

Randstad Luxembourg UK Limited

Annual report and financial statements for the year ended 31 December 2019

Strategic Report

The directors present their strategic report on the company for the year ended 31 December 2019.

Principal activity

The company's principal activity is that of a holding company for Randstad's US investments. The company is a wholly owned subsidiary of Randstad Group UK; the ultimate parent company is Randstad NV, a company incorporated in the Netherlands. The group provides professional staffing services. The directors continue to develop the business of the group companies in each of their respective sectors.

Review of the business

As shown in the company's statement of comprehensive income on page 11, the company achieved a profit before taxation of £nil (2018: £nil). As at 31 December 2018 and 2019, the company had £1,077,890,000 of net assets.

Principal risks and uncertainties

The principal risks facing the company continue to be those impacting its subsidiary companies registered in the US, these risks are being addressed directly by the US management. Ending 2019 the US was in the late stages of the economic cycle and which gave rise to some uncertainty, however the impact of COVID-19 quickly changed the conditions. During the 2nd half of March 2020, Randstad US saw a significant reduction in revenue, as stay at home orders were put in place across the country. Staffing Industry Analysts have projected a downturn in the range of -20% to -45% depending on the shape of the downturn. As the Country starts to ease restrictions, it is anticipated there will be some recovery in the 2nd half of the year. Randstad responded quickly to the COVID-19 situations, enabling employees to work remotely while also taking actions to reduce costs to achieve a solid recovery ratio.

The company's exposure to risk relating to Brexit is limited to the potential effect on any future dividend receipts from the subsidiaries and dividend payments to its Parent company.

Key Performance Indicators

Given the straight forward nature of the business, we are of the opinion that analysis using key performance indicators is not necessary for the understanding of the development, performance and position of the business.

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Strategic Report (continued)

Directors' statement of compliance with section 172(1)

The directors of the company act in good faith, to promote the success of the company for the benefits of its stakeholders as a whole, in line with one of our Group's core values, "the simultaneous promotion of all interests". The Annual statement of our ultimate shareholding company, Randstad NV, sets out in detail how we operate to provide value for clients, talent, employees, investors, and society. Specifically, the directors of this subsidiary have regards for the following matters:

- a) The likely consequences of any decision in the long term:
 - The Directors have set out a clear strategy for the business over the medium and long term for creating value and growth, which has been shared with staff and shareholders, the key pillars of which are set out below, under the name, "human forward":
 - Technology - investing in new technologies, in order to better connect clients and candidates, by making processes smart, simple, and efficient; and
 - Humanity - being passionate about supporting people and organisations and by creating an HR experience that is more human, creating that personal connection.
 - All significant decisions are agreed by the board within the context of the strategic plan.
- b) The need to foster the company's business relationships with others by ensuring all stakeholders are treated within the spirit and detail of the Randstad Group ethics policies and the core values.
- c) The impact of the company's operations on the community and the environment, including consideration of climate change through supporting appropriate Energy Savings Opportunities Scheme recommendations, CO2 caps on our car fleet (and supporting Electric Vehicles where appropriate), supporting a wide variety of charities under the Randstad with Heart initiative, and the Randstad Group VSO scheme. The company has also published a social responsibility statement, available on its website.
- d) The desirability of the company maintaining a reputation for high standards of business conduct, through the organisation's values, culture and ethical standards, as set out in the company's business principles, which are published on its website. Our core values represent the foundation of our culture: to know, to serve, to trust, striving for perfection, and simultaneous promotion of all interests. They help us develop, grow and better serve our clients, talent and other stakeholders.
- e) Since the company is a wholly owned (indirect) subsidiary of Randstad NV, it only has one shareholder; accordingly, the need to act fairly between shareholders is not applicable for the company, although Randstad NV's annual report does set out how it engages with key stakeholder groups, including shareholders, in its "Key Material Topics" section.

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Strategic Report (continued)

Going concern

The company is a subsidiary of Randstad Group UK, which is the parent company of the UK subgroup of Randstad NV, the ultimate parent company.

The UK subgroup ("Randstad UK") has intercompany financing in place, which principally comprises the following:

- A long term intercompany loan, for an amount of £217,8m, repayable in January 2023.
- An intercompany overdraft facility, for an amount of £65.5m, that is provided by the wider Randstad NV group, under a group wide cash pooling arrangement, which is used to finance Randstad UK's day-to-day trading activities and which the Company participates in; this is headed by Randstad Group UK.

As at November 2020, the UK subgroup had a substantial level of available headroom, whereby it had positive cash of £14.4m and had not drawn on the available overdraft facility, giving headroom of £79.9m.

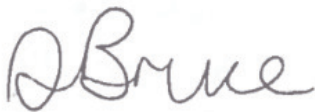
The directors of Randstad Group UK have prepared a forecast for the period ending 31 December 2021, for the wider Randstad Group UK sub-group, which shows that the UK sub-group will remain within its current intercompany overdraft facilities throughout the forecast period. This includes a number of assumptions, including an improvement in the trading performance, from FY20 actuals, as the business recovers from the COVID-19 pandemic, although the directors do not anticipate a return to pre-COVID levels until FY22.

The nature of Randstad UK's business is such that, during periods of revenue growth, there is an adverse impact on the group's working capital, which is required to fund that growth, whereby cash is required to fund the resultant increase in debtors. Conversely, if revenues are declining, then the working capital unwinds, resulting in cash being released.

Given the ongoing uncertainties, particularly as a result of COVID-19, but also because of Brexit, management has carried out what it considers to be reasonably possible downside scenarios, including: a 20% reduction in revenues, which actually leads to an increase in the level of headroom; a 10% increase in revenues; and a 10% deterioration in debtor days. Randstad UK maintained positive headroom under all these scenarios.

Taking all of the above into account, the directors do not consider that there are any material uncertainties, in relation to the company's ability to continue as a going concern, and are satisfied that the company will continue to meet its obligations, as they fall due, for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they have prepared these financial statements on a going concern basis.

Approved by the board of directors and signed on behalf on 17th December 2020 by



D Bruce
Director