

Randstad Sourceright Limited

Annual Report and Financial Statement for the year ended 31 December 2023

Strategic Report

Introduction

The directors present their strategic report on the company for the year ended 31 December 2023

Principal activity

The company's principal activity continues to be that of an employment business hiring out temporary and permanent staff for clients.

Review of the business

As shown in the company's statement of comprehensive income on page 13, the company's revenue has decreased to £300,583,000 (2022 - £309,351,000). The company achieved a gross profit of £35,433,000 (2022 - £33,987,000) due to focus on high margin business and loss before taxation for the year is £6,331,000 (2022 – profit before taxation £205,000), mainly due to increase in net finance cost £3,122,000 (2022 - £1,372,000) and increase in employee cost £32,586,000 (2022 - £27,337,000)

Position of the business

The company's net liabilities and shareholder's deficit were £14,354,000 at the end of the year (2022 - £9,459,000).

Key performance indicators

Progress of the business is assessed via the growth in gross profit margin compared to the prior year. Performance is shown below with prior year comparatives expressed as percentages.

	2023	2022
Gross Profit Margin	11.79%	10.99%
Total gross CO2 emission during the year in metric tonnes	222	139

Principal risks and uncertainties

The company reports regularly to Randstad NV on all areas of risk. The company's operations expose it to a variety of risks. The company's management has examined all major risks to its business and considers the main risk to be that of the general economic landscape and uncertainty and how this could affect the future profitability of the company.

As the economic environment remains challenging, recruitment companies need to remain agile and diversified in order to take advantage of future opportunities and avoid risk. Against the backdrop of the continued high cost of living, post-Brexit challenges and the negative impact of inflation, client and candidate hesitancy could remain in the short-to-medium term. The longer-term prospects of the economy remain uncertain. Technological disruption continues to threaten traditional staffing business models and may accelerate as pressures on costs increase. Innovative business models continue to emerge. An increased focus on engagement models for temporary workers, in particular the gig economy, increases the potential for legal, tax and regulatory changes in the medium term, particularly if there is a change of Government in the UK. Such changes are likely to bring with them an increased compliance burden (at least initially), and potentially a change in established client and candidate engagement practices. These do however also provide opportunities for compliant staffing companies who are able to adapt quickly to changes in the market.

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Strategic Report (Continued)

Principal risks and uncertainties (Continued)

A description of the key risks, and mitigating action taken to protect the company against them are as follows:

General Economic Uncertainty

While the country is still suffering from the combination of the legacy impact of the Coronavirus pandemic, inflation, a sustained cost of living crisis, a myriad of challenges caused by Brexit, conflict in Ukraine and the Middle East, and political uncertainty in the UK, there remains uncertainty about the short, medium and long term impacts this will have on the economy. This has a knock-on impact on client and candidate confidence, both of which are critical for

The Randstad business is diversified across multiple sectors. It is weighted towards temporary recruitment which appears to be more resilient than permanent recruitment in the short term.

Technological Disruption

New business models continue to emerge that threaten to disrupt parts of the client and candidate matching process. Emerging models threaten specific parts of the process e.g. candidate screening, which presents a risk of disintermediation. We continue to adapt our business models to incorporate appropriate technological solutions to enhance value to clients and candidates.

Regulatory Change

Employment and worker rights is an area which attracts a risk of regulatory change, particularly when influenced by political sentiment. In many cases, regulation is influenced by traditional employment models and can often be inappropriate for modern, flexible employment models requiring significant internal commitment to ensure continued compliance. High-profile legal cases around employment status and worker rights increase the likelihood of further legal and regulatory change.

We continuously monitor changes in labour laws and regulations across various jurisdictions and analyse the potential impact of regulatory changes on our operations and workforce.

Reputational Risk

As with most companies, the risk of adverse publicity arising from failure to deliver in line with expectations (whether that be contractual, regulatory or behavioural) poses a threat to our corporate reputation.

We have experienced teams managing and overseeing delivery, compliance and reputation management. Identified shortcomings are subject to remediation and prevention measures and controls.

Cyber Threats

Cyber-attacks pose an increasing threat to all businesses, including in the recruitment industry, and it is likely that these threats will persist or increase as more technology is introduced into processes and supply chains.

We have a team of experts who continuously monitor IT equipment and applications for cyber threats. All the employees need to complete mandatory yearly training on phishing attempts and cyber attacks.

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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 benefit 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 Group NV, sets out in detail how we operate to provide value for clients, talent, employees, investors, suppliers and society. Specifically, the Directors of this subsidiary have regard 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:
 - 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 experience that is more human, creating that personal connection.
 - Sustainable profitability – to ensure that the business generates sufficient profits by focusing growth on profitable sectors and managing our cost base
 - All significant decisions are agreed by the board within the context of the strategic plan.
- b) The interests of the company's employees are recognised and valued by the Directors through a variety of mechanisms, including;
 - Regular Leadership team webinars, team and department meetings, and conferences;
 - Actively seeking employee feedback through Employee Network Groups, Q&A sessions, an open culture, and a regular anonymous survey which allows all issues to be raised and tracks employee engagement across a number of key factors; and
 - The provision of learning and development opportunities for staff, covering hard and soft skills, as well as management training and mental health.
- c) The need to foster the company's business relationships with suppliers, customers and others by ensuring all stakeholders are treated within the spirit and detail of the Randstad Group ethics policies and core values.
- d) 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, supporting Electric Vehicles where appropriate with an 'EV first' car policy, 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.
- e) The desirability of the company to maintain 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, to strive for perfection, and simultaneous promotion of all interests. They help us develop, grow and better serve our clients, talent and other stakeholders.
- f) 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 £30m, repayable in December 2025.
- 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 in which the Company participates in; this is headed by Randstad Group UK.

The Directors of Randstad Group UK have prepared a forecast for a period of at least 12 months from the date of signing, 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.

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.

As at April 2024, the UK sub-group had a substantial level of available headroom of £69.7m against the intercompany overdraft facility.

Notwithstanding the above, we note that the Company had net current liabilities, which include amounts owed to; accordingly, the directors have obtained confirmation from the directors of Randstad Group UK Limited that they will not request repayment of any outstanding amounts, for a period of at least 12 months from the date of approval of these accounts, unless the Company is in a position to do so.

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.

A letter of comfort covering a period of at least 12 months from the signing date of the accounts was received from the ultimate parent Randstad NV.

The Directors of Randstad Group UK satisfied that Randstad NV have the ability to provide the required level of financing to Randstad Group UK and its subsidiaries.

Approved by the Board and signed on its behalf by:



D Bruce
Director

Date: 13 June 2024