

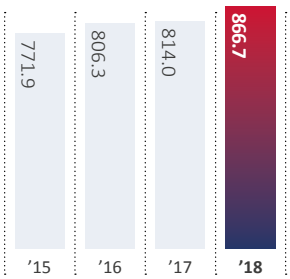
2018 HIGHLIGHTS

Our "Work Safe, Home Safe" culture runs throughout everything we do, underpinning our operations so that we remain focused on our people working safely and returning home safely every day.

Financial

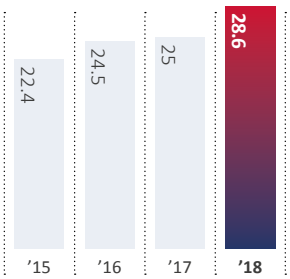
£866.7m

Group revenue



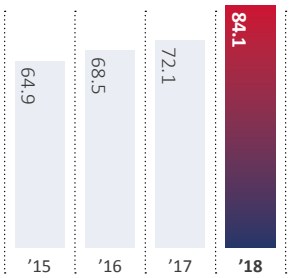
£28.6m

Adjusted EBITDA*



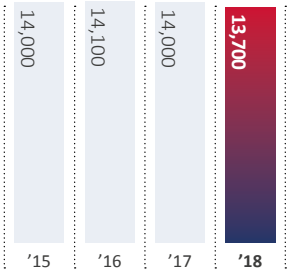
£84.1m

Net fee income



13,700

Contractor numbers



Operational

60+

Office locations globally

* See derivation on page 22.

QUALITY DELIVERY SERVICE SINCE 1969

LOOKING BACK TO LOOK FORWARD

As we approach our 50th year, 2018 marked another 12 months of outstanding delivery and service from our employees, and I'm proud to achieve a solid set of results during another record year. Many businesses may claim that their people are their most valuable asset but this couldn't ring more true than at Morson. To this day we remain a family business, rooted in family values and our mission is to maintain an outstanding culture and working environments that attract and retain great people who thrive.

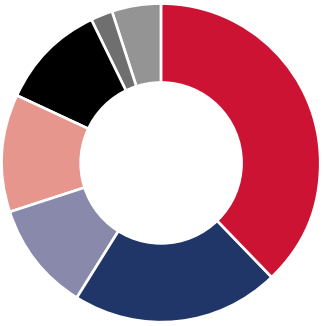
Ged Mason OBE
Chief Executive

COMPANY OVERVIEW

The Morson Group portfolio

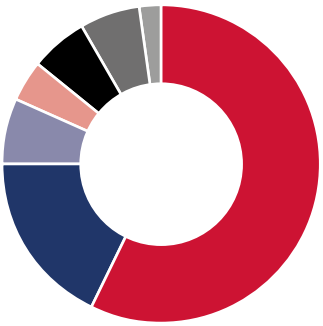
Since 1969, we have forged an award-winning business model that is renowned globally for quality of service and dedication to delivery, both in specialist recruitment and outsourced solutions.

Revenue by sector



Aero/Defence	38%
Rail	21%
Nuclear/Energy/Process	11%
Construction/Infrastructure	12%
Technology	11%
Oil & Gas	2%
Professional Services/Other	5%

NFI by business



Morson International	48.2m
Vital Human Resources	15.0m
Morson Projects	5.7m
Anderselite	3.3m
The Bridge	4.9m
North America	5.2m
Other	1.8m

SPECIALIST RECRUITMENT

MORSON INTERNATIONAL

An established market leader, Morson International creates tailor-made recruitment solutions for clients and projects of any size. It specialises in the supply of niche skillsets and volume resource and operates across multiple vertical markets.

MORSON INTERNATIONAL NORTH AMERICA

Morson International's North America operations encompass the same added value talent recruitment solutions as its UK base but with dedicated overseas teams that align with the needs and labour demands of our US and Canadian clients.

VENCURO

Recruitment technology, innovation, process management and business intelligence is delivered by Vencuro, which automates and seamlessly manages end-to-end personnel and staffing tasks, whilst providing more than 3,000 users with access to real time data at the touch of a button.

VITAL HUMAN RESOURCES

A leader in the provision of contingent labour to the UK rail industry, Vital Human Resources is also a key supplier to power and infrastructure markets. It focuses on forging long-standing strategic partnerships with like-minded partners that are rooted in knowledge, expertise and trust.

THE BRIDGE

At The Bridge we develop true partnerships that deliver outstanding IT, digital and cyber talent for clients and exciting roles for candidates. The Bridge's specialist team thoroughly understands the IT recruitment marketplace to ensure candidate and client expectations are met.

ANDERSELITE

A recruitment specialist for more than 30 years, Anderselite brings considerable technical expertise in the built environment. It provides permanent, temporary, contract, blue and white collar recruitment services to the construction, civil engineering, facilities management and rail sectors.

OUTSOURCED SOLUTIONS

These distinct additional brands support our main trading entities by delivering complementary services and solutions that respond to the evolving needs of our client and candidate portfolio.

MORSON PROJECTS

Providing a wide range of multi-disciplined engineering solutions to high profile projects, Morson Projects' design contributions earned it a prestigious Queen's Award for Enterprise in 2012.

WALDECK

This multi-disciplinary engineering consultancy and solutions provider in the built environment, leverages its market-leading digital, technology and engineering expertise to support public and private sector clients with capital projects, asset management and decommissioning.

MORSON AIRCRAFT ENGINEERING SERVICES (MRO)

This specialised area of the Group brings together a range of complementary and complete outsourced solutions for the aviation sector that can be utilised in conjunction or isolation to maintain, repair and overhaul aircraft, enhance organisational capability and reduce costs.

MORSON TECHNICAL SERVICES

Providing quality engineering and technical outsourced services to both military and civilian maintenance and repair operations, the Morson Technical Services offering extends to include custom training and 3D design solutions. These incorporate the latest training, design and development technologies to ensure clients can monitor progress and performance in real time.

MORSON SCREENING SERVICES

Specialising in pre-employment, annualised, UK and international screening, Morson Screening Services removes the time and overhead burden of pre-employment vetting and streamlines the clearance process. Fully accredited, it uses bespoke technology to provide full visibility of the progress of every candidate, allowing businesses to manage their workforce effectively.

MORSON VITAL TRAINING

Delivering professional training programmes for those working in rail, Morson Vital Training's growing partnership roster provides training and assessments for operatives, managers and apprentices. It provides quality safety critical training, with dedicated sub divisions that specialise in vocational, technical and health & safety.

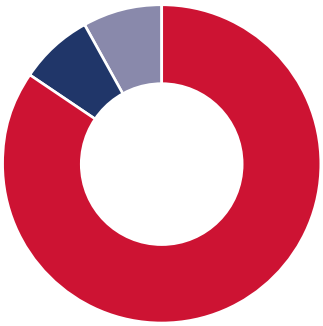
VITAL RAIL PROJECTS

Underpinned by the core Vital business, Vital Rail Projects delivers principal contractor and subcontractor services that span developing, planning and delivery, survey and design, and management.

MORSON CYBER SECURITY

Underpinned by the core Morson Projects business, Morson Cyber Security provides technical cyber security solutions that assist with continuous protective monitoring, penetration testing, cloud security, incident response and forensics, helping our clients and our clients' own customers remain safe online.

NFI by major service line



Temporary recruitment	71.2m
Permanent recruitment	6.2m
Design consultancy	6.7m

CHAIRMAN'S STATEMENT

Kevin Philbin
Non-Executive Chairman

APPROACHING 50 YEARS

We are an expanding group of businesses, both in the UK and overseas, and our continued focus on our core values, professionalism and meeting stakeholder needs will help to achieve our vision and objectives for the long-term success of the Morson Group and all those involved.

We remain confident about the growth prospects of the sectors that we operate in and as a result, we start 2019, which will celebrate our 50th year, with a clear focus on delivering sustainable and responsible growth and generating long-term value to all stakeholder groups.

QUALITY
DELIVERY
SERVICE

SINCE
1969

LOOKING FORWARD

Chairman's Statement

2018 was another positive year for the Morson Group. Despite continuing challenging marketplace conditions, we held to and delivered on our strategy, taking the Group forward significantly with three acquisitions and another year of record financial performance.

The machinations of current UK politics meant we continued to experience delays in major infrastructure spend and consequences of these delays across labour markets, yet we are confident that some of these projects will come to fruition and gain momentum in the near future.

Robust risk management

Being a responsible business is central to delivering our strategy and this is not only reflected in our Group values and culture, particularly towards health & safety, but our approach to governance, due care and attention to contracting arrangements and monitoring, and sharing responsibility appropriately. A robust and effective set of internal controls and risk management processes is also part of being a responsible business and is embedded throughout the Group.

Sound governance

During the last year, we continued our focus on high standards of corporate governance to ensure that we examine and strengthen our processes and ways of working throughout the Group, which is particularly prevalent as we continue to expand through complementary acquisitions and organic growth. Establishing a solid governance framework builds trust and collaborative working by putting our stakeholders, including our clients, contractors, candidates and staff, as well as a strong set of values, at the heart of all that we do. Our commitment to serving key stakeholders stretches beyond our business and our work throughout local communities is demonstrated by our strong focus towards corporate responsibility.

As a Board, we bring wide-ranging skills, experience and backgrounds which are needed to both challenge and support our management teams and carefully manage future growth. The appointment of Adrian Adair, Group COO, to the Board in 2018 has further strengthened this, and we continue to work together to take the Morson Group forward.

Recruitment and design

We maintained our reputation as a best-in-class technical recruitment Company across a number of sectors and continued to work towards achieving our vision of being the leading provider of human capital services, adding value to our core markets. Our acquisitions in this area broaden the strength and depth of offering to our clients and open new markets to us.

Our ability to supply talent, whether niche skillsets or volume resource, to a variety of sectors remains a key differentiator and USP of the Morson Group and has built us many long lasting customer relationships as we strive to exceed expectations through our added value offer.

Our design businesses also continue to develop new complementary services as we invest in our internal expertise and welcomed the acquisition of Waldeck to create a more complete engineering group and strengthen our footprint across the entire engineering life cycle.

Finally, I want to thank my Board colleagues and all of our staff operating across the Morson family who work hard to deliver outstanding service and quality to our customers, and who live and breathe our core values.

Kevin Philbin
Non-Executive Chairman
31 May 2019

OUR CORE VALUES

SAFETY

The safety of our workforce is our priority and we place safety at the forefront of our operations with initiatives like Work Safe, Home Safe and committing to industry frameworks for continuous improvement.

DELIVERY

We deliver on our promises to clients, candidates and employees and provide services of the highest of standards, which we term 'Excellence Through Performance'.

INTEGRITY

We act with integrity, professionalism and honesty, honouring our commitments and building lasting and trusted relationships with our clients and candidates.

INNOVATION

As an industry leader we commit to innovation to turn our ideas into reality. When opportunities or challenges arise, we believe solutions exist and go the extra mile to find answers and deliver our services in new and better ways.

CHARITABLE

A major part of the 'Morson family' ethos is social responsibility and we take supporting those in need very seriously. Every year our employees select two charities to support through fundraising, which is rooted in our drive to contribute to the communities that we operate in.

INCLUSIVE

We provide a fair, open and equal culture for our candidates, contractors and our employees. Diversity strengthens our capability, igniting creativity and driving progression within our endeavours.

CHIEF EXECUTIVE'S REVIEW

Ged Mason OBE
Chief Executive

"WE WELCOME OUR ACQUISITIONS AND ALL NEW TEAMS TO THE MORSON FAMILY."

KEY ACQUISITIONS

anderselite Technical Recruitment Consultants

Waldeck Digital Strategy Consultancy Solutions

CTSNA [You] make the world run better

Performance

In my father Gerry Mason's first Company brochure he highlighted that any Company's greatest asset is your people and that couldn't ring more true today. Reflecting on the last five decades, I know it would bring a smile to his face at the prospect of a £1billion Group turnover. We are moving towards this milestone, which is a credit to the hard work and commitment of our workforce.

2018 was another record year from a commercial perspective and despite various challenges, we remained resilient and delivered a strong financial performance thanks to our ability to evolve and adapt in response to changing needs. Underpinning this was the expansion of our management teams through a number of strategic acquisitions, appointments and promotions, to ensure each business has its own skilled operations team driving it forward.

Market context and strategy

Throughout 2018, we continued with our strategy of seeking growth in our core sectors, whilst infilling and expanding into complementary areas of engineering where we can add value through our service capabilities. The engineering sector remained the bedrock of the Group, but 2018 saw us enter additional and complementary markets through technical strategic acquisitions and organic growth, particularly professional services, construction and IT. This selective approach aligned with current and future market demand and positions us well to capitalise on the labour requirements needed to deliver projects such as HS2, nuclear new build and decommissioning, highways and construction.

Three acquisitions were made during 2018, which saw us welcome Canadian and USA-based recruiter, Strategic Infusion Inc. and UK-based companies Anderselite Holdings Ltd and Waldeck Holdings Ltd into the Group. Strategic Infusion Inc. continued our North America expansion into mature markets in aerospace, telecommunication, power and nuclear. Anderselite Holdings has a focus closer to home, with the specialist recruiter strengthening our presence and offering in construction, civil engineering, facilities management and rail. Finally, our Waldeck acquisition established an exciting complementary offering alongside Morson Projects, boosting our design capabilities in rail, civil engineering and architecture, whilst adding significant Building Information Modelling (BIM) expertise.

OUR PEOPLE

Long service milestones achieved during 2018 within each business unit

10 YEARS

30 people: Morson International 17; Morson Projects 7; Vital Human Resources 4; The Bridge 1; Anderselite 1.

20 YEARS

11 people: Morson International 6; Morson Projects 5.

30 YEARS

3 people: Morson International 2; Morson Projects 1.

Outlook

Our values remained at our heart, guiding decisions and behaviours. Turning ideas into reality through innovation was an ever present theme, with more than £500,000 invested in improving our market-leading Vencuro recruitment technology. We also made proactive steps towards championing balance through our equality, diversity and inclusivity (ED&I) initiatives, with our campaign to double the number of female contractors that we employ by 2020 seeing this figure rise from 13.5% in 2017 to 15.3% in 2018. We also celebrated the graduation of our first cohort of Gerry Mason Engineering Excellence Scholarship students from the University of Salford, with one successful graduate now working for us within Morson Projects.

Our people

Having so many employees reach long service milestones celebrated the rich history of our people. They are the backbone of the Group and having a team that is committed to us and our clients is a major part of our culture. Rewarding long service is important and I also want say thank you to our contractor workforce, who are the unsung heroes of the Morson Group.

I am proud of each and every member of the Morson family and a huge thank you to everyone for committing their time and support, which are always valued. You are our work ambassadors and play an excellent role in promoting us as a great place to work and attracting new talent into our Group of businesses.

Safety

I also want to personally thank our entire workforce, especially those working out on site, for continuing to reinforce and strengthen our 'Work Safe, Home Safe' Group safety culture. Safety is at the heart of everything we do and it was reassuring to see that there were 1,320 close calls raised by our workforce during 2018, which helped us improve safety across the infrastructure. Our message will always be that we work safely and go home safely every working day, and it is our priority to ensure that our workforce adopts the correct behaviours and that the sites they work on meet these same stringent practices and values.

Ged Mason OBE
Chief Executive
31 May 2019

OUR BUSINESS MODEL

We have continued to expand our group of complementary and like-minded businesses that are renowned for delivering quality service and adding value to our clients and contractors.

THE RESOURCES AND RELATIONSHIPS THAT SET US APART

People

Employing and retaining the best talent is what ensures we achieve service level excellence and deliver on our client and candidate commitments. We strive to recruit a diverse workforce that is reflective of the sectors and areas we operate in, whilst providing a foundation for successful careers by maximising our workforce's potential through ongoing training and development.

Processes

In 2018, Morson International successfully added ISO 45001:2018 Occupational Health and Safety Management Systems Standard to its current ISO standards, as detailed on page 31. These standards speak volumes about our actions, processes and efficiencies, by demonstrating our commitment to delivering commercial effectiveness.

Deliver

Continued investment into our systems, technology and facilities ensures our people have the necessary tools at their disposal to reach their full potential and deliver solutions that add value to our growing client and contractor base, such as design systems, close call apps and applicant tracking software.

WHAT WE DO

Our family ethos is rooted in collaboration, innovation and excellence, enabling us to meet the changing needs and demands of our growing client and candidate portfolio year after year. A best practice approach towards our people, processes and delivery enables the collective infrastructure needed to create tailored solutions.

Our value adding solutions include:

- Recruitment process outsourcing (RPO)
- Managed service provider (MSP)
- Neutral/hybrid vendor
- Work packages
- Cyber
- Vetting

HOW WE SHARE VALUE WITH STAKEHOLDERS

Financial control

Effective commercial control through efficiency in our delivery.

Innovation

Continuous change ensures our expertise becomes industry best practice.

Candidate loyalty

Our talent-based solutions leverage the best candidate attraction techniques to drive growth.

Valued communities

Long-standing partnerships with our clients, candidates, contractors and supply chain adds value to the communities and sectors in which we operate.

KEY MARKET OVERVIEW

Various political, legislative and social factors impacted our business throughout 2018. We witnessed the continued and well publicised uncertainty around Brexit, which we feel led to a number of delays in infrastructure programmes and significant hesitancy in client decision-making. Despite this, our performance remained robust, thanks to our clear focus on developing complementary services that meet and add value to our clients' evolving labour needs.

Engineering, design, consultancy and management

We worked on more than 800 projects in 2018, ahead of the 650 reported in 2017, including work on the design and approval of a special mission aircraft. We are confident about the future growth prospects within the design marketplace thanks to the Group's quality and complementary engineering skillsets and service provision. This provides us with new expansion opportunities, particularly in the provision of aviation maintenance and engineering, transport infrastructure, power generation via both nuclear and conventional means, power transmission networks, as well as coverage of land, sea and air defence platforms.

Permanent recruitment

2018 was another record year for our permanent recruitment division with increasing demand for bespoke solutions particularly across the construction, manufacturing, IT and professional services sectors, and it was awarded 'Branch of the Year' as a result of this strong growth. We undertook a significant number of search and selection assignments, digital candidate attraction campaigns and fully managed service solutions, supporting our key accounts and SME customers. Senior and executive appointments throughout construction, professional services and IT were also successfully completed. Our strengthening presence within inspection and maintenance sectors continued, with a number of exclusive contracts signed with UK market leaders. This all contributed to increased brand awareness and presence within the SME marketplace and across our national accounts driving opportunity for the future.

IT, analytics, security and telecommunications

Our presence in the IT marketplace has grown significantly over recent years, ensuring we capitalise on the reliance for technology skillsets worldwide. This growth saw Morson International ranked 15th in Recruitment International's top 15 IT agencies of 2018 and The Bridge ranked 2nd in Recruiter Magazine's Technology HOT 10. Whilst we are known traditionally as an engineering business, our goal is to become the 'go to' partner of choice for technical labour across a number key sectors, including IT and technology. Candidate shortages continued to pervade the sector as the list of critical skills that businesses had difficulty in sourcing grew month on month. Working with clients to address the principal drivers behind these skills shortages delivered healthy growth and margins, with us working across a number of niche micro sectors including change and transformation, AI, cyber security and big data.

Aerospace, marine and defence

2018 proved to be a year of transition in the aerospace, marine and defence sector with many projects moving into new aspects of their life cycle. Summer 2018 saw continued reductions in trades personnel, particularly those associated with the Queen Elizabeth-class aircraft carrier and the out of service date of the Tornado GR4 aircraft. The rotary and commercial aircraft sector saw growth with Leonardo helicopters' contract award and the successful establishment of EASA Part 21 and 145 organisations, which enabled us to undertake design and maintenance activities that complement our existing service lines. Although uncertainty remains in commercial aircraft manufacture, the announcement of new 'clean sheet' military projects, including Tempest and new export contract wins, see growth in high technology and skilled resource, ranging from systems and software, design and analysis and other niche professional engineering disciplines.

Rail transport

Despite 2018 proving a challenging year for the rail sector, we successfully maintained our position across multiple high profile projects, including HS2, Crossrail and TfL, establishing the Morson Group as the recruitment partner of choice for forthcoming programmes of activity that are set to benefit us throughout 2019 and beyond.

Entering the final year of Network Rail's Control Period 5 meant a leaner 12 months of industry spending, which coincided with the collapse of Carillion. In light of this, we preserved our market-leading position by working more smartly and efficiently to overcome challenges in candidate attraction and shortages in some areas.

We strengthened our partnership with Women in Rail by sponsoring and championing its Big Rail Diversity Challenge and mentoring programme, together with our ongoing 2020 female contractor pledge, in order to attract new candidates from alternate talent pools.

Nuclear, energy and process

Our market share within the nuclear industry remains consistently strong, with a particular bias towards new build programmes and their supply chains. Hinkley Point C marked another year in development and the UK government signed its Nuclear Sector Deal. Together, this will create new opportunities to provide skilled labour and design services for the Group throughout a project's full life cycle, with 2018 having seen us provide a growing number of blue and white collar construction skillsets needed on site at Hinkley Point C.

OUR VISION

To be the leading provider of human capital and engineering design services that add value to our core markets.

FOCUSED
COMMITTED
AMBITIOUS

SINCE
19
69

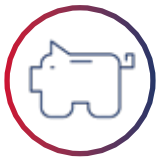
OUR STRATEGY

STRATEGIC PRIORITIES

Deliver best-in-class services that are trusted by clients and candidates

Develop and then maintain market-leading positions in core sectors

Develop and invest in new income streams



Enhance shareholder value to continue to revinvest

ONGOING ACTIONS	PROCEDURES AND SYSTEMS
• Strong internal and external communication. • Regularly seek and act on client and candidate feedback. • Share best practice across our core client sectors. • Measure and monitor performance against key performance indicators (KPIs). • Work to our agreed core values to ensure they guide business decisions.	• A senior and accessible management structure that possesses high level market experience and knowledge. • Multi-pronged communication methods within operational Boards, management and our wider employee base. • Continued investment in our IT infrastructure, staff, programmes and technology innovations.
• Be knowledgeable about our customers to understand both their current needs and future resource requirements. • Continue to develop efficiencies throughout our operations. • Reinvest in training at all levels of the business, including apprenticeships and work placements.	• Invest in our website, communications, marketing and media to establish and maintain a voice of authority. • Develop our recruitment technology and business intelligence tool, Vencuro, to assist our clients in managing their workforce. • Adapt our technology to enhance data capture and drive efficiencies. • Assist clients and contractors in ensuring compatibility and compliance throughout legislative changes.
• Identify niche areas that align with our strategy and strengths. • Plan, execute and support our strategy, appreciating timescales of delivery. • Remain flexible and agile with regards to changes in the marketplace and wider economy, including social and political influences.	• Selective and carefully considered investment opportunities. • Strategic office networks for delivery of our services both in the UK and overseas. • Continue investing in our business units to enhance services, capabilities and reach. • Invest in the training of apprentices, our contractors and the wider Group workforce to develop future talent.
• Target growth that creates opportunity both within and for the business. • Understand our client and contractor needs to retain and grow our current portfolio and win new business. • Maintain efficient practices and cost control procedures. • Deliver strategic thinking and positioning in a changing marketplace.	• Establish clear aims for further development. • Recruit talented staff in the right areas to support growth. • Targeted investment opportunities. • Maintain experienced and knowledgeable management teams and operating Boards.

BUSINESS UNIT REVIEWS

We create value for our clients through talent-based solutions that deliver financial control, quality, innovation, transformational change, and ultimately forge long-standing partnerships with our clients and candidates.

Delivery amongst our core markets remained largely stable throughout 2018, with some growth from diversification into additional and complementary markets, predominantly construction and professional services.

We supported a number of new client wins in the professional services marketplace by filling key roles and sourcing the niche skillsets needed to deliver substantial IT, HR and finance change and transformation programmes. Within construction markets, we saw growth in civil engineering specialisms and projects, covering both specialist and volume resourcing.

Our permanent division delivered strong growth and supported some of our clients' focus to reduce reliance and spend on contractors by converting high value temporary workers into permanent employees. This meant working closely with clients and contractors to develop and showcase the rationale and benefits, such as stability, security and attractive employment packages.

We continued to deliver significant added value functions to our client base, particularly around championing equality, diversity and inclusion (ED&I), with many of our clients operating in sectors with imbalances. Using our own business as a platform to test and develop our ED&I strategies enabled us to roll out successful initiatives amongst our clients and share best practice, with many now looking to us to help achieve the many benefits of a diverse workforce within their own organisations.

Our ability to remain agile and flexible remained another key driver behind our customers' purchasing decisions, with an increasing number of clients benefitting from our managed service provision. These staff members working full-time or part-time on client sites fully embed within client operations to create one enlarged, strengthened and streamlined recruitment function.

The Chancellor's decision to extend the IR35 off-payroll rules into the private sector, with effect from April 2020, will mark a significant change for our recruitment business, our clients and our contractors. We continue to work in partnership with our public sector clients to help mitigate risk to ongoing projects and will use this knowledge, as well as leveraging the expertise of ourselves and our highly skilled and knowledgeable IR35 compliance partners, to deliver the same support and guidance to our private sector client base as we work through to 2020.

Delivering best-in-class technology that provides real time data at the touch of a button was another major focus, with a significant spend on our Vencuro technology, which is currently providing more than 3,000 users with visibility of data important to them, allowing simple reporting against KPIs through our enhanced bespoke dashboards. More information on Vencuro can be found on page 31.

Morson International North America

Acquiring Canadian recruiter, Strategic Infusion Inc., which also has operations in the USA, strengthened our North American operations in power, engineering, nuclear and telecommunications to provide clients with technical professional services in recruitment, consulting, turnkey projects and outsourcing. This acquisition included Strategic Infusion Inc.'s four operating companies: in Canada, Commissioning & Technical Services (N.A) Ltd (CTSNA); in the USA, Commissioning & Technical Services (N.A) Inc. (CTS US) and Comtask Global Inc. (Comtask), as well as also MComm Solution of Puerto Rico Inc. (MComm).

Our solid international expansion also saw us positioned fourth in Staffing Industry Analysts' list of the fastest-growing US staffing firms in 2018. We were the only UK-headquartered recruiter to be listed in the top 10.

Core markets

£622m
Revenue Morson International

£54m
Revenue Morson International North America

BUSINESS UNIT REVIEWS CONTINUED

MORSON PROJECTS

2018 was a year of many firsts for Morson Projects, including our first cyber security project and our first Aircraft Line Maintenance programme.

The company had a good year during 2018 with all four divisions recording key achievements and an overall increase in profitability. Our Mechanical, Aerospace and Civil Engineering offering brings key functions of our aviation business together to provide niche support through to full turnkey projects and it is now fully licensed and certified to design our own 'parts', having been awarded EASA part 21J privileges in 2017. A significant milestone was receiving an EASA Approved Supplementary Type Certificate (STC), which provided a solution for ADS-B Out functionality on the Rockwell Collins avionics equipped aircraft.

The power, automation and control engineering division continues to successfully receive high accolades from key clients. We further solidified our position within the power sector by gaining our NERS (National Electricity Registration Scheme) Accreditation and entering the Independent Connections Provider arena, and this move opens up new opportunities within the contestable connections market.

The asset care and technical services division delivered more than 60 projects ranging in value from £500k to £800k. The majority of this work was in the nuclear sector, including a large-scale decommissioning programme, which saw more than 60 engineers engaged throughout the year both on the client's site and at our Kelton House offices at Westlakes Science Park.

Our Morson Aircraft Engineering Services (MAES) offering was awarded EASA Part 145 privileges, which enabled us to apply for our first Aircraft Line Maintenance licences, which were subsequently granted in Edinburgh and Belfast. The collapse of Monarch Aircraft Engineering in December 2018 then provided us with the opportunity to acquire additional Aircraft Line Maintenance stations at Gatwick, Birmingham, East Midlands, Newcastle and Glasgow Airports, and significantly grow our presence as a provider of UK Line Maintenance Services. To assist in this a MAES mobile application has been developed as a key part of our engineer's toolkit. It provides our engineers with live maintenance data of the aircraft and our customers with live feedback and SLA reporting.

Six-time RoSPA winners

In 2018, our Sellafield operations won their sixth consecutive RoSPA Gold Medal, which recognised outstanding practices and achievements in health and safety management. This ensures that all our staff work safe and return home safe. This was a huge achievement for everyone involved and demonstrated our continued commitment towards the health and safety of our workforce.

Waldeck Associates

Bringing Waldeck alongside Morson Projects in November 2018 saw our engineering resource capability, in terms of expertise and market reach, increase significantly. We now have more than 700 engineers in this combined division. The Lincolnshire-headquartered business brings exceptional expertise in commercial management, civil, mechanical, structural, electrical architectural engineering, technical and risk management consultancy services, and enhanced the Group's engineering talent with the ability to deliver services to the wider end-to-end engineering market. The acquisition also enabled us to expand our foothold in the built environment sector, by strengthening both our capabilities and offer, whilst adding significant in-house expertise in Building Information Modelling (BIM).

Core markets

£40m

Revenue Morson Projects

BUSINESS UNIT REVIEWS CONTINUED

Our operating model remained consistently strong during 2018 as we continued to enhance our position as one of the UK's leading suppliers of blue collar talent.

Underpinning our growth and market agility was our focus on securing long-term framework agreements with strategic partners, with a number of key account wins spanning the East Coast and West Coast Main Lines and Scotland. We also renewed a three-year Tier 1 agreement for the delivery of specialist resource to a client's energy division and signed a new agreement with its power generation division.

Rail sector

2018 saw us invest in and shape a new London management team. This helps us to realign our focus and priorities to ensure that we can capitalise on the increasing demand from major projects, particularly Network Rail's Control Period 6 and HS2.

Our contractor workforce grew and many of these were primary sponsored, enabling them to work on Network Rail infrastructure. Many of our contractors have remained as suppliers for several years, demonstrating our commitment to providing continuous engagement through long-term frameworks. Every operative is appointed a dedicated operations manager and HSQE (health, safety, quality and environmental) adviser to ensure the health and safety of our people remained at the heart of everything we do.

Launching our dedicated Safety Matters Close Call App has enhanced the way we maintain the safety of our workforce trackside and helps us to take action to diminish potential risk. We also continued to recognise the growing impact of health and wellbeing related issues amongst our workforce and sought to address any potential industry imbalances with regards to safety and health. In addition to training mental health first aiders, as discussed on page 29, our mobile Safety Units fleet delivered an increasing number of discussion forums on emotional health and wellbeing to help deliver a more holistic approach to health and safety.

Our divisions

Our **Vital Rail Projects** division gained its Principal Contractors Licence, which enabled it to work with clients directly, demonstrating our robust HSQE management systems that comply with Network Rail standards and those governed under the Construction (Design & Maintenance) Regulations 2015.

Vital Resources recorded another strong 12 months, increasing its turnover, with our activity strengthening our position as one of the UK's largest providers of resource to the energy sector, having delivered 750,000+ people hours on high voltage substations within the UK for projects both onshore and offshore.

Specialising in electrification, **Vital Solutions** achieved its best sales figures since inception, winning three new tenders and creating a healthy pipeline of activity for 2019 and beyond. Together with our clients, we successfully mobilised and commissioned two of the UK's most high profile electrification projects: North West Electrification Programme and Power Southern Upgrade – Central Package.

Core markets

£104m

Revenue Vital Human Resources

CASE STUDY

Vital interventions

Our success in reducing trespassing and vandalism on LNE and EM routes saw our trial scheme with Network Rail extended for a further five years. Within the contract's first year, our 12 trespass and vandalism patrollers spent time observing some of the railway's most vulnerable locations and made a significant contribution to 50 lifesaving interventions on one of the worst areas in the country for suicide, contributing to a 53% reduction in suicides from the previous year along that route. The extension will eventually see 40 Vital patrollers working alongside train operators and the British Transport Police (BTP).

Travelling in pairs, our patrollers respond to issues regarding unauthorised access that may impact rail operations, whilst helping keep rail passengers and rail staff safe. Each received specialist training from the Samaritans and the BTP on how to intervene as well as safeguarding prevention and trauma and underwent rigorous applications to ensure they have the right personality, values and mind-set to deliver such an important role.

BUSINESS UNIT REVIEWS CONTINUED

Core markets

2018 marked our first full year operating as part of the Morson family. Leveraging the Group's wider capabilities, functions and expertise saw us record our best ever financial results.

Whilst other markets felt uncertainty around Brexit, IT recruitment prospered, with roles outstripping supply. Whilst clients became easier to find, we needed to work harder to source quality candidates. Tighter immigration rules coupled with a downturn in young people choosing classic IT-related subjects were other major influences on the availability of talent.

We capitalised on the significant growth in cyber security by supporting our clients with technical skillsets and professional resource to deliver large change and transformation and software development programmes in response to the growing threat of cybercrime.

One major project, which involved some of the most stringent skillset requirements, saw us successfully place the majority of a client's leadership team, including: director of delivery, head of software, head of security, chief architect and head of business analysis. Other notable hires included placing our first AI specialist, as well as supporting a large piece of security work in order to help recovery within a global company following a large scale cyber-attack.

We also worked to change the status quo around issues affecting IT by leading conversations. Our Gender Balance in Tech event, held in partnership with the University of Salford, brought together industry leaders and innovators to discuss gender bias and what can be done to futureproof trailblazers. Topics debated included the introduction of quotas, better training for teachers to help primary school pupils embrace technical aspirations and role models.

A second roundtable event focused on flexible working to educate stakeholders on implementing agile working. Aside from monetary benefits, flexible working remained the most in demand requirement during 2018 and was a key differentiator between roles.

Joining in the Morson family

2018 was a year of change as we embedded into Morson Group, whilst respecting our stand-alone brand. In our first full year, we achieved record annual turnover figures and margins remained consistently high. We also benefitted from the Group's centralised services, which brought improvements in our IT, the launch of our new website, new marketing collateral and staff training.

anderselite
Technical Recruitment Consultants

Core markets

The acquisition by Morson in July 2018 gave us the opportunity to review operations within Anderselite as we successfully embed into the Group and we are working to strengthen our reputation and the heritage of our stand-alone brand across numerous technical sectors.

Following the acquisition, we have embarked on a programme to transfer a number of work streams and functions from our Southampton headquarters to Adamson House, benefitting from the Morson Group's support and platforms and delivering efficiencies in ways of working.

Investing in a new management team also saw us promote a number of rising stars across our business, which ensured we have the right people in post to take on more responsibilities and drive us forward, whilst retaining this experience and knowledge.

We have been a more traditional, reactive technical recruiter and have forged long-standing relationships with clients during our 30 years in business. Taking inspiration from Morson's proactive approach, we have adapted our focus and approach to ensure technology can automate elements of the recruitment process, enabling our consultants to focus on delivery. We have a focus on building stronger partnerships to remain front of mind and become part of our clients' and candidates' futures through sharper forward planning.

Despite some market uncertainty, there was an increasing demand for apprentices as clients continued to capitalise on the Apprenticeship Levy and support more young people at the early stages of their careers. We also experienced consistent demand for civils, rail, and trades and labour skillsets and established a preferred status with several clients across these three verticals.

We are also refocusing our attention on growing and enhancing the temporary and permanent placements arm of our business. Recruitment and staff training continue to establish a strong recruitment team within our business. We very much look forward to the ongoing integration of the business within the Morson organisation and the enhanced opportunities this will bring for the business and our workforce who are the backbone of our success.

£21m
Revenue Anderselite (post-acquisition)

"I'VE KNOWN THE MASON FAMILY FOR ALMOST 30 YEARS AND TO NOW BE LEADING ANDERSELITE, ESPECIALLY AFTER SELLING MY OWN RECRUITMENT BUSINESS TO THEM IN 2017, IS A REAL MILESTONE. LIKE GED MASON, I'VE BEEN IN RECRUITMENT A LONG TIME AND CAN SEE THAT ANDERSELITE HAS GREAT POTENTIAL FOR GROWTH AND MY FOCUS IS ON GETTING US THERE."

Colin Edge
Executive Director at Anderselite

FINANCIAL REVIEW

Paul Gilmour
Group Financial Director

"MORSON GROUP HAS DELIVERED A RECORD RESULT IN 2018, WITH UNDERLYING SOUND FINANCIAL RESULTS FROM OPERATING BUSINESSES."

QUALITY DELIVERY SERVICE

SINCE 1969

Morson Group delivered a record result in 2018, with underlying sound financial results from operating businesses, demonstrating the strength of a diverse offering, resilience and maintaining a leading market position.

Over recent years, we have highlighted the political issues that we felt impacted the market and the situation, and our view is that this continued through 2018 and into 2019 with the general political malaise and conversation on Brexit being to the fore. We remain of the view that this has contributed to continued delay with regards to the nuclear and power infrastructure market, curtailed government spending on infrastructure and extension of time to our clients' decisions with regards to new business opportunities and needs. Clearly this has been continuing for some time now and the Group's performance is creditable given these factors. An aspect that assist us of course is that maintenance of these key infrastructure assets and several aerospace and marine programmes have continued in spite of overarching delay. The Group has also made three notable acquisitions in the period which have increased the scope and geographic spread of service that we offer our clients in a complementary way, remaining true to the "technical" focus of the Group.

Revenue growth of 6.5% and an NFI margin of 9.7% (2017: respectively 1.0% and 8.9%) are good achievements in a challenging environment. Adjusted profit before tax of £24.7million* is a £3.2 million improvement on the £21.5 million achieved in 2017 and represents a seventh successive year of increasing returns.

* See derivation on page 22.

Financial and non-financial key performance indicators (KPIs)

	2018 £000	2017 £000	Variance £000	Variance %
Revenue	**866,742**	813,970	52,772	6.5%
Net fee income (NFI)	**84,097**	72,080	12,017	16.7%
Adjusted EBITDA (see below)	**28,638**	24,993	3,645	14.6%
Adjusted profit before tax (see below)	**24,697**	21,459	3,238	15.1%
Conversion ratio (adjusted EBITDA to NFI)	**34.1%**	34.7%	-0.6%	-1.8%
Adjusted EBITDA margin	**3.3%**	3.1%	0.2%	7.6%
Interest cover being ratio of adjusted EBITDA to other finance costs (see below)	**10.5**	10.2	0.3	2.8%
Net debt	**47,352**	32,693	14,659	44.8%
Average net debt during the year	**29,973**	18,347	11,626	63.4%
	Number	Number	Number	%
Average contractor numbers (not in '000)	**13,700**	14,000	(300)	-2.1%

Revenue and net fee income (NFI)

Group revenues in 2018 increased to £866.7million by 6.5% over the £814.0million achieved in 2017. Core UK recruitment had a challenging year, noting the comments above, but achieved increased profit with good cost control and increased margins. This was enhanced with revenues from the two acquisitions of Strategic Infusion and Anderselite through the year. Design activity also received a boost with the Waldeck acquisition late in the year and built upon the prior years' success, posting increased revenues and diversifying its offering with regards to civil aerospace and civil engineering design capability.

Recruitment saw revenues rise by 6.0% from £776.4million to £823.2million and engineering design consultancy saw revenue rise by 15.9% from £37.6million to £43.6million in 2018.

Group NFI (gross profit) was up 16.7% to £84.1million (2017: up 5.2% to £72.1million). The split of NFI across temporary and permanent recruitment and engineering design consultancy was £71.2million, £6.2million and £6.7million respectively (2017: £61.9million, £4.0million and £6.2million).

The acquisition of the Strategic Infusion inc group of companies, which is a specialist Canadian Energy recruitment business with USA telecoms expertise, was completed on 31 January 2018. Revenue and NFI included within the Group consolidated results for the period are respectively £25.9million and £2.9million.

The acquisition of Anderselite Holdings Limited, which is a long established UK civil, construction, trades and rail recruitment business, was completed on 25 July 2018. Revenue and NFI included within the Group consolidated results for the period are respectively £20.9million and £3.3million.

The acquisition of Waldeck Holdings Limited, which is a long established UK design consultancy in civil, construction, nuclear and wider engineering fields, was completed on 1 November 2018. Revenue and NFI included within the Group consolidated results for the period are respectively £1.4million and £0.4million.

These acquisitions complement the existing portfolio of services the Group offers to its clients. Anderselite was loss making in the period and was acquired in the knowledge that a restructuring of the business was needed, which is underway. These and underlying activity within the Group have improved NFI margins obtained. It is good to see percentage gross margin NFI to revenues at Group level increased at 9.7% (2017: 8.9%) and across operating segments margin in temporary and permanent recruitment increased to 9.4% (2017: 8.5%) although in engineering design consultancy and management it decreased to 15.5% (2017: 16.5%).

FINANCIAL REVIEW CONTINUED

Adjusted EBITDA and NFI conversion

Adjusted EBITDA increased by £3.6million to £28.6million (2017: £25.0million) and at business segment level within recruitment activity increased from £24.6 million to £28.5million and within engineering design consultancy and management it increased from £1.6million to £2.0million. Group shared costs in 2018 were up by £0.5milion to £1.8million (2017: £1.3million). Operating profit increased by 8.4% to £24.9million (2017: £22.9million).

Group 'Conversion Ratio' is measured as the ratio of adjusted EBITDA to NFI (as shown in the table on page 21). In 2018, a ratio of 34.1% has been achieved (2017: 34.7%). Conversion ratios at segmental level saw design consultancy increase to 29.2% from 26.3% and recruitment activity decreased to 36.8% (2017: 37.4%). Conversion ratio is also, of course, affected by the ongoing controlled investments and acquisitions into newer niche areas and the acquisitions have impacted this measure.

Exceptional items

In 2018 there was an exceptional cost of £0.8million recognised in connection with acquisition-related fees, goodwill impairment, restructuring costs, negative goodwill and additional consideration payable on acquisition of businesses.

In 2017 there was an exceptional cost of £0.4million recognised in connection with acquisition-related fees and goodwill impairment.

Finance costs

Finance costs incurred in the consolidated income statement include two key elements. Firstly, a finance charge of £0.8million (2017: £0.4million), being the costs incurred on borrowings and facilities linked to bank base rates.

Secondly, there are finance charges of £1.9million (2017: £2.0million) for provision of banking facilities and financial payments along with charges from payment and receipts mechanism providers linked to day-to-day transactions.

Derivation of key performance indicators from consolidated income statement

	2018 £000	2017 £000
Operating profit	**24,869**	22,943
Add: amortisation of intangible assets	**1,740**	524
Add: depreciation	**1,213**	1,086
Add: exceptional cost on acquisition of a business	**564**	113
Add: impairment of goodwill	**190**	327
Add: exceptional additional consideration payable on acquisition of business	**210**	–
Add: exceptional restructuring costs	**751**	–
Add: exceptional negative goodwill	**(899)**	–
Adjusted EBITDA	**28,638**	24,993
Profit before tax	**22,972**	21,324
Less: other income – research and development expenditure credit	**(831)**	(829)
Add: amortisation of intangible assets	**1,740**	524
Add: exceptional cost on acquisition of businesses	**564**	113
Add: impairment of goodwill	**190**	327
Add: exceptional additional consideration payable on acquisition of a business	**210**	–
Add: exceptional restructuring costs	**751**	–
Add: exceptional negative goodwill	**(899)**	–
Adjusted profit before tax	**24,697**	21,459

Derivation of key performance indicators from notes to the consolidated income statement regarding segmental reporting

	2018 £000	2017 £000	Variance £000	Variance %
Temporary and permanent recruitment services				
Segmental operating profit	**25,296**	22,978	2,318	10.1%
Add: amortisation of intangible assets	**1,699**	524	1,175	2.2%
Add: depreciation	**811**	673	138	2.1%
Add: exceptional loss on acquisition of a business:				
Cost of acquisition of businesses	**469**	113	356	315.0%
Impairment of goodwill	**190**	327	(137)	-41.9%
Additional consideration payable on acquisition of a business	**210**	–	210	100%
Exceptional restructuring costs	**685**	–	685	100%
Negative goodwill	**(899)**	–	899	100%
Adjusted segmental EBITDA	**28,461**	24,615	3,846	15.6%
Engineering design consultancy and management				
Segmental operating profit	**1,363**	1,221	142	11.6%
Add: amortisation of intangible assets	**41**	–	41	100%
Add: depreciation	**402**	413	(11)	-2.7%
Add: exceptional loss on acquisition of a business:				
Cost of acquisition of a business	**95**	–	95	100%
Exceptional restructuring costs	**66**	–	66	100%
Adjusted segmental EBITDA	**1,967**	1,634	333	20.4%

9.7%
NFI margin

£28.6m
Adjusted EBITDA

Core Group financial facilities have remained in place through the year. The Confidential Invoice Discounting facility has a borrowing charge calculated using bank base rates plus an agreed margin on amounts drawn. This flexible facility allows the Group to borrow only what it needs and thus the Group's interest cost is commensurate with the working capital needs of the business. The Group has negotiated an increase in the ceiling of this facility to £85million that was effective from 21 December 2018.

Interest rate protection, through hedging arrangements, is now held at Parent Company level within the Group and there is no charge in the consolidated income statement (2017: £Nil). This is an area that is kept under review by the Board.

Interest cover, being the ratio of adjusted EBITDA to other finance costs, increased to 10.5 times (2017: 10.2 times). This is at a consistent level reflecting steady rates of charge and thus reflective of cash-flow needs of the Group and remains at a high level. Measured on the costs incurred on borrowings and facilities this would be 25.2 times (2017: 35.9 times).

Profit before tax

The Board feel the adjusted profit before tax measure helps understand performance and set out on page 22 are the adjusting items deriving this and a comparator for the prior year. In 2018 this has risen by 15.1% to £24.7million (2017: £21.5million). Actual profit before tax after these matters increased by 7.7% to £23.0million (2017: £21.3million).

Tax

The Group's effective rate of tax for the year was 40.8% (2017: 42.7%), higher than the standard rate of tax of 19.00% (2017: higher than standard rate of 19.25%). The key factors impacting this underlying charge for the Group, which tend to increase the tax rate, are the payment to parent companies for Group tax relief, absence of tax relief on certain amortisation costs, withholding tax adjustments on some overseas contracts and certain disallowable business expenses.

Offsetting these factors to a degree are certain costs that qualify as research and development expenditure and are eligible for the Research and Development Expenditure Credit (RDEC), which is recorded as Other Income.

Dividend

The Board has not recommended that any final dividend be paid (2017: no final dividend paid). A total interim dividend for the year of 3.31 pence per share (2017: 19.85 pence) was paid. The total dividend was covered 9.1 times by current year earnings in 2018 (2017: covered 1.4 times).

Cash flow and financing

Working capital funding is via the core invoice discounting facility that is secured on our largely blue chip debtor book. The directors believe this type of facility is entirely consistent with that used by companies providing similar services and is one that suits the Group's business model very well. Costs are largely on a bank base rate plus margin basis and the facility period is to 14 September 2020.

At 31 December 2018 the capacity of the facility was £85million (2017: capacity £65million).

In the prior year there was also a five-year loan fixed repayment facility standing at £0.1million in 2017, which has been paid fully in 2018.

Net debt at the 2018 year end was £47.4million (2017: £32.7million) with average net debt over 2018 of £30.0million (2017: £18.3million). We feel looking at average levels gives a better measure of true borrowings as fluctuations day to day can be material. The increase in average net debt levels is in line with expectations. The key factor causing this is the three acquisitions described above, with combined estimated consideration of £9.6million of which £8.8million was outflow during the year. As noted below debtor and creditor days have remained broadly consistent with prior periods. Some other key impacting factors include:

- changing client specific volumes of activity, credit terms and payment profiles.
- outgoing costs and expenses including: the timing of pay to the contractor workforce which is typically a Friday, investment in staff, structure, service delivery and acquisitions.
- seasonal impacts for example public holiday periods of Christmas and Easter.

Through 2018, working capital increased by £8.3million (2017: decreased by £3.3million), reflecting some of these factors. Cash collection patterns through the year were broadly consistent with prior periods across all businesses within the Group. Overall an indicative calculation counting revenue plus closing rate VAT back into trade and other receivables gives debt-turn at the year end of 62 days (2017: 55 days).

Tax paid during the year was £4.5million (2017: £2.6million). Capital expenditure settled by cash was up by £0.8million at £1.7million. Consideration of the going concern basis is provided in note 2 to the financial statements.

Balance sheet

Group net assets at 31 December 2018 were £104.3million (2017: £90.4million). This increase principally reflects retained profits for the year.

Non-current asset levels have increased from £47.3million to £49.8million due to goodwill and intangible assets arising mainly on the acquisition of Anderselite Holdings Limited, Waldeck Holdings Limited and Strategic Infusion Inc.

The principal asset of the business remains trade and other receivables of £176.2million (2017: £146.0million). As noted above the debt turn on this is broadly consistent with prior performance.

Current liabilities largely comprise trade and other payables of £72.0million (2017: £67.3million) and bank overdrafts and loans £51.0million (2017: £36.5million). The trade and other payables cycle is short as much of the cost of sales relates to workforce which is on weekly or monthly terms, so creditor days are nine days (2017: seven days). The bank overdrafts and loan figure is better considered at average levels, as discussed above.

It is notable that the non-current liabilities of the business are low at £0.8million (2017: £0.6million).

Paul Gilmour
Group Financial Director
31 May 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Board recognises that effective assessment and management of risk is key for the delivery of the Morson Group's strategic goals and operational requirements.

Whilst the overall accountability to address this risk rests with the Board, risk management and the day to day practice and systems adopted must form part of the Group's culture and processes. This is tailored within business units or sectors to match their particular circumstance and commercial requirements.

Ongoing assessments are made within the Group to identify, evaluate and address the business risks we face. However, the systems are designed to manage these risks appropriately. We aim to provide reasonable assurance against all material misstatement or loss.

As part of the risk management process, Operations Boards within each business unit, and sometimes also across these units that have shared relevant sector exposure or responsibility, are tasked with assessing the particular risks that apply. Appropriate systems are then developed and monitored to manage this and report back to the main Board on a regular basis. Some areas of risk are more centrally managed and dealt with across the business, for example, interest rate exposure via Group finance teams, whilst others are more operational and link to day to day practices and compliance.

Assessments are performed regularly and these include:

- Non-financial formal risk assessment audits, conducted by internally trained and qualified staff, for example, design peer review of programmes, health and safety audits for rail and offices, and contract operation and review.
- Non-statutory external audits and advice.
- Operational review and approval processes for commitments made by the Group.
- Open and direct access to the executive team and operational directors for all employees.
- Appointment of compliance officers with designated areas of responsibility.
- A robust and caring approach to employee and contractor health, safety and wellbeing.
- Detailed financial information disseminated to stakeholders of operations within the organisation.
- Central review and control of reporting processes and data submitted.

The Board carefully considers all reporting from Operations Boards and internal compliance teams, in addition to existing and new operations that might require new assessments to be made, and keeps itself appraised, with appropriate advisers, of latest practices and requirements within the markets within which it operates. The ongoing operational and financial performance of the business is a key part of every Board meeting and a main agenda item. Similarly, detailed reports are prepared within business units of a financial and operational nature and these are part of the day to day management of the business, often with real time information.

The directors have carefully considered the process and systems in place to manage the risk profile of the business over the last year and for the future, and taken appropriate action. Some of these material risks are identified below and include business, financial and that of the economic environment:

Key

↑ Increased risk — No change ↓ Decreased risk

Risk	Risk trajectory vs. prior period	Description of risk	Measures to mitigate the risk
Business risk			
UK market and general economic cycles	—	Our clients have their own and often their customer's demands and requirements to contend with, and this impacts upon their call on us for our services. Significant downturns may adversely affect business levels. The general economic wellbeing of the UK, which accounts for some 94% of Group revenue, is clearly important. Government spending on defence, energy and infrastructure is a factor, as is wider aerospace and defence activity, being the largest sector for the Group. Similarly, upturns in economic activity can put pressure on client cash flows and lead to a different set of problems, for example, supply metrics and overtrading.	We remain close to our markets, listening to clients and seeking to understand both them and their sector resource requirements to help us plan for the near and far term. Whilst as a Group we remain focused on technical and engineering services, which is our core capability, we have sought to spread our sector exposure as this gives access to differing economic cycles. Acknowledging this, and that we also supply to a blended underlying remit of maintenance and new project work, reinforces the need to regularly review. Our predominance of supply of temporary, rather than permanent, contractors is also, we feel, a less volatile and more flexible income stream. Within the aerospace and defence areas we encompass military, civil and marine projects. We also supply a wide range of skillsets and can perform design work packages.
Brexit and associated political matters	↑	The political discussion, debate and activity in this regard has been widely publicised. Its impact on the UK economy and business operations has been speculated upon.	The level of trade to and within Europe is relatively low for the Group at circa 1% of revenues. This is monitored and any new activity assessed in light of the political situation. The Group's knowledge of its markets, clients and contractors is key, and we continue to liaise closely and consider what impact this might have on clients' demands and our operations. Assessment is monitored and as the situation develops, we will adapt and change, as is required.
Key client dependence and retention	—	Where particular clients comprise significant proportions of the Group's activity, either cessation of our contracts of supply to them, reduction in business levels or failure to pay due sums could adversely affect profitability and cash flow.	It is a strategic aim to maintain the larger client relationships that we have managed to achieve and this a key managed risk. Strength of client relationships is a priority for the Group and innovation and development of service offerings helps longevity and understanding. We seek high financial strength and business integrity in clients with whom we contract, in particular those accounts of material size. These factors are monitored throughout the duration of contracts. Whilst cessation of any key contract is not desirable, there are several major clients in each sector where contracts do tend to periodically come back up for retender and any cessation would have an associated release of working capital. Acquisitions have tended to increase the client base of the Group rather than raise concentrations.
New and emerging markets and acquisitions	↑	As the Group seeks to expand into newer geographic or business areas, organic or acquisitive investment is required and understanding of markets needs to be gained to ensure the cost and cash outflow is justified.	The Board is careful in considering investment expenditure and regional and national growth. The need to expand the scope of services offered by the Group is assessed, balanced and controlled at sensible levels, whether organic or via acquisition. Acquisitions are made by experienced Board members of the Group with appropriate professional advice and assistance. Noting the three more recent acquisitions, due attention and focus on integration is being given to these.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Risk trajectory vs. prior period	Description of risk	Measures to mitigate the risk
Competition	—	The recruitment market in the UK is well established, particularly in the technical engineering sector, and competition is fierce. At risk are existing business relationships, margins and contractor supply.	The Group has many years' experience within our market and both a strong database of candidates and a solid client list. The Board is kept aware of pricing pressures within the market and all tendered material business development opportunities. Investments are made to develop services and IT platforms, to seek to provide market-leading solutions for our clients and business operations.
Reputation	—	Should standards of service delivery fail to meet the levels required or perceived, the Morson Group brand might be adversely affected, impacting brand value, business performance and current and future opportunities.	External and internal quality control processes and procedures are in place and monitored. The business culture within the Group is focused on professionalism, core values and delivering as a team on client and contractor service. Staff, contractor and client groups are engaged to encourage awareness and develop positive relationships. Through social and charitable activities, the Group seeks to give something back to the communities that support our business.
Regulatory risk and compliance	↑	The Company is required to operate in line with the laws and regulations of the countries and sectors within which it operates. This encompasses a wide remit, including contractual arrangements with suppliers, contractors and staff, data management and systems. Failure to adhere to these could expose the Group to fines, penalties, reputational damage and trade restrictions.	The Group has invested in its systems and the capabilities of its people to develop, maintain and keep up to date the knowledge and experience built up within the organisation. This focus on compliance continues each year with our teams keeping abreast of regulatory requirements via various means, including direct with governmental bodies, professional advisers, advice from membership of professional associations and consultants. The risk in this area has increased over recent times with much legislative and regulatory change directly impacting our sector.
Financial risk			
Borrowings and debt financing	—	The Group relies on debt financing to continue to operate its business model. The finance provider is key, as are the business processes surrounding cash flow within the business. If these are disrupted, there is a risk that the cash flow falters and that debt facility agreements are distressed.	The Group has a very strong focus on the working capital needs of the business and monitors these daily. Future plans and investment are always considered only in the context of available facilities and mindful that the Group can continue as a going concern and provide returns for shareholders. The facilities are regularly reviewed and in 2018 were extended, and our close working relationship with our finance provider was maintained. Processes to monitor, plan and manage cash flow have been implemented and commensurate with a business of our scale.
Debtor failure to pay	↑	Credit is extended to most clients of the business at varying levels. If client businesses fail or are unable to pay their debt to the Group, at all or on time, then cash flows are disrupted.	The Group engages strong internal disciplines and assessment with respect to levels of credit extended to clients, seeking to ensure that these commensurate with the clients' status and ability to pay. Similarly, credit control procedures within all operating companies are robust, measured and, where issues do occur, they are swiftly escalated to senior management to resolve. Credit insurance policies have also been adopted in most material areas within the Group that can provide a level of assurance for certain debts, which has helped to manage risk in this area, although there are several risks which the insurance will not cover or where cover is limited.

Risk	Risk trajectory vs. prior period	Description of risk	Measures to mitigate the risk
Operational risk			
IT systems and software	—	The business relies on a range of systems and software infrastructures to deliver services. Its database of candidates is a key asset. Loss or interruption of access to these could disrupt client and supplier services, creating risk to business operations.	There has been continuous investment in the IT infrastructure of the Group. This seeks both to improve operational functionality and protect and make more secure the platforms that they operate on and within. Investment in new hardware and software has been made. Planning and careful assessment of adverse scenarios and disaster recovery (DR) procedures are in place. The Group is aware of the heightened risk of cyber-attack generally. Additionally, the Group has undertaken a substantial operational exercise to ensure that we adhere to all GDPR regulations.
Staff retention and recruitment	—	There is a risk that staff holding key relationships and business contacts leave the Group. Similarly, appropriate recruitment of high-quality and motivated employees is needed to take the business forward.	Client relationships, particularly on larger accounts, are held across a spectrum of staff within the Group in order to provide the best service possible and to maintain knowledge across and within the organisation. Staff wellbeing and morale is a high priority for the Board and a positive and dynamic working environment is encouraged to help recruit and retain the highest quality staff.
Internal and external reporting and operational control	—	The business must develop and support business systems to accurately measure performance and delivery on a timely basis. Failure to do so could lead to poor management information adversely impacting the decision-making process. This includes accurate assessment, measurement and reporting requirements across financial and operational areas of the business.	Significant investment over many years has been made in improving business systems and in the skilled personnel to operate and develop these systems in line with business needs. Staff are developed and trained in use of these systems to gain capability and understanding of them with appropriate cover. This also includes the attainment and training of our workforce to have the required skills for monitoring and assessment of contractual relationships the Group enters into and managing the delegated authority required to run the business. In addition to this, entails engaging the staff within acquired entities to embrace these mechanisms and controls.

CORPORATE SOCIAL RESPONSIBILITY

Working responsibly with stakeholders

OUR PEOPLE

Group health & safety statistics:

	2016	2017	**2018**
Staff accidents	8	10	**9**
Agency worker accidents on client sites	126	128	**113**
Reportable accidents to staff	0	0	**0**
Reportable accidents to agency workers on client sites	15	19	**10**
Accident Frequency Rate	0.05	0.05	**0.04**

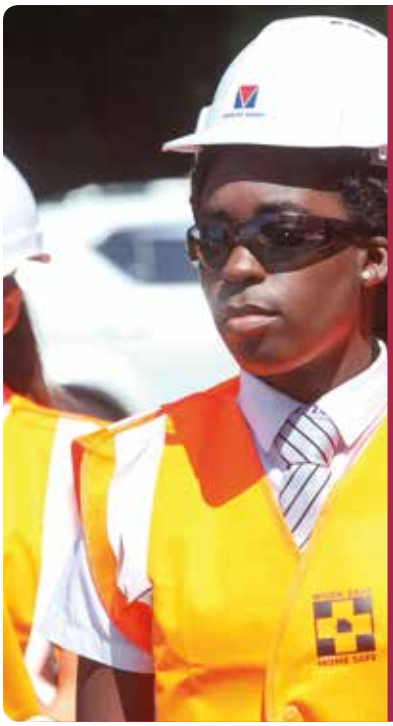
HEALTH & SAFETY

We suffered our first fatality on site in our 49 years in business. An agency worker engaged by Vital Human Resources and working for Network Rail, was fatally struck by a train. We continue to work with all stakeholders to understand what happened and share the learnings with all those involved.

We launched our Safety Matters Close Call App, which gave our workforce another way to report unsafe behaviours and working conditions. The app allows users to submit close calls offline, which are then raised with our HSQE (health, safety, quality and environmental) team once the device's internet connection is restored. This reporting method is vital in reducing and eliminating accidents and incidents, as the more close calls we receive, the more proactive actions we can take to stop unsafe behaviours.

Our Safety Units continued promoting safe working behaviours by delivering safety briefings and conversations with our teams on-site. The team also promoted our evolving behavioural safety strategies, which in 2018, focused on collective responsibility.

We also increased our emphasis on health, with particular attention given to mental health. We trained 40 mental health first aiders who now possess the skills to spot the signs of mental illness amongst our workforce and have the confidence to intervene and support those in need. A member of staff, Russell Kimble, also qualified as a mental health first aider 'train the trainer', which enables sustainable development of mental health skills and awareness throughout the Group.



TRAINING

Our commitment to developing the skills and knowledge of our workforce ensures that we continue to meet the needs of our business, as well as providing our clients and contractors with skilled teams of people that add real value. This person-centric approach kept our staff motivated, engaged, passionate and driven, whilst allowing us to retain a high calibre workforce.

In 2018, diversification of our apprenticeship programme saw the introduction of MBA apprenticeships. Morson Vital Training (MVT) also saw its annual training figures reach 2,000 programmes delivered as it continued to underpin the technical training required in the UK rail industry. In December 2018, the MVT team were awarded Best Apprenticeship Programme at the Transport for London (TfL) Supplier Awards, with the judges praising the exemplary alignment of the programme to the strategies of the DfT, working with underrepresented members of the community and supporting a diverse talent pool.

2,000

programmes of activity delivered by Morson Vital Training

EMOTIONAL WELLBEING

Our dedicated health and wellbeing strategy, MorFit, expanded throughout 2018, with a particular focus on our mental wellbeing workplace priorities. In addition to providing routes to counselling, stress management and support managing workplace pressures and workloads, we ran mental health workshops for line managers. This delivered the skills to understand and manage mental health, whilst establishing our managers as touch points for anyone struggling with mental health issues.

More than 40 employees, and numerous clients, took part in an emotive mental health awareness session dubbed 'Balls to That'. Developed and delivered by Sale Sharks Community Trust, the session raised awareness of mental health symptoms and coping techniques, as well as spotting the signs of mental illness.

2018 also marked the release of our first mental health whitepaper, which published the results of our contractor survey. It found that almost half (46%) of those living with a mental health condition hide it from their colleagues and employer, and almost 1 in 10 (9%) have considered taking their own life at some point because of their mental health struggles. Sharing these findings, celebrating good practice and detailing stories from within our organisation enabled others to use this insight to kick-start their own initiatives.

This page is dedicated to and in memory of Dominic Marston and Mike Roach.

DIVERSITY

We continued to embed equality, diversity and inclusiveness (ED&I) into our DNA. Our ED&I initiatives help us to find and mould the best and brightest talent, whilst attracting staff from underrepresented groups and all walks of life. Reducing unconscious bias through training, blind auditioning and CV anonymisation transformed the way we recruited. We have reviewed and modified the language we use within adverts and job profiles, and we worked closer with candidates to ensure CVs fully reflected skills, suitability and attitude.

Transitioning change courses helped our senior managers to embrace ED&I even further by teaching how to create cohesive teams, positive, inclusive, accepting and productive environments, linking people and performance, and creating the right culture from the top down. We also developed new, inclusive mentoring frameworks that nurtured our rising stars in reaching their potential by helping them to evolve into well-rounded leaders and achieve their ambitions within the Group.

215
additional female contractors

"SAFETY IS A CORE VALUE AND WE CONTINUE TO MANAGE AND MINIMISE RISKS TO DRIVE THE RIGHT BEHAVIOURS AMONGST OUR STAFF AND AGENCY WORKFORCE."

PASSION
RESPECT
CULTURE

SINCE
1969

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Working responsibly with stakeholders

OUR CLIENTS AND SUPPLIERS

From athletes to army veterans, our Ambassadors programme partners with inspiring individuals who can motivate and educate our clients, candidates and employees by bringing new perspectives and positive influences. From different backgrounds with varied life experiences, they all share the same drive and determination, which is why they are part of the Morson family. Our #TeamMorson Ambassadors included:

Andy Reid
Morson Forces Ambassador

Bryrony Frost
Jockey

Andy Reid

Corporal Andy Reid lost both his legs and right arm after stepping on an IED plate whilst serving with the 3rd Battalion the Yorkshire Regiment in Afghanistan in 2009. After spending only two weeks in hospital before returning home after his injury, Andy is a testament to overcoming adversity with a positive mind-set. He was chosen as a Group Ambassador as his determination, optimism and integrity make him a role model, not only for the ex-forces, but for the wider community. He has been an inspiration for our candidates, clients and staff, and works with our recruiters to aid the transition of ex-forces veterans into civilian employment.

Simone Roche MBE

Simone launched Northern Power Women when she saw the need to focus gender balance in the Northern Powerhouse region, with the goal of making the North of England a driving force. Her career has taken her from scaling the ranks of the Royal Navy to roles at the London Olympics, yet it was when she became director for a campaign supporting women in the hospitality, leisure, travel and tourism industry and subsequently becoming a champion for the Government Equalities Office, that gender equality became her passion. Simone actively promotes our commitment to diversity to engage the network of current and future leaders.

Anthony Crolla

At the heart of our core values lies a commitment to inspiring talent and supporting the community. We have sponsored boxer, Anthony Crolla, from his earliest days. Training with coach Joe Gallagher at Amir Khan's gym in Bolton, Crolla has a well-documented journey to becoming WBA lightweight world champion after suffering a fractured skull and a fractured ankle when he tackled burglars fleeing from a neighbour's home – injuries which could have ended his career.

Other sponsorships within sport:

Boxing
Callum Smith
Liam Taylor
Scott Quigg
Robbie Davies-Jr
Natasha Jonas

Horse racing
Paul Nicholls Stables
Harriet Tucker
Harry Cobden
Harry Skelton
Bryony Frost

Golf
Haydn McCullen

Rugby
Sale Sharks Rugby Club
Mark Cueto

COLLABORATIVE WORKING

Our ongoing partnership with the University of Salford saw another cohort of undergraduates begin their Gerry Mason Engineering Excellence Scholarships in 2018, as well as the graduation of our first group of scholars. These fully-funded engineering scholarships allow students to study one of 13 engineering programmes at the University of Salford, including civil, aeronautical and mechanical engineering. We also strengthened the programme by creating a robust training framework that enabled scholars to conduct various work placements with the Morson Group throughout their study, which included a paid summer placement between their second and third year.

"OUR PARTNERSHIP WITH THE UNIVERSITY OF SALFORD IS DELIVERING REAL CHANGE BY ATTRACTING NEW TALENT TO TECHNICAL SECTORS AND DEVELOPING THE NEXT GENERATION OF TRAILBLAZERS, AND I KNOW MY FATHER WOULD BE EXTREMELY PROUD OF EACH AND EVERY ONE OF OUR SCHOLARS."

Ged Mason
Chief Executive

INNOVATION

Continued investment into our internal infrastructure and technology enables our staff, clients, contractors and candidates' access to market-leading innovations and real time data at their fingertips. Most significant was a £500,000+ investment into our Vencuro technology, which in 2018, supported more than 3,000 users. As a business management and intelligence software, Vencuro's mission is two-fold: standardise and simplify recruitment by delivering constant innovation that automates and seamlessly manages end-to-end tasks; whilst providing hiring managers with access to real time data at the touch of a button. The technology comprises three modules; Time, Talent and Dashboard, which are also available as standalone products to suit individual needs, whilst also seamlessly integrating to create a single solution. No two clients are the same and this joined-up platform customises to meet client needs, business structures and goals, to support scalability, growth and provide competitive advantage.

60%

reduction in time spent analysing CVs thanks to AI

QUALITY

Morson International increased its number of ISO standards to four after our Canning Town London branch became one of the first in the country to receive the ISO 45001:2018 Occupational Health and Safety Management Systems Standard. Vital Human Resources possesses two ISO standards, whilst Anderselite has one.

Achieving and maintaining ISO standards demonstrated to our staff and clients our commitment to quality, health and safety, the environment and our business security. Our systems managed risk and continually improved our processes through the Plan, Do, Check, Act cycle. In 2018 our business units achieved certification to the following standards:

- ISO 27001 Information Security Management System
- ISO 9001:2015 Quality Management System
- ISO 45001:2018 Occupational Health and Safety Management Systems
- ISO 14000:2015 Environmental Management Systems

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Working responsibly with stakeholders

THE ENVIRONMENT

FOCUSED
COMMITTED
AMBITIOUS

SINCE
19
69

Environmental

As part of our ISO 14000 Environmental Management standard, we set annual targets to reduce our carbon footprint and create sustainable work environments, which are underpinned by continual innovation, technology implementation and employee education to promote best practice behaviours. Our environmental policies work to minimise our CO_2 emissions, waste per member of staff and divert waste from landfill.

Throughout 2018 our key environmental innovations included:

- Automatic shut down on all PCs
- Promotion of car sharing
- Automatic sensor lighting
- Promoting of remote conference calling to eliminate unnecessary travel
- Green procurement

FLEET

Average vehicle emissions continued to fall in 2018 thanks to proactive efforts in reducing our carbon footprint. Expanding the use of Traffilog technology, a global leader in Telematics, throughout our Vital Human Resources national fleet enabled continued improvements in behaviour and reductions in road risks. An 'in cab' visual and audio alert warning system provided live data and real time feedback to our drivers to support safe driving in compliance with the law. The technology enabled us to analyse and act on any journey issues, helping to reduce fatalities, injuries and lost days that can arise from road traffic accidents, whilst giving our management team extensive insights into the way our drivers behave behind the wheel. Traffilog also maximised fuel efficiency and driver speeds, directly reducing associated driving costs.

Our continued committed towards investing in vehicle technology and driver behaviour to ensure our staff and other road users remain safe at all times, saw us maintain our Bronze Fleet Operator Recognition Scheme (FORS) accreditation.

c.40%

reduction in vehicle $C0_2$ emissions since 2010

OUR CHARITIES

Charity is of significant importance to us and in 2018, our staff chose to raise funds for local children's hospice Francis House and national mental health charity, Mind. Collectively, our staff, clients, supply chain and other partners raised an outstanding £90,000 that was split between both charities to ensure they can continue delivering the excellent work that they do.

During 2018, our fundraising activities included:

- Coast to Coast Cycle Challenge
- The Great Manchester Run
- Climbing Snowdon blindfolded
- Golf tournaments
- Dress-down days
- Great Morson Bake Off

We also began self-stocking a number of office vending machines and donating the proceeds to our charity partners, which in 2018 raised more than £1,500.

"2019'S CHARITABLE GIVING WILL BE OUR BIGGEST YET WITH '50 WEEKS OF GIVING', WHILST ALSO RAISING MONEY FOR OUR 2019 CHARITIES: MOTOR NEURONE DISEASE ASSOCIATION AND ABF THE SOLDIERS' CHARITY."

OUR COMMUNITIES

Carefully selected partnerships make a targeted difference to what we do and support us in attracting hard to reach groups.

In 2018, we supported Harrop Fold School pupils to build their aspirations and help young people realise how their interests and abilities lead to numerous exciting careers. Thirty students completed a speed-style careers event, each having five minutes to speak with various staff members and gain insight. The event showcased the breadth of opportunities within a single business, broke down stereotypes and championed vocational routes. Two students also expressed engineering interests and were invited to complete a week work experience within Morson Projects.

We also continued our work as a founding partner of The Girls' Network's Salford division, a charity empowering young females from disadvantaged communities to be ambitious and reach their aspirations. A #careersontrack event saw Girls' Network students try on full PPE and step on our replica outdoor rail test track to learn about the industry, the roles available and break down barriers.

15

work experience placements for local school and college students

30

Year 10 students completed a speed-style careers event

BOARD OF DIRECTORS

1

Kevin Philbin
Non-Executive Chairman
Kevin has been a corporate lawyer in private practice since 1984 and was the founding partner of Atticus Legal LLP and is now Chairman of Beyond Corporate Ltd. Over the last 25 years he has held Non-Executive Directorships of many private and publicly quoted companies including AO World PLC, Premiere Group PLC, The Range Cooker Company PLC and Gold Medal Travel Group PLC. Kevin's specialties include advising on mergers and acquisitions, flotations, joint ventures and commercial relationships.

2

Ged Mason OBE
Chief Executive
With 33 years' industry experience, Ged's vision and leadership has developed the Company and its ambitions through to present day. Ged leads on strategic development, acquisitions and implementation, whilst delivering a significant charitable programme. He was awarded an OBE for services to engineering and design and an Honorary Degree of Doctor of Business Administration (HonDBA) for services to the business sector and local area from The University of Salford.

3

Dr Kevin Gorton
Group Managing Director
Kevin joined the Morson Group in 1995. He has extensive experience of implementing sales strategies on a global basis across many multi-disciplined market sectors including developing managed vendor solutions and operational delivery models. Kevin has an MBA and PhD in Strategic Finance and plays a key role in the strategic development of the Group.

4

Paul Gilmour
Group Financial Director
Paul, together with Ged Mason, leads on strategic acquisitions and implementation, whilst also leading the financial reporting and function of finance throughout the Group's business units. His presence on all Company Boards and close relationships with management teams drive individual growth strategies and ambitions. Underpinning his role as Group Financial Director is his 28 year experience within the Group and a Bachelor of Science Degree in Mathematics from Durham University, and his professional qualification of Chartered Accountant.

5

Adrian Adair
Group Chief Operating Officer (appointed on 1 January 2019)
With over 20 years' experience in recruitment, Adrian Adair joined the Morson Group in 2011 becoming Chief Operating Officer in 2019, with responsibility for the Group's operational and commercial performance. Adrian's leadership style places inclusivity at the heart of how the business acts and thinks, working with the Operational Boards throughout the business to create a pipeline of talent which enhances Morson Group's reputation as one of the most forward-thinking and ambitious recruitment and engineering partners. Adrian has a BA Hons in Business Studies degree obtained in 2002 and completed an executive leadership programme with Ashridge Business School on Finance & Strategy from 2010 to 2011.

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements of Morson Group Limited ('the Company') and of the Group for the year ended 31 December 2018.

Principal activities

The principal activity of the Group is human capital resourcing, including acting as an employment business, a recruitment agency and the provision of technical personnel for engineering management and design consultancy. There have not been any significant changes in the Group's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

Review of business and future developments

The Strategic Report on pages 1 to 33, including the Chairman's Statement on pages 4 to 5, the Key Market Overview on page 9, the Business Unit Reviews on pages 12 to 19 and the Financial Review on pages 20 to 23, report on the performance of the Group, including key performance indicators, for the year ended 31 December 2018 and its prospects for the future.

The Chairman's Statement, the Strategic Report and this report have been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. They contain certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 40. The directors do not recommend any final dividend (2017: no final dividend paid). An interim dividend was paid of 3.31 pence per share on 21 December 2018 (2017: 19.85 pence per share on 18 December 2017) to MMGG Acquisition Limited, making a total dividend for the year of 3.31 pence per share (2017: 19.85 pence).

Directors and their interests

The directors of the Company who served during the year and to the date of this report are GA Mason, PJ Gilmour, Dr KP Gorton, K Philbin and A Adair (appointed on 1 January 2019). In accordance with the Company's Articles of Association GA Mason will retire by rotation at the Annual General Meeting and, being eligible, offers himself for re-election.

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Employees

The Group's employees are its most important asset. Our policy is to employ the best people irrespective of race, colour, ethnicity, gender, disability, age, sexual orientation, marital status, religion or belief. We believe that we are then best placed to deliver the expectations of the Group.

Consultation with employees, or their representatives, occurs at all levels, with the aim of ensuring that all relevant views are taken into account when decisions are made that are likely to affect their interests. The Group strives to make all employees aware of the operations of their business units to enable, enhance and reward performance. Communication with all employees continues through in-house newsletters, messaging, meetings and the distribution of the Annual Report. A wide range of information is also available on the Group's website www.morson.com. During 2018 the Board continued to enhance the range and depth of information available on the Group's intranet.

The Board are aware of the gender pay gap reporting requirements and these have been published on the Group's website in 2018. There are several initiatives underway to help improve gender balance within our organisation and the wider workforce to promote inclusivity.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Environmental policy

Morson Group Limited recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the Group's impact on the environment include safe disposal of waste, recycling and reducing energy consumption. Further information is given on page 32.

Charitable donations

During the year the Group made charitable donations amounting to £148,000 (2017: £153,000). The Group also seeks to contribute to the fundraising of many local charities and support groups serving the communities in which the Group operates. This can be done by supplying an award, prize or item for auction or sponsoring attendance at fundraising events.

Political donations

No political donations were made by the Company (2017: to The Conservative Party amounting to £25,000).

Share capital

Full details of the authorised and issued share capital of the Company, are set out in note 21 to the consolidated financial statements. The Company has one class of ordinary shares which carries no right to fixed income. Each share carries the right to vote at the general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Creditor payment policy

The policy of both the Group and Company in relation to its suppliers is to set the terms of payment when agreeing to the terms of the transaction and abide by them provided it is satisfied that the supplier has properly provided their goods or services in accordance with agreed terms and conditions.

The Group's trade creditors at 31 December 2018 were equivalent to 9 days' purchases (2017: 7 days).

Auditor

Deloitte LLP has expressed its willingness to continue in office. Its appointment and authority for the directors to agree its remuneration will be proposed at the Annual General Meeting. Each of the directors as at the date of approval of this Annual Report confirms that:

- so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps 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 auditor is aware of that information.

This confirmation should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Group and of the profit or loss of the Group for that period.

In preparing the Parent Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard (IAS) 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Paul Gilmour
Group Financial Director
31 May 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MORSON GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Morson Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 28 and the Parent Company financial statements 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 Group's or the Parent 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.

We have nothing to report in respect of these matters.

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 auditor's 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 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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions 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.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Grogan BSc FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Senior Statutory Auditor
Manchester

31 May 2019

CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	3	**866,742**	813,970
Cost of sales		**(782,645)**	(741,890)
Gross profit		**84,097**	72,080
Administrative expenses:			
– amortisation of intangible fixed assets	10	**(1,740)**	(524)
– exceptional items	4, 24, 9	**(816)**	(440)
– other administrative expenses		**(56,672)**	(48,173)
Operating profit	3	**24,869**	22,943
Other income	4	**831**	829
Finance costs:			
– other finance costs	6	**(2,728)**	(2,448)
Profit before taxation		**22,972**	21,324
Income tax	7	**(9,364)**	(9,116)
Profit for the year	4	**13,608**	12,208
Attributable to:			
Equity holders of the parent		**12,256**	12,486
Non-controlling interests	23	**1,352**	(278)
		13,608	12,208

All activity has arisen from continuing operations.

The notes on pages 45 to 68 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

	2018 £'000	2017 £'000
Profit for the year	**13,608**	12,208
Items that may be reclassified subsequently to profit and loss:		
– exchange differences on translation of foreign operations	**135**	91
Total comprehensive income for the year	**13,743**	12,299
Attributable to:		
Equity holders of the parent	**12,391**	12,577
Non-controlling interests	**1,352**	(278)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	9	**40,155**	39,963
Other intangible assets	10	**4,389**	2,976
Property, plant and equipment	11	**5,266**	4,151
Investments in associates	13	**–**	162
		49,810	47,252
Current assets			
Trade and other receivables	15	**176,167**	145,952
Cash and cash equivalents	15	**3,865**	3,937
		180,032	149,889
Total assets		**229,842**	197,141
Current liabilities			
Trade and other payables	20	**(71,957)**	(67,295)
Current tax liabilities		**(1,363)**	(2,236)
Deferred tax liability	18	**(370)**	(41)
Obligations under finance leases	19	**(64)**	(42)
Bank overdrafts and loans	16	**(50,962)**	(36,464)
		(124,716)	(106,078)
Net current assets		**55,316**	43,811
Non-current liabilities			
Trade and other payables	20	**(602)**	(525)
Obligations under finance leases	19	**(191)**	(124)
		(793)	(649)
Total liabilities		**(125,509)**	(106,727)
Net assets		**104,333**	90,414
Equity			
Share capital	21, 22	**2,267**	2,267
Share premium account	22	**37,607**	37,607
Retained earnings	22	**19,497**	7,065
Capital contribution reserve	22	**43,595**	43,595
Translation reserve	22	**293**	158
Equity attributable to equity holders of the parent		**103,259**	90,692
Non-controlling interest	23	**1,074**	(278)
Total equity		**104,333**	90,414

The financial statements of Morson Group Limited registration number 05111937 were approved by the Board of Directors and authorised for issue on 31 May 2019. They were signed on its behalf by:

Ged Mason OBE
Chief Executive

Paul Gilmour
Group Financial Director

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	25	**11,684**	23,288
Investing activities			
Purchases of property, plant and equipment		**(1,739)**	(936)
Acquisition of businesses net of cash acquired	24	**(14,143)**	(9,684)
Proceeds on disposal of property, plant and equipment		**100**	14
Proceeds on disposal of investment in associate		**203**	–
Net cash used in investing activities		**(15,579)**	(10,606)
Financing activities			
Dividends paid	8	**(1,500)**	(9,000)
Payments made to Parent Company in relation to Group funding		**(9,244)**	(9,531)
Receipts from Parent Company in relation to Group funding		**168**	108
Borrowings repaid		**(63)**	(94)
Repayments of obligations under finance leases		**(80)**	(38)
Net cash used in financing activities		**(10,719)**	(18,555)
Net decrease in cash and cash equivalents		**(14,614)**	(5,873)
Effects of foreign exchange rate changes		**(19)**	53
Cash and cash equivalents at beginning of year	15	**(32,464)**	(26,644)
Cash and cash equivalents at end of year	15	**(47,097)**	(32,464)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Translation reserve £'000	Capital contribution reserve	Total £'000	Non-controlling interests £'000	Total £'000
At 1 January 2017	2,267	37,607	(5,421)	67	52,595	87,115	–	87,115
Profit/(loss) for the year	–	–	12,486	–	–	12,486	(278)	12,208
Exchange differences on translating the net assets of foreign operations	–	–	–	91	–	91	–	91
Total comprehensive income for the year	–	–	12,486	91	–	12,577	(278)	12,299
Dividends paid	–	–	–	–	(9,000)	(9,000)	–	(9,000)
At 1 January 2018	**2,267**	**37,607**	**7,065**	**158**	**43,595**	**90,692**	**(278)**	**90,414**
Profit for the year	**–**	**–**	**12,256**	**–**	**–**	**12,256**	**1,352**	**13,608**
Exchange differences on translating the net assets of foreign operations	**–**	**–**	**–**	**135**	**–**	**135**	**–**	**135**
Total comprehensive income for the year	**–**	**–**	**12,256**	**135**	**–**	**12,391**	**1,352**	**13,743**
Impact of IFRS9 adoption	**–**	**–**	**1,676**	**–**	**–**	**1,676**	**–**	**1,676**
Dividends paid	**–**	**–**	**(1,500)**	**–**	**–**	**(1,500)**	**–**	**(1,500)**
At 31 December 2018	**2,267**	**37,607**	**19,497**	**293**	**43,595**	**103,259**	**1,074**	**104,333**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1. General information

Morson Group Limited is a private limited company by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 74. The nature of the Group's operations and its principal activities are set out in note 3 and in the Strategic Report on pages 1 to 33.

These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below. These have been applied consistently throughout the year and to the preceding year.

Going concern

The directors are required to satisfy themselves as to whether the financial statements of the Group should be prepared on a going concern basis. As part of the ongoing duties and activities of the Board there is continual assessment of the Group's financial and commercial performance. This review considers business risks and uncertainties, discussed within the Strategic Report, that exist and takes account of how wider economic circumstances can impact these, including due consideration and assessment of potentially adverse and testing situations. The Board looks forward for a period of at least 12 months from the signature date of the Annual Report and appropriate forecasts of financial performance and assessment of future business opportunities and challenges are regularly made. The directors have also considered the financial support required for these anticipated income streams and note that the Group's current financing arrangements run until 14 September 2020 for its invoice discounting facility.

Having properly considered the matter the directors conclude that they are satisfied that these financial statements should be prepared on a going concern basis.

Adoption of new and revised standards

Standards affecting the reported results or the financial position

The following amendments have been adopted in the year:

- IFRS 9 Financial instruments; and
- IFRS 15 Revenue from contracts with customers and clarification thereon

Impact of application of new standards

IFRS 9 The Group has adopted the new standard IFRS 9 on the required effective date 1 January 2018. Group has applied the modified retrospective approach on transition and therefore the comparatives were not restated. The cumulative effect of the transition is a decrease in the provision recognised of £1,676,000. This has been recognised in opening balance of retained earnings as at 1 January 2018. The new standard has impact on classification and valuation of financial assets and financial liabilities, and includes a new model for estimating impairment of financial assets, which is based on expected credit losses.

Impairment under IFRS 9 requires an expected credit loss model (ECL) to be used for impairment of financial assets. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised. For the Group IFRS 9 has an impact on measuring impairment of trade receivables and thus the model for recognizing impairment provisions has been renewed based on expected credit losses. A simplified approach allowed in the new standard is applied. Transition to the new standard had the impact of increasing trade receivables and retained earnings at 1 January 2018 by £1,676,000.

IFRS 15 The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Based on customer trading arrangements in place at the balance sheet date, the Group has found that the introduction of IFRS 15 has not affected the Group's approach to the recognition of revenue. Further detail of the Group's revenue recognition accounting policies are described in more detail in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies continued

Standards not affecting the reported results nor the financial position

The following amendments have been adopted in the year:

- Amendments to IAS 7 Disclosure initiative;
- Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses; and
- Annual improvements to IFRSs: 2014-16 cycle – IFRS 12 amendments.

The above interpretations and revised standard have not had any material impact on the amounts reported in these financial statements or the disclosures required.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 16 Leases;
- Amendments to IAS 40 Transfers of investment property;
- IFRIC 22 Foreign currency transactions and advance consideration;
- Amendments to IFRS 4 Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts;
- Amendments to IFRS 2 Classification and measurement of share-based payment transactions;
- Amendments to IAS 7 Disclosure initiative;
- Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses;
- Annual improvements to IFRSs 2014-16 cycle – IFRS 1 and IAS 28 Amendments;
- IFRIC 23 Uncertainty over income tax treatments;
- Amendments to IFRS 9 prepayment features with negative compensation;
- Amendments to IAS 28 Long-term interests in associates and joint ventures;
- Annual improvements to IFRS Standards 2015-2017 cycle – IFRS 3, IFRS 11, IAS 12 and IAS 23 amendments;
- Amendments to IAS 19 Plan amendment, curtailment or settlement; and
- IFRS 17 Insurance contracts.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

IFRS 16 – The new lease standard will have an impact on Group from year ending 31 December 2019. The Group will adopt the standard on the required date 1 January 2019. The transition will be effected using the modified retrospective approach and the comparable numbers from the prior year will not be adjusted. The new standard replaces IAS 17 standard and related interpretations and requires a lessee to recognize leasing contract in the balance sheet as a lease liability and related right of use asset.

The Group has evaluated all of the Group's leases in accordance with IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of £14,324,000 (see Note 26). The Group expects to recognise a right-of-use asset of approximately £14 million and a corresponding lease liability of approximately £14 million in respect of these leases.

The impact on profit or loss for the year ended 31 December 2019 would be to decrease other operating expenses by £4 million, to increase depreciation by £4 million and to increase interest expense by £0.4 million.

The provision for onerous lease contracts which was required under IAS 17 of £0.4 million will be derecognised.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition- by- acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Where the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly-controlled entity.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents the amounts receivable derived from the provision of services to customers in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue arising from the provision of temporary recruitment services is recognised based on hours worked, following receipt of an approved time record. For those contracts where the Group acts as principal, revenue represents the amounts billed for services of the temporary personnel, including the direct costs of those staff. Where the Group is acting as an agent, revenue represents commission receivable relating to the supply of temporary personnel and does not include their direct costs.

Revenue arising from the provision of permanent recruitment services is recognised at the time the candidate starts work. Provision is made for the expected cost of meeting obligations should the candidate leave before the end of any contractual rebate period.

Revenue from long-term contracts, which encompasses the provision of engineering design consultancy and management services, is recognised in accordance with the Group's accounting policy on long-term contracts.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated income statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRSs.

Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date at which the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies continued

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the costs of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Long-term contract accounting

Where the outcome of a fixed price contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a fixed price contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Pounds Sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leasing

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease, even where payments are not made on such a basis. Additional and direct costs associated with entering into new leases are also charged to income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Operating profit

Operating profit is stated after administrative expenses but before finance income, fair value movements on derivative financial instruments and finance costs.

Exceptional items

Where the directors consider that there are specific one-off material items, in nature or amount, that have impacted operating profit in the period these are shown separately from other administrative costs as 'exceptional items' on the face of the consolidated income statement.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Research and development expenditure credits are recognised in line with the year in which the eligible costs are incurred. The credit is recognised gross as an item in other income.

Retirement benefit costs

Contributions to defined contribution schemes are charged to the consolidated income statement when the contributions become payable in accordance with the rules of the scheme.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer possible that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Property improvements	life of lease
Office equipment	4–10 years
Fixtures and fittings	4–8 years
Plant and machinery	4–10 years
Motor vehicles	4 years

Intangible assets

Intangible assets recognised on business combinations, being contracts in progress, customer relationships, sales pipelines, CV databases and brand value, are recognised at their fair value on acquisition and are amortised on a straight-line basis to the income statement over their estimated useful lives, up to a maximum of five years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time, value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Amounts due from long-term contracts

Amounts due from long-term contracts are stated at net cost less foreseeable losses. Cost comprises direct payroll costs and the attributable portion of all appropriate overheads.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day one profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day one profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the Group can adopt one of the following policies for the amortisation of day one gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or
- release the day one gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' (HTM) investments, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at FVTPL.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and the carrying amount is reduced to its recoverable amount. The recoverable amount is the fair value of an asset less costs of disposal or value in use, whichever is higher. An impairment loss is recorded in the income statement. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The maximum reversal of an impairment loss amounts to no more than the carrying amount of the asset if no impairment loss had been recognised, net of depreciation. Impairment losses relating to goodwill cannot be reversed in future periods.

An expected credit loss is recognised for trade receivables according to IFRS 9. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The expected credit loss is estimated using a provision matrix where trade receivables are grouped based on historical credit loss experience and characteristics that depict the credit risk of receivables (e.g. days past due).

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents also include the overdrafts repayable on demand on the basis that these form an integral part of the entity's cash management.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies continued

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group occasionally enters into derivative financial instruments to manage its exposure to foreign exchange risk. No such contracts have been entered into during 2018. Further details of derivative financial instruments are disclosed in note 17 to the consolidated financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. No derivative financial instruments currently held by the Group are designated to be hedging instruments.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting judgements made in the preparation of the Group's financial statements are:

Valuation of intangible assets

The directors use their judgement to identify classes of intangible assets on business combinations. These intangible assets are recognised at the date of business combination and are valued using recognised valuation techniques and are amortised over their expected useful economic life.

The key sources of estimation uncertainty are considered to be:

Impairment of goodwill and intangible assets

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the CGUs to which the assets have been allocated. The value in use calculation involves estimations of the future cash flows expected to arise from each identifiable CGU and a suitable discount rate in order to calculate present value. In making their judgement the directors consult within the business to assess potential future revenues and cash flows (see note 9 for more detail).

3. Business and geographical segments

The two reported operating segments in this note are the provision of temporary and permanent recruitment services and the provision of engineering design consultancy and management. These operating segments are consistent with the reporting regularly provided to the Board of Directors. It is these reports which the directors use to review the Group's operating results, assess performance and make decisions about resource allocation.

The Group's business is described in sectors for the purposes of the Business Review and for some graphical presentations of performance. This is to enable readers of the Annual Report and Financial Statements to gain a better understanding of the breadth of our service offering as well as allowing an informed and helpful comparison to other organisations also operating in our markets. The database of candidates held by the Group to supply to these sectors is a combined one, encompassing a wide diversity of skills and talent and, whilst it has some sector specific requirements, is in essence provided in the same manner across all sectors. Performance and analysis of activity by these sectors is not a key management measure, nor is it reported regularly to the Board of Directors and the business is not managed or divided internally by these sectors. The key information used to manage the business is by activity type, i.e. the provision of temporary and permanent recruitment services and the provision of engineering design consultancy and management.

	Provision of temporary and permanent recruitment services		Provision of engineering design consultancy and management		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Gross revenue	**833,327**	784,519	**43,678**	37,714	**877,005**	822,233
Inter-segment sales	**(10,166)**	(8,137)	**(97)**	(126)	**(10,263)**	(8,263)
Revenue to third parties	**823,161**	776,382	**43,581**	37,588	**866,742**	813,970
Segmental gross profit	**77,360**	65,873	**6,737**	6,207	**84,097**	72,080
Administrative expenses:						
– amortisation of intangible assets	**(1,699)**	(524)	**(41)**	–	**(1,740)**	(524)
– exceptional items:						
– impairment of goodwill	**(190)**	(327)	**–**	–	**(190)**	(327)
– costs on acquisition of businesses	**(469)**	(113)	**(95)**	–	**(564)**	(113)
– negative goodwill	**899**	–	**–**	–	**899**	–
– restructuring costs	**(685)**	–	**(66)**	–	**(751)**	–
– additional consideration payable on acquisition of a business	**(210)**	–	**–**	–	**(210)**	–
– other administrative expenses	**(49,710)**	(41,931)	**(5,172)**	(4,986)	**(54,882)**	(46,917)
– shared costs	**–**	–	**–**	–	**(1,790)**	(1,256)
Segment result	**25,296**	22,978	**1,363**	1,221	**24,869**	22,943
Other income	**99**	–	**732**	829	**831**	829
Finance charge (net)	**(2,645)**	(2,402)	**(42)**	(25)	**(2,687)**	(2,427)
Shared finance income (net of shared finance costs)	**–**	–	**–**	–	**(41)**	(21)
Segment result after finance charges	**22,750**	20,576	**2,053**	2,025	**22,972**	21,324
Taxation					**(9,364)**	(9,116)
Profit after taxation					**13,608**	12,208
Capital additions	**1,738**	851	**681**	311	**2,419**	1,162
Depreciation and amortisation	**2,510**	1,197	**443**	413	**2,953**	1,610
Net assets						
Segment assets excluding amounts due from other Group companies	**185,857**	164,267	**25,627**	18,588	**211,484**	182,855
Unallocated corporate assets					**18,359**	14,286
Consolidated total assets					**229,843**	197, 141
Segment liabilities excluding amounts due to other Group companies	**(114,187)**	(100,109)	**(9,155)**	(4,529)	**(123,342)**	(104,638)
Unallocated corporate liabilities					**(2,168)**	(2,089)
Consolidated total liabilities					**(125,510)**	(106,727)
Consolidated net assets					**104,333**	90,414

All revenues relate to the provision of services. Revenue split by geography is as follows:

	2018 £'000	2017 £'000
UK	**796,131**	764,442
Rest of Europe	**6,549**	7,230
Rest of World	**64,062**	42,298
Total	**866,742**	813,970

The centre of operations for all services delivered to clients is the UK. The directors consider that the Group does not generate material profits from overseas operations and therefore no further geographical segmental information is presented.

Inter-segment sales are charged at prevailing market prices. Within the engineering design consultancy and management segment there exists some provision of temporary recruitment services, however, this is entirely related to the provision of engineering design consultancy and management.

Segment profit is measured as those income streams and costs which are directly attributable to the segment in question. Segment assets and liabilities are those held within the segment in question with the exception of goodwill, which is allocated to business segments in line with note 9.

Unallocated corporate assets and liabilities consist of receivables and payables in Morson Holdings Limited and Morson Group Limited.

Included in revenues arising from the provision of temporary and permanent recruitment services are revenues of £94,676,000 (2017: £112,458,000) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue in 2018 or 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

4. Profit for the year

	2018 £'000	2017 £'000
Profit for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**1,213**	1,086
Foreign exchange (gains)/losses	**(126)**	93
(Gain)/loss on disposal of fixed assets	**(9)**	18
Amortisation of intangible assets	**1,740**	524
Staff costs (see note 5)	**74,859**	64,335
Research and development expenditure	**8,840**	10,057
Movement in allowance for doubtful debts	**(789)**	(2)
Other income:		
– research and development expenditure credit	**(831)**	(829)
Exceptional items:		
– negative goodwill	**(899)**	–
– restructuring costs	**751**	–
– costs on acquisition of businesses	**564**	113
– additional consideration payable on acquisition of business	**210**	–
– impairment of goodwill	**190**	327

During the year ended 31 December 2018 exceptional income of £899,000 was recognised in the income statement in relation to negative goodwill recognised on the acquisition of Anderselite Holdings Limited (see note 24).

After the acquisition of Waldeck Holdings Limited and Anderselite Holdings Limited (see note 24) the Group implemented a restructuring programme as part of the integration of these entities in to the wider Group. As a result, an exceptional charge of £751,000 was recognised in the income statement in relation to restructuring costs.

During the year ended 31 December 2018 exceptional professional fees of £564,000 were incurred regarding the acquisition of Strategic Infusion Inc., Anderselite Holdings Limited and Waldeck Holdings Limited (see note 24).

During the year ended 31 December 2018 an exceptional charge of £210,000 was incurred in relation to the acquisition of The Bridge (IT Recruitment) Limited. The acquisition was completed on 17 August 2017 with contingent consideration of £1,000,000 recognised on acquisition. The consideration was contingent upon financial results achieved in the 12 month period post acquisition. This post acquisition period ended during 2018 and the final performance resulted in £210,000 additional consideration paid in the year, in excess of the amount initially recognised.

During the year ended 31 December 2018 an exceptional charge of £190,000 was recognised in the income statement in relation to the impairment of goodwill in relation to Electrostaff.

During the year ended 31 December 2017 an exceptional charge of £327,000 was recognised in the income statement in relation to the impairment of goodwill on the acquisition of Caneline Limited.

During the year ended 31 December 2017 exceptional professional fees of £113,000 were incurred regarding the acquisition of The Bridge (IT Recruitment) Limited.

The analysis of the auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**19**	12
Fees payable to the Company's auditor and their associates for other services to the Group		
– the audit of the Company's subsidiaries	**231**	100
Total audit fees	**250**	112
– corporate finance services	**218**	53
– tax compliance services	**14**	–
Total non-audit fees	**232**	53

5. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2018	2017
Directors and recruitment managers	**433**	351
Administrative and support staff	**438**	422
Providing services to clients	**912**	842
	1,783	1,615

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	**65,927**	56,679
Social security costs	**7,252**	6,470
Other pension costs (see note 27)	**1,680**	1,186
	74,859	64,335

The remuneration of key management personnel is disclosed in note 28.

6. Finance costs

	2018 £'000	2017 £'000
Interest on bank overdrafts and loans	**799**	424
Interest on obligations under finance leases	**7**	4
Other finance and transactional costs	**1,922**	2,020
Total other finance costs	**2,728**	2,448

The loans and overdraft which result in the interest charge are described in more detail in note 16.

No gains or losses have been recognised on financial liabilities measured at amortised cost.

7. Taxation

	2018 £'000	2017 £'000
Current tax:		
– current year	**9,529**	9,480
– adjustments in respect of prior years	**(164)**	(109)
Deferred tax (see note 18):		
– current year	**(26)**	(156)
– prior year	**25**	(99)
	9,364	9,116

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdiction.

The charge for the year can be reconciled to the profit as per the income statement as follows:

	2018 £'000	2017 £'000
Profit before taxation	**22,972**	21,324
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	**4,365**	4,105
Expenses not deductible for tax purposes	**381**	250
Income not taxable	**(276)**	–
Fixed asset differences	**63**	32
Tax effect of higher rates of tax on overseas income	**692**	736
Group relief payment	**3,966**	3,981
Deferred tax movement not recognised	**320**	206
Impact of change in rate of corporation tax	**(8)**	14
Adjustments to tax charge in respect of prior periods	**(139)**	(208)
Tax expense for the year	**9,364**	9,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

8. Dividends

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividends for the year ended 31 December 2018 of 3.31 pence per ordinary share (year ended 31 December 2017: 19.85 pence per ordinary share)	**1,500**	9,000
	1,500	9,000

No final dividend is proposed for the year ended 31 December 2018 (2017: £nil)

All dividends in the current year and prior year were paid out of retained earnings. Further details of dividends paid are given in the Directors' Report on page 36.

9. Goodwill

	£'000
Cost	
At 1 January 2018	**40,290**
Additions on acquisition of businesses (see note 24)	**382**
At 31 December 2018	**40,672**
Impairment	
At 1 January 2018	**(327)**
Impairment loss for the year	**(190)**
At 31 December 2018	**(517)**
Carrying value at 1 January 2018	**39,963**
Carrying value at 31 December 2018	**40,155**

Impairment losses were £190,000 for the year ended 31 December 2018 (2017: £327,000).

The impairment in 2018 is recognised against goodwill which arose on the acquisition of Electrostaff in 2017.

The impairment in 2017 was recognised against goodwill which arose on the acquisition of Caneline Limited in 2017.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2018 £'000	2017 £'000
Provision of temporary and permanent recruitment services	**32,040**	31,970
Provision of engineering design consultancy and management	**8,115**	7,993
	40,155	39,963

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and forecast revenue and profit streams during the period under review. These assumptions are made in light of the current economic environment, which continue to result in more conservative estimates about the future. Management estimates discount rates using pre-tax rates that reflect consideration of the current market assessments of the time value of money, the Group's cost of capital and consideration of any risks specific to the CGUs. The growth rates are based on the directors' assessment of relevant data including the longer-term growth that might be achieved based on the most recent approved financial budgets, market sector forecasts and future predicted wage inflation/deflation statistics. Forecast revenue and profit streams are based on management's expectations of the business, past experience and expectations of future changes in the market.

The value in use calculations, for both CGUs, are based on projected cash flows derived from the most recent financial budgets approved by the Board, which are then extended until December 2020. Following this period, a growth rate of 1.0% (in respect of recruitment services) and 1.5% (in respect of engineering design consultancy and management) is used to extrapolate the cash flow projections to 2033. This rate does not exceed the average long-term growth rate in the relevant markets and it is the view of the directors that this is a prudent assumption in light of their expectations for the Group. The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. On the basis of this analysis, using reasonable expected changes in key assumptions, no impairment of existing goodwill is expected to be incurred.

The rate used to discount the forecast cash flows has been separately assessed for each CGU in conjunction with overall Group performance. Discount rates of 14.0% (2017: 14.0%) for the provision of temporary and permanent recruitment services and 15.0% (2017: 15.0%) for engineering design consultancy are considered to be appropriate.

10. Other intangible assets

	Brand value £'000	CV databases £'000	Customer relationships £'000	Total £'000
Cost				
At 1 January 2017	639	3,176	3,265	7,080
Additions on acquisition of a business	275	–	3,111	3,386
At 31 December 2017	914	3,176	6,376	10,466
Additions on acquisition of a business (note 24)	857	–	2,296	3,153
At 31 December 2018	**1,771**	**3,176**	**8,672**	**13,619**
Amortisation				
At 1 January 2017	549	3,176	3,241	6,966
Charge for the year	111	–	413	524
At 31 December 2017	660	3,176	3,654	7,490
Charge for year	176	–	1,564	1,740
At 31 December 2018	**836**	**3,176**	**5,218**	**9,230**
Carrying amount				
At 31 December 2018	**935**	**–**	**3,454**	**4,389**
At 1 January 2018	254	–	2,722	2,976
At 1 January 2017	90	–	24	114

These other intangible assets are amortised over a useful economic life of three to five years.

No value has been assigned to technology, such as database management software, since it is typically simplistic in nature and immaterial.

11. Property, plant and equipment

	Property improvements £'000	Office equipment £'000	Fixture and fittings £'000	Motor vehicles £'000	Plant & machinery £'000	Total £'000
Cost						
At 1 January 2017	2,682	4,623	2,082	305	58	9,750
Additions	136	908	71	47	–	1,162
Disposals	(326)	(189)	(34)	(57)	–	(606)
At 1 January 2018	2,492	5,342	2,119	295	58	10,306
Additions	280	1,209	126	153	140	1,908
On acquisition of subsidiary undertakings	31	325	85	–	70	511
Disposals	–	(197)	(76)	(174)	(20)	(467)
At 31 December 2018	**2,803**	**6,679**	**2,254**	**274**	**248**	**12,258**
At 1 January 2017	1,379	2,457	1,552	233	22	5,643
Charge for the year	160	705	178	28	15	1,086
Eliminated on disposals	(325)	(188)	(18)	(43)	–	(574)
At 1 January 2018	1,214	2,974	1,712	218	37	6,155
Charge for the year	183	832	144	17	37	1,213
Disposals	–	(123)	(75)	(159)	(19)	(376)
At 31 December 2018	**1,397**	**3,683**	**1,781**	**76**	**55**	**6,992**
Carrying amount						
At 31 December 2018	**1,406**	**2,996**	**473**	**198**	**193**	**5,266**
At 1 January 2018	1,278	2,368	407	77	21	4,151
At 1 January 2017	1,303	2,166	530	72	36	4,107

The carrying amount of the Group's fixtures and equipment includes an amount of £346,000 (2017: £182,000) in respect of assets held under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

12. Subsidiaries

A list of investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 3 to the Company's separate financial statements.

13. Associates

	Total £'000
Cost and net book value	
At 1 January 2017 and at 31 December 2017	162
Disposal in the year	(162)
At 31 December 2018	–

Investments in associates represented the Group's holding in the following entity which the directors do not consider to be material to the Group.

Company	Shareholding	Country of incorporation	Principal activity
Human Resources Company LLC	49%	Iraq	Technical recruitment employment business

The Group's share of profits in the associate for 2017 was £98,000.

On 13 February 2018 the Group entered into an agreement to sell its full shareholding in the associate. The shareholding was sold during 2018 for a cash consideration of £203,000.

14. Long-term contracts

	2018 £'000	2017 £'000
Contracts in progress at the balance sheet date:		
– amounts due from contract customers included in trade and other receivables	**2,364**	1,300

	2018 £'000	2017 £'000
Contract costs incurred plus recognised profits less recognised losses to date	**2,364**	1,300

Long-term contracts refer to work in progress in the Morson Projects Limited and Waldeck Associates Limited businesses.

Contract revenue recognised as revenue in the year is £21,913,000 (2017: £24,209,000). Advances received at the balance sheet date were £839,000 (2017: £535,000). There were no retentions held by customers (2017: none).

15. Other financial assets

Trade and other receivables

	2018 £'000	2017 £'000
Amounts recoverable for the sale of services	**122,334**	101,901
Allowance for doubtful debts	**(3,085)**	(5,550)
	119,249	96,351
Amounts due from contract customers (see note 14)	**2,364**	1,300
Other debtors	**1,467**	1,387
Amounts owed by parent companies	**17,031**	12,932
Prepayments and accrued income	**36,056**	33,982
	176,167	145,952

The credit period taken on sales based on total closing balances is 52 days (2017: 50 days). Trade receivables are generally non-interest bearing, however, interest may be charged on overdue balances. An allowance has been made for estimated irrecoverable amounts from sales of £3,085,000 (2017: £5,550,000). This allowance has been determined by reference to past experience, known market conditions and information and management's assessment of debts.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in the Group's trade receivable balance are debtors with a carrying amount of £38,615,000 (2017: £25,412,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Included within the Group's trade receivable balance is an amount receivable from Related Parties of £544,000 (2017: £732,000).

Ageing of past due but not impaired trade receivables

	2018 £'000	2017 £'000
30–60 days	**25,088**	21,494
60–90 days	**9,967**	3,357
Greater than 90 days	**3,560**	561
	38,615	25,412

Movement in the allowance for doubtful debts

	2018 £'000	2017 £'000
Balance at the beginning of the year	**5,550**	5,552
Transition adjustment re IFRS 9	**(1,676)**	–
Impairment losses (reversed)/recognised	**(331)**	94
Uncollectable amounts written off	**(458)**	(96)
	3,085	5,550

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £486,000 (2017: £79,000) which have been placed under liquidation or administration at the reporting date.

Ageing of impaired trade receivables

	2018 £'000	2017 £'000
Current	**210**	–
30–60 days	**320**	–
60–90 days	**249**	2,656
Greater than 90 days	**2,306**	2,894
	3,085	5,550

Credit risk

The Group's principal financial assets are trade and other receivables.

The Group's credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held. An allowance for impairment is made where there is an identified loss event which, based on information gained and previous experience, is evidence of a reduction in the recoverability of the cash flows.

At 31 December 2018 the Group had one customer (2017: one customer) whose monies owed to the Group was in excess of 5% of the total Group balance of trade receivables and accrued income. The balance due from this customer on 31 December 2018 was £11,307,000 (2017: the balance due from this customer was £7,956,000).

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. All customer accounts are reviewed on a regular basis by senior management and actions taken to address debt ageing. The Group's exposure and the credit ratings of its clients are continuously monitored and the aggregate value of exposure concluded as acceptable is allocated to approved debtor accounts.

The Group further mitigates credit risk by utilising credit insurance for some of its customer accounts, where the cost of such cover is considered commensurate with risk.

Following reviews of the customer accounts, reports are prepared for the directors each month. Provisions are considered on the basis of both the ageing of the accounts and also a detailed review of individual customers.

The parameters for provision against impaired debt are set by the Board but reviewed regularly. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	**3,865**	3,937
Bank overdrafts (see note 16)	**(50,962)**	(36,401)
Cash and cash equivalents in the cash flow statement	**(47,097)**	(32,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

16. Borrowings

	2018 £'000	2017 £'000
Secured borrowing at amortised cost		
Bank overdrafts	**50,962**	36,401
Bank loans	**–**	63
	50,962	36,464
The borrowings are repayable as follows:		
– on demand or within one year	**50,962**	36,464

	2018 %	2017 %
The weighted average interest rates paid were as follows:		
– bank overdrafts	**2.34**	1.86
– bank loans	**–**	2.18

All borrowings are in Pounds Sterling and are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Interest rate risk management procedures are explained in note 17.

The directors consider that the carrying value of borrowings approximates to their fair value.

Bank overdrafts are repayable on demand. Overdrafts of £50,962,000 (2017: £36,401,000) have been secured on the trade debtors of the Group. The average effective interest rate on bank overdrafts approximates 2.34% (2017: 1.86%) per annum.

At 31 December 2018, the Group had available £25,301,000 (2017: £23,395,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

17. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Group consists of debt (see note 16), cash and cash equivalents (see note 15) and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings (see notes 21 and 22).

Categories of financial instruments

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2018 and 31 December 2017 there were no financial instruments of this nature.

Financial risk management objectives

The Group monitors and manages the financial risks relating to its operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (interest rate risk), credit risk, liquidity risk and foreign currency risk.

The Group seeks to minimise the effects of interest rate risks where this is deemed appropriate by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by and approved by the Board of Directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. A parent company of the Group entered into an interest base rate swap instrument to help manage its exposure to interest rate volatility.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at only floating interest rates. The risk is managed by the Group by the use of interest base rate swap instruments, described in further detail below. Interest rate risk is evaluated periodically to consider interest rate views and defined risk appetite; to seek to ensure reasonable economic strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease by £347,000/increase by £347,000 (2017: decrease by £218,000/increase by £218,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

There are no interest rate swap instruments held by the Group however a single base rate swap instrument remains in place held by a parent company of the Group.

Credit risk management

Further details on the Group's exposure to and management of credit risk can be found in note 15.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group continuously monitors the current exchange rate exposures and ensures these are within approved policy parameters. The Group did not hold any material foreign currency forward contracts at the reporting date (at 31 December 2017: none held). Management has considered the Group's sensitivity to foreign currency risk at the balance sheet date and has found this to not be material.

The carrying amounts of the Group's foreign currency-denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
US Dollar	**6,497**	3,401	**1,945**	1,088
Canadian Dollar	**4,196**	3,397	**1,683**	1,537
Euro	**3,960**	3,497	**1,140**	1,608
South African Rand	**151**	378	**201**	197

The Group does transact in other foreign currencies but these transactions are not considered significant, nor were the values of monetary assets and liabilities denominated in these other currencies at the balance sheet date. The Group is mainly exposed to the US Dollar, Canadian Dollar and the Euro.

The following tables detail the Group's sensitivity to a 10% increase in Sterling against the relevant foreign currencies. This sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling weakens 10% against the relevant currency. For a 10% strengthening of Sterling against the relevant currency, there would be a comparable impact on the profit and other equity and the balances below would be negative.

	Profit or loss and equity[(a)]	
	2018 £'000	2017 £'000
US Dollar	**272**	335
Canadian Dollar	**361**	144
Euro	**292**	108

(a) This is mainly attributable to exposure outstanding on monetary assets denominated in these currencies but reported in Sterling.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

17. Financial instruments continued

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 16 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Less than one month £'000	One to three months £'000	Three months to one year £'000	One to five years £'000	Total £'000
2018					
Trade and other payables	**19,645**	**18,028**	**11,222**	**602**	**49,497**
Bank overdrafts	**50,962**	**–**	**–**	**–**	**50,962**
Finance lease liability	**3**	**14**	**47**	**191**	**255**
	70,610	**18,042**	**11,269**	**793**	**100,714**
2017					
Trade and other payables	22,506	17,074	8,181	525	48,286
Bank overdrafts	36,401	–	–	–	36,401
Finance lease liability	9	2	31	124	166
Bank loans	7	21	35	–	63
	58,923	17,097	8,247	649	84,916

The following table details the Group's expected maturity for its non-derivative financial assets excluding Parent Company loans. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Less than one month £'000	One to three months £'000	Three months to one year £'000	One to five years £'000	Total £'000
2018					
Loans and other receivables	**73,941**	**69,428**	**7,128**	**–**	**150,497**
Cash and cash equivalents	**3,865**	**–**	**–**	**–**	**3,865**
	77,806	**69,428**	**7,128**	**–**	**154,362**
2017					
Loans and other receivables	79,562	42,186	4,425	–	126,173
Cash and cash equivalents	3,937	–	–	–	3,937
	83,499	42,186	4,425	–	130,110

Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

18. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and movements thereon during the current and prior year:

	Accelerated depreciation £'000	Intangible assets £'000	Temporary timing differences £'000	Total £'000
Balance at 1 January 2017	(22)	–	301	279
Credit to income in respect of prior year	4	–	95	99
Credit to income in respect of current year	27	79	64	170
Impact of change in corporation tax rate	–	(9)	(5)	(14)
Acquisition of a business	–	(575)	–	(575)
Balance at 1 January 2018	**9**	**(505)**	**455**	**(41)**
(Charge)/Credit to income in respect of prior year	**(2)**	**–**	**(23)**	**(25)**
(Charge)/Credit to income in respect of current year	**19**	**353**	**(315)**	**57**
Impact of change in corporation tax rate	**–**	**–**	**(31)**	**(31)**
Acquisition of a business	**–**	**(725)**	**395**	**(330)**
Balance at 31 December 2018	**26**	**(877)**	**481**	**(370)**

19. Obligations under finance leases

At 31 December 2018, the directors consider that the carrying value of finance leases approximated their fair value and that their overall value was not material (2017: same).

20. Other financial liabilities

Trade and other payables within current liabilities

	2018 £'000	2017 £'000
Trade creditors	**7,288**	4,918
Other tax and social security	**13,437**	13,150
Other creditors	**15,519**	18,228
Accruals and deferred income	**35,713**	30,999
	71,957	67,295

Trade and other payables within non-current liabilities

	2018 £'000	2017 £'000
Other creditors	**602**	525

The credit period taken for trade purchases based on closing balances is 9 days (2017: 7 days).

The directors consider that the carrying amount of trade payables approximates to their fair value.

Included within the Group's trade creditor balance is an amount payable to Related Parties of £175,000 (2017: £25,000).

21. Share capital

	2018 £'000	2017 £'000
Authorised		
60,000,000 ordinary shares of 5 pence each	**3,000**	3,000
Issued and fully paid		
45,343,750 ordinary shares of 5 pence each	**2,267**	2,267

The Company has one class of ordinary share which carry no right to fixed income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

22. Equity attributable to equity holders of the Parent

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Translation reserve £'000	Capital contribution reserve	Total £'000
At 1 January 2017	2,267	37,607	(5,421)	67	52,595	87,115
Profit for the year	–	–	12,486	–	–	12,486
Exchange differences on translating the net assets of foreign operations	–	–	–	91	–	91
Total comprehensive income for the year	–	–	12,486	91	–	12,577
Dividends paid	–	–	–	–	(9,000)	(9,000)
At 1 January 2018	**2,267**	**37,607**	**7,065**	**158**	**43,595**	**90,692**
Profit for the year	**–**	**–**	**12,256**	**–**	**–**	**12,256**
Exchange differences on translating the net assets of foreign operations	**–**	**–**	**–**	**135**	**–**	**135**
Total comprehensive income for the year	**–**	**–**	**12,256**	**135**	**–**	**12,391**
Impact of IFRS9 adoption	**–**	**–**	**1,676**	**–**	**–**	**1,676**
Dividends paid	**–**	**–**	**(1,500)**	**–**	**–**	**(1,500)**
At 31 December 2018	**2,267**	**37,607**	**19,497**	**293**	**43,595**	**103,259**

All dividends were paid out of retained earnings.

23. Non-controlling interests

	£'000
Balance at 1 January 2018	(278)
Share of result for the year	1,352
Balance at 31 December 2018	1,074

Balances above include non-controlling interests' portion of profit from this year. Non-controlling interests shown above relate to Morson Cyber Security Limited, Beacon Computer Services Limited the Parent Company of Caneline Limited, and Vital Human Resources Limited.

On 23 February 2018 a 9% stake in Morson Cyber Security Limited was transferred to the Group. On 4 July 2018 a further 26% stake was transferred to the Group. The Group has therefore stopped recognising any non-controlling interest for Morson Cyber Security from this date.

On 5 April 2017 a 24.8% stake in Vital Human Resources Limited was transferred to a non-controlling party.

24. Acquisition of businesses

During the year ended 31 December 2018, the Group made three acquisitions.

On 31 January 2018 the entire issued share capital of the Canadian and US group Strategic Infusion Inc was acquired. The acquired group consists of the Canadian companies Strategic Infusion Inc and Commissioning and Technical Services (N.A.) Ltd, US companies Commissioning and Technical Services (N.A) Inc and ComTask Global Inc along with MComm Solution of Puerto Rico Inc (registered in Puerto Rico). Strategic Infusion Inc provide technical and skilled professionals to clients primarily in the nuclear and telecoms sectors.

On 25 July 2018 the entire share capital of the UK group Anderselite Holdings Limited was acquired. The acquired group consists of Anderselite Holdings Limited, Anderselite Limited and Anders Corporate Trustees Limited. Anderselite Limited is the main trading company and provides technical and skilled professionals to a variety of sectors in the UK recruitment market.

On 1 November 2018 the entire share capital of the UK group Waldeck Holdings Limited was acquired. The acquired group consists of Waldeck Holdings Limited and Waldeck Associates Limited. Waldeck Associates Limited is an engineering consultancy business.

The assessments of fair value of all three businesses are shown in the table below.

Acquisition date	Strategic Infusion Inc 31 January 2018 £'000	Anderselite Holdings Limited 25 July 2018 £'000	Waldeck Holdings Limited 1 November 2018 £'000	**Total £'000**
Fair value of assets acquired				
Identified intangible assets	1,857	508	788	**3,153**
Property, plant and equipment	76	308	127	**511**
Trade debtors	4,912	9,235	1,640	**15,787**
Amounts due from contract customers	–	–	1,244	**1,244**
Other debtors	25	10	306	**341**
Prepayments and accrued income	196	427	157	**780**
Cash	–	621	137	**758**
Trade creditors	(1,548)	(3,102)	(145)	**(4,795)**
Other tax and social security	10	(177)	(558)	**(725)**
Other creditors	–	–	(456)	**(456)**
Bank overdrafts	(1,038)	(5,036)	–	**(6,074)**
Deferred taxation	(505)	329	(154)	**(330)**
Corporation tax payable	(41)	–	–	**(41)**
Total identifiable assets	3,944	3,123	3,086	**10,153**
Goodwill	260	(899)	122	**(517)**
Total consideration	4,204	2,224	3,208	**9,636**
Satisfied by:				
Pre-acquisition loan balances	–	–	1,600	**1,600**
Cash	4,204	2,224	799	**7,227**
Deferred cash consideration	–	–	809	**809**
	4,204	2,224	3,208	**9,636**

A proportion of the deferred consideration for the acquisition of Waldeck Holdings Limited is contingent upon financial results achieved in future. The value recorded above is considered a fair approximation of this value based on actual results to the balance sheet date. A reassessment of the outcome of this transaction will be made when compiling financial statements for the year ended 31 December 2019.

The goodwill arising from the acquisition of Strategic Infusion Inc and Waldeck Holdings Limited consists of the experience, skills and relationships of the workforce. None of the goodwill is expected to be deductible for income tax purposes.

The negative goodwill arising from the acquisition of Anderselite Holdings Limited has been recognised as an exceptional cost (see note 4).

The following table sets out the contributions to Group revenues and profits for the period between acquisition and the balance sheet date:

	Strategic Infusion Inc. £'000	Anderselite Holdings Limited £'000	Waldeck Holdings Limited £'000	**Total £'000**
Results from acquisition to 31 December 2018				
Revenue	25,914	20,900	1,374	**48,188**
Profit/(loss) before amortisation, exceptionals and tax	787	(594)	32	**225**
Amortisation	(567)	(42)	(41)	**(650)**
Negative goodwill	–	899	–	**899**
Exceptional acquisition costs	(199)	(270)	(95)	**(564)**
Exceptional restructuring costs	–	(685)	(66)	**(751)**
Profit/(loss) before tax	21	(692)	(170)	**(841)**

If all three acquisitions had been made on the first day of the financial year, Group revenues for the period would have been £890,896,000 and Group profit before tax would have been £13,129,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

25. Notes to the cash flow statement

Reconciliation of operating profit to net cash from operations

	2018 £'000	2017 £'000
Operating profit	**24,869**	22,943
Adjustments for:		
Exceptional goodwill impairment	**190**	327
Exceptional acquisition costs	**90**	113
Exceptional negative goodwill	**(899)**	–
Depreciation of property, plant and equipment	**1,213**	1,086
Amortisation of intangible assets	**1,740**	524
(Profit)/loss on sale of property, plant and equipment	**(9)**	18
Operating cash flows before movements in working capital	**27,194**	25,011
Decrease/(increase) in long-term contract balances	**180**	(276)
Increase in receivables	**(6,390)**	(22)
(Decrease)/increase in payables	**(2,042)**	3,620
Cash generated by operations	**18,942**	28,333
Income taxes paid	**(4,530)**	(2,597)
Interest paid	**(2,728)**	(2,448)
Net cash generated by operating activities	**11,684**	23,288

26. Operating lease arrangements

The Group as lessee

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**3,902**	3,251

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	**3,991**	2,891
In the second to fifth years inclusive	**9,037**	6,828
After five years	**1,296**	2,337
	14,324	12,056

Operating lease payments represent rentals payable by the Group for office premises, office equipment and vehicles. Office leases are negotiated for an average of three to five years for smaller branch locations but for longer, 10-20 years, for key offices. Wherever commercially possible there are negotiated break clauses and rent reviews. The most significant lease commitment relates to the agreement for the lease on the Group's head office, Adamson House, entered into on 22 May 2008. Further details are shown in note 28.

27. Retirement benefit schemes

Defined contribution schemes

The Group contributes to a number of defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £1,680,000 (2017: £1,186,000). Contributions of £208,000 (2017: £186,000) were payable to the schemes and included in creditors at the year end.

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Ultimate parent

The ultimate parent undertaking of the Company is GGM Holdings Limited, a company incorporated in the United Kingdom. GA Mason is the majority shareholder of GGM Holdings Limited and is the ultimate controlling party of the Company and Group.

GGM Holdings Limited, registered in England and Wales, is the parent undertaking of the largest group of undertakings to consolidate these financial statements and has registered office at Adamson House, 2 Centenary Way, Salford, M50 1RD. The consolidated financial statements of GGM Holdings Limited are available to the public and may be obtained from Companies House.

Morson Group Limited, registered in England and Wales, is the parent undertaking of the smallest group of undertakings to consolidate these financial statements and has registered office at Adamson House, 2 Centenary Way, Salford, M50 1RD. The consolidated accounts of Morson Group Limited are available to the public and may be obtained from Companies House or downloaded from the website www.morson.com.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods and services		Purchase of goods and services		Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	£	£	**£**	£	**£**	£	**£**	£
GGM Properties	**93,000**	264,000	**493,000**	366,000	**29,000**	199,000	**116,000**	–
Centenary Property Developments LLP	**–**	–	**988,000**	988,000	**–**	–	**–**	–
Essential Hygiene Limited	**–**	–	**346,000**	281,000	**9,000**	–	**11,000**	6,000
MMGG Properties Limited	**–**	–	**206,000**	186,000	**–**	5,000	**–**	–
Atticus Legal	**–**	–	**–**	30,000	**–**	–	**–**	–
Morcor Limited	**17,000**	10,000	**123,000**	19,000	**506,000**	528,000	**48,000**	19,000
Manchester Sale Rugby Club Ltd	**–**	–	**30,000**	80,000	**–**	–	**–**	–
	110,000	274,000	**2,186,000**	1,950,000	**544,000**	732,000	**175,000**	25,000

The Group rents offices and an apartment from a Director, GA Mason trading as GGM Properties under an arm's length agreement. Certain costs relating to these premises are recharged from the Company to GGM Properties. The Group provides consultancy services to GGM Properties under an arm's length agreement.

The Group rents its head office, Adamson House, from Centenary Property Developments LLP, a limited liability partnership registered in England and Wales (number OC326958) whose members are GA Mason and European Property Investments Limited, a Gibraltar incorporated company beneficially owned at the balance sheet date by the estate of GG Mason.

The Group rents offices from MMGG Properties Limited under an arm's length agreement. The shareholders of MMGG Properties Limited are GA Mason, KP Gorton and PJ Gilmour.

The Group receives cleaning services on an arm's length basis from Essential Hygiene Limited in which GA Mason has a majority shareholding.

The Group receives legal services on an arm's length basis from Atticus Legal LLP, a limited liability partnership registered in England and Wales (number OC322305) of which Kevin Philbin is a member.

The Group provides sponsorship to and receives corporate hospitality services on an arm's length basis from Manchester Sale Rugby Club Ltd, a company of which GA Mason is a director. GA Mason holds a significant shareholding in Shark Holdings Ltd which is the 100% parent company of Manchester Sale Rugby Club Ltd.

The Group receives transportation support services from Morcor Limited. Morcor Limited is considered a joint venture of the Group due to a joint control agreement with another party in which no controlling interest is held in Morcor Limited. Shareholding by the Group in Morcor Limited is 51%. The Group provides accountancy and administrative support services to Morcor Limited and also recharges amounts relating to overhead expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

28. Related party transactions continued

Remuneration of key management personnel

The remuneration of the directors, who are considered to be the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2018 £'000	2017 £'000
Short-term employee benefits	**1,345**	1,032
Post-employment benefits	**20**	20
	1,365	1,052

Remuneration of highest paid Director

	2018 £'000	2017 £'000
Short-term employee benefits	**459**	327
Other benefits	**16**	19
Total remuneration of the highest paid Director	**475**	346

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	3	**10,569**	10,569
Deferred tax asset		**30**	30
		10,599	10,599
Current assets			
Debtors	4	**76,798**	71,320
Cash and cash equivalents		**14**	4
		76,812	71,324
Current liabilities			
Creditors: amounts falling due within one year	5	**(46,554)**	(41,522)
Net current assets		**30,258**	29,802
Total assets less current liabilities		**40,857**	40,401
Net assets		**40,857**	40,401
Equity			
Share capital	6	**2,267**	2,267
Share premium account	6	**37,607**	37,607
Retained earnings	6	**983**	527
Shareholder's funds		**40,857**	40,401

The Company made a profit for the year of £1,956,000 (2017: £8,823,000).

The financial statements of Morson Group Limited, registration number 05111937, were approved by the Board of Directors and authorised for issue on 31 May 2019. They were signed on its behalf by:

Ged Mason OBE
Chief Executive

Paul Gilmour
Group Financial Director

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 January 2017	2,267	37,607	704	40,578
Profit for the year	–	–	8,823	8,823
Total comprehensive income for the year	–	–	8,823	8,823
Dividends paid	–	–	(9,000)	(9,000)
At 31 December 2017	2,267	37,607	527	40,401
At 1 January 2018	**2,267**	**37,607**	**527**	**40,401**
Profit for the year	**–**	**–**	**1,956**	**1,956**
Total comprehensive income for the year	**–**	**–**	**1,956**	**1,956**
Dividends paid	**–**	**–**	**(1,500)**	**(1,500)**
At 31 December 2018	**2,267**	**37,607**	**983**	**40,857**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

1. Significant accounting policies – Company

The principal accounting policies of the Company are summarised below and have been applied consistently in all aspects throughout the current year and the preceding year.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards and law.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

All other accounting policies are consistent with those of the Group. The Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, related party transactions and key management personnel disclosures.

2. Profit for the financial year

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Group profit for the year includes a profit of £1,956,000 (2017: £8,823,000) which is dealt with in the financial statements of the Company. This result is stated after charging auditor's remuneration of £19,000 (2017: £12,000) relating to audit services. There were no fees incurred for non-audit services (2017: no fees incurred).

3. Investments

	Total £'000
Cost and net book value	
At 1 January 2018	**10,569**
At 31 December 2018	**10,569**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
YEAR ENDED 31 DECEMBER 2018

3. Investments continued

The subsidiary and other company investment undertakings in which the Company has an interest at the year end are as follows:

Company	Shareholding	Registered in	Principal activity
Morson Holdings Limited[1]	100% ordinary	England & Wales[2]	Holding company
Morson Human Resources Limited	100% ordinary	England & Wales[2]	Technical recruitment employment business
Morson Wynnwith Limited[1]	100% ordinary	England & Wales[2]	Dormant
Morson Projects Limited	100% ordinary	England & Wales[2]	Engineering design company
Morson EBT Limited	100% ordinary	England & Wales[2]	Dormant
Vital Human Resources Limited	75.2% ordinary	England & Wales[2]	Technical recruitment employment business
Morson Global Services Limited	100% ordinary	England & Wales[2]	Holding company
Morson Group GmbH	100% ordinary	Germany[5]	Non-trading
Morson International Recruitment (Proprietary) Limited	100% ordinary	South Africa[6]	Technical recruitment employment business
Morson International Inc	100% ordinary	USA[7]	Technical recruitment employment business
Morson International Inc	100% ordinary	Canada[8]	Technical recruitment employment business
Morson Global Services LLC	49% ordinary	Qatar[9]	Consultancy business
Morson Projects SRL	100% ordinary	Italy[10]	Engineering design company
Wynnwith SRL	100% ordinary	Italy[11]	Engineering consultancy business
The Bridge (IT Recruitment) Limited	100% ordinary	England & Wales[2]	Technical recruitment employment business
Beacon Computer Services Limited[1]	60% ordinary	England & Wales[4]	Holding company
Caneline Limited	60% ordinary	England & Wales[4]	Software business
Morson Cyber Security Limited[1]	100% ordinary	England & Wales[2]	Cyber security business
Morcor Limited[1]	51% ordinary	England & Wales[2]	Transportation business
Vital Consultancy Services Limited	25% ordinary	England & Wales[3]	Construction & engineering business
Vital Power Services Limited	22.5% ordinary	England & Wales[3]	Construction & engineering business
Anderselite Holdings Limited[15]	100% Ordinary	England & Wales[2]	Holding company
Anderselite Limited[15]	100% Ordinary	England & Wales[2]	Technical recruitment employment business
Anderselite Corporate Trustee Limited[15]	100% Ordinary	England & Wales[2]	Corporate trustee company
Waldeck Holdings Limited[15]	100% ordinary	England & Wales[2]	Holding company
Waldeck Associates Limited[15]	100% ordinary	England & Wales[2]	Engineering design company
Comtask Global Inc[15]	100% ordinary	USA[12]	Telecommunications engineering company
Commissioning & Technical Services (N.A.) Inc[15]	100% ordinary	USA[13]	Technical engineering recruitment company
Mcomm Solution of Puerto Rico Inc[15]	100% ordinary	Puerto Rico[14]	Telecommunications engineering company

1 Morson Group Limited is the direct Parent Company of this subsidiary undertaking.
2 Registered office Adamson House, Centenary Way, Salford, Manchester, M50 1RD
3 Registered office The Mill, South Hall Street, Salford, M5 4TP
4 Registered office The Friars, 82 High Street South, Dunstable, LU6 3HD
5 Registered office Neuer Wall 10, Jungfernstieg, Hamburg, Germany 20354
6 Registered office 108 Elizabeth Avenue, Parkmore, Johannesburg, South Africa, 2196
7 Registered office 1 Wrigley, Irvine, CA 92618
8 Registered office 350 Bay Street, Suite 1300, Toronto, Canada, M5H 2S6
9 Registered office Doha, Qatar
10 Registered office Via Marsala, 34, Gallarate, Italy, 21013
11 Registered office Via Michelangelo Buonarroti 39, Milan, Italy, 20145
12 Registered office 2015 S Tuttle Avenue, PO Box 1418, Sarasota, Florida, 34230, USA
13 Registered office 40 East Main Street, Unit 927, Newark, Delaware, 19711-4639, USA
14 Registered office Corona Commercial Park, Calle Progreso #54 Parada 20, Santurce, PR 00909
15 Companies acquired during the year ended 31 December 2018

4. Debtors

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	**59,267**	57,836
Amounts owed by Parent Company	**17,031**	12,933
Prepayments and accrued income	**485**	536
Other tax and social security	**15**	15
	76,798	71,320

5. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to Group undertakings	**45,272**	40,680
Accruals and deferred income	**1,207**	796
Other creditors	**75**	46
	46,554	41,522

6. Reserves

The Company has one class of ordinary shares which carry no right to fixed income.

The retained earnings are fully distributable.

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Capital contribution reserve £'000	Total £'000
At 1 January 2017	2,267	37,607	704	–	40,578
Profit for the year	–	–	8,823	–	8,823
Total comprehensive income for the year	–	–	8,823	–	8,823
Dividends paid	–	–	(9,000)	–	(9,000)
At 31 December 2017	2,267	37,607	527	–	40,401
At 1 January 2018	**2,267**	**37,607**	**527**	**–**	**40,401**
Profit for the year	**–**	**–**	**1,956**	**–**	**1,956**
Total comprehensive income for the year	**–**	**–**	**1,956**	**–**	**1,956**
Dividends paid	**–**	**–**	**(1,500)**	**–**	**(1,500)**
At 31 December 2018	**2,267**	**37,607**	**983**	**–**	**40,857**

7. Related party transactions

The Company has taken advantage of the exemption conferred by paragraph 8(J) of FRS 101 in not disclosing details of transactions with other Group companies. Morson Group Limited has provided a further £100,000 loan to Beacon Computer Services Limited in the current year (2017: Morson Group Limited provided a loan of £100,000 to Beacon Computer Services Limited). The loan is interest free and the closing balance was £202,000 (2017: £100,000). Transactions with other related parties are discussed in note 28 of the Consolidated Financial Statements.

8. Ultimate controlling party

See note 28 of the Consolidated Financial Statements.

9. Dividends

See note 8 of the Consolidated Financial Statements.

10. Employees

The average numbers of persons employed by the Company during the year, including Directors, analysed by category, was as follows:

	2018 Number	2017 Number
Directors	**4**	4
Support staff	**3**	3
	7	7

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017* £'000
Salaries including social security costs	**1,430**	1,082
Pension costs	**20**	20
Other benefits	**130**	138
	1,580	1,240

* The 2017 comparative numbers have been re-categorised (pension costs and other benefits) following a reassessment of staff costs in 2017.

COMPANY INFORMATION AND ADVISERS

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