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# cpl resources plc




## annual report for the year ended 30 June 2009

# Contents

# Directors and other information

| | |
|---|---|
| **Directors** | John Hennessy (Non-Executive Chairman)<br>Anne Heraty (Chief Executive)<br>Paul Carroll<br>Breffni Byrne (Non-Executive)<br>Oliver Tattan (Non-Executive)<br>Garret Roche<br>Josephine Tierney (Finance Director) |
| **Secretary** | Wilton Secretarial Limited<br>First Floor<br>Fitzwilton House<br>Wilton Place<br>Dublin 2 |
| **Registered office** | 83 Merrion Square<br>Dublin 2 |
| **Auditor** | KPMG<br>Chartered Accountants<br>1 Stokes Place<br>St. Stephen's Green<br>Dublin 2 |
| **Solicitors** | William Fry<br>Fitzwilton House<br>Wilton Place<br>Dublin 2 |
| **Principal bankers** | AIB plc<br>62 St Brigid's Road<br>Artane<br>Dublin 5 |
| **Registrars and paying agents** | Computershare Services Limited<br>Heron House<br>Corrig Road<br>Sandyford Industrial Estate<br>Dublin 18 |
| **UK paying agents** | Computershare Services Limited<br>4th Floor, Caxton House<br>Redcliff Way, Bristol<br>BS99 7NH<br>England |

# Directors and other information *(continued)*

## Board of Directors

| | |
|---|---|
| John Hennessy | (Non-Executive – Chairman) |
| Breffni Byrne * | (Non-Executive) |
| Oliver Tattan ** | (Non-Executive) |
| Anne Heraty | (Executive) |
| Paul Carroll | (Executive) |
| Garret Roche | (Executive) |
| Josephine Tierney | (Executive) |

** Chairman of the Audit Committee*
*** Chairman of the Nomination and Remuneration Committee*

John Hennessy is a member of the Audit Committee and of the Nomination and Remuneration Committee. Breffni Byrne is a member of the Nomination and Remuneration Committee.

John Hennessy, Chairman, joined the board of Cpl Resources plc in 1999. He is a practicing barrister and a chartered accountant.

Breffni Byrne joined the board of Cpl Resources plc in December 2007. He is chairman of NCB Stockbrokers and is a non-executive director of Irish Life and Permanent plc, Coillte Teoranta, Hikma Pharmaceutical plc, Tedcastle Holdings Limited and a number of other companies. A chartered accountant, he was formerly a Senior Partner of the Audit and Business Advisory practice of Arthur Andersen in Ireland.

Oliver Tattan joined Cpl Resources plc in December 2007. He was the founder and CEO of Vivas Insurance Limited. He previously held the role of chief executive at VHI Healthcare and was co-founder of Daon.

Anne Heraty, Paul Carroll and Garret Roche each entered into service agreements dated 22 June 1999 with the Group in respect of their appointment as executive directors. Josephine Tierney entered into a service agreement dated 1 July 2001 with the Group in respect of her appointment as an executive director.

John Hennessy entered into an engagement letter dated 22 June 1999 with the Company in respect of his appointment as non-executive director of the Company. Breffni Byrne and Oliver Tattan both entered into engagement letters dated 1 December 2007 with the Company in respect of their appointments as non-executive directors of the Company.

All directors are required to present themselves for re-election every three years.

# Chairman's statement

The year to 30 June 2009 has been unprecedented in many respects. Economies around the globe have ceased to grow, and many have contracted, and corporate performance and the confidence of businesses and consumers have fallen in most parts of the developed world.

Our business is inextricably linked to the economic cycle in the markets in which we operate and tends to be affected quickly by changes in those markets. This is because decisions related to the recruitment and retention of people are among the first to be influenced by increases and decreases in economic activity. As the current global economic downturn has gathered pace, the inevitable reduction in recruitment activity has had a negative impact on the trading and financial performance of the Cpl Group. The challenge for us has been to anticipate, prepare for and react appropriately to this significant reduction in activity.

I am pleased to report that, notwithstanding these challenging circumstances, Cpl has been able to respond in a decisive and disciplined way that has allowed us to remain profitable, to reorganise our operations and reduce costs without compromising service levels, to avail of appropriate opportunities to acquire businesses, to develop new products in response to changing market conditions and to protect and enhance our strong balance sheet.

In the twelve months to 30 June 2009 fees from our permanent placement business fell by 50% to €12.2 million, and we generated a gross profit of €22.3 million from our temporary business in the same period, a reduction of 20%. Despite these reductions, we achieved an adjusted operating profit of €8.2 million. When we include the net interest earned of €1.5 million the profit before tax and impairment charges for the year was €9.7 million. This performance represents a considerable achievement in very difficult circumstances and is a testament to the hard work, dedication and innovation of our management and staff.

As might be expected, the reduction in business activity caused by the economic downturn, combined with the uncertain trading conditions facing us in the near future, have given rise to the need to recognise impairments in the carrying values of our intangible assets and goodwill that arose from the acquisitions of certain businesses in recent years. The total impairment charge required on foot of this review is €8 million.

The strength of Cpl's Balance Sheet is demonstrated by the reported cash balance of €42.5 million at 30 June 2009. Our debtor days remain at 35.6, similar to last year, and we remain focused on ensuring that cash is collected from debtors as quickly as possible. As a result, we have not experienced any significant increase in levels of bad or doubtful debts.

I am particularly grateful to everyone who has worked with Cpl in a very challenging year. We are operating in more difficult times but we are fortunate to have a group of highly skilled and motivated people who are committed to the Group and are constantly looking for new ways to deliver value and outstanding service to our clients and candidates. I would also like to extend the appreciation of the Board to our customers for their continued loyalty and support.

The Board is recommending a final dividend of 1.5 cent per share. This will bring the total dividend for the year to 3 cent per share. The dividend will be payable on 27 November 2009 to shareholders on the company's register at the close of business on the record date of 13 November 2009.

## Outlook

As I write, commentators are suggesting that the worst of the economic downturn is behind us in the principal markets in which we operate. Our recent experience on the ground indicates that these observations may be somewhat optimistic, and we expect that the environment in which we operate will continue to be difficult over the coming months. Accordingly, the level of uncertainty remains such that it is not possible to predict our future performance with any accuracy. However, Cpl will continue to deliver excellent service while managing our cost base carefully. We believe that our market position, our outstanding people and our strong balance sheet will allow us to remain successful in the short-term and to avail of the opportunities that will present themselves as and when market conditions improve.

**John Hennessy**
*Chairman*

2 September 2009

# Chief Executive's review

I am pleased to report that the Group has continued to generate both profits and cash. Profit before tax, excluding impairment of goodwill and intangible assets, was €9.7 million in the year to 30 June 2009. Cash generated from operating activities was €9.1 million and net cash at year end stood at €42.5 million.

Our results are better than might have been expected considering the difficult economic and employment conditions in the markets in which we operate. Economic activity in Ireland declined as the economy was gripped by a severe recession. GNP contracted at an unprecedented rate, down 12% year on year in the first quarter of 2009. Labour demand broadly follows economic activity and the contraction in the economy resulted in severe job losses and rapidly rising unemployment. The numbers of unemployed more than doubled between quarter one 2008 and quarter one 2009. The rate of increase in the numbers of people joining the Live Register on a weekly basis slowed in quarter two 2009 which some economic commentators regard as an indication that we are past the worst. However, we regard the fact that the number of redundancies in quarter two was the largest on record as cause for concern.

Our business in the year to 30 June 2009 reflected the economic and labour market conditions. All our divisions felt the impact especially in the second half of the year as many of our customers dramatically slowed down hiring on a permanent basis. Our results demonstrate our ability to respond to these severe market conditions. We achieved many of our business objectives and I am proud of the performance of the Cpl team:

- We were profitable generating €9.7 million profit before tax, goodwill and intangible assets impairment charges;
- We reduced our cost base by €5.5 million in the year;
- We have deepened our relationship with and retained our existing customers while also winning new customers and building market share;
- We have rebranded several of our businesses under the Cpl brand;
- We have significantly reduced our cost base and implemented annualised cost savings of €9 million;
- We set up a new training academy and we have instituted new training standards;
- We have developed a new business, Career Consultants, who provide Outplacement and Career Transition services to individuals and organisations;
- We have expanded our outsourcing capability with state of the art call centres in Dublin and Cork;
- We acquired the business and assets of Kenny Whelan and Associates. Kenny Whelan has a strong reputation in the pharmaceutical, biotechnology, medical devices and oil and gas sectors;
- Since year end, we have acquired the business and certain assets of Loss Control Services Limited, TechStaff International Limited and Ecom Interaction Services Limited.

## Financial Highlights

Group revenue declined by 18% to €212.4 million in the year to 30 June 2009 *(2008: €257.6 million)*.

Gross profit was €34.9 million *(2008: €52.5 million)*, down 33%. The Group's gross margin decreased to 16.5% down from 20.4% in 2008, as a result of the change in business mix between permanent and temporary placements.

Profit before tax was €1.7 million *(2008: €20.7 million)* down 92%. This result is after goodwill and intangible assets impairment charges of €8 million, non-recurring costs of €0.66 million offset by a credit for negative goodwill arising on an acquisition of €0.4 million. Earnings per share were 1.7 cent, while adjusted diluted earnings per share were 23.4 cent.

Operating expenses (excluding impairment losses) were €26.8 million *(2008: €32.7 million)* down 18%. The majority of our cost base, relates to our staff with the other main elements being property and technology costs. Salaries were down 21% as a result of reduction in headcount from 483 to 333. Our current monthly cost base is 43% lower than June 2008.

# Chief Executive's review *(continued)*

At 30 June 2009, the Group had net cash (including short-term deposits) of €42.5 million *(2008: €37.5 million)*. Net interest received in the year was €1.5 million *(2008: €0.9 million)*. We incurred no material bad debts during the year and our debtor days outstanding of 35.6 at year end continues to be among the best in our industry.

We paid our shareholders an interim dividend of 1.5 cent per share on 11 March 2009. The Board is recommending a final dividend of 1.5 cent per share in respect of the year to 30 June 2009, for payment on 27 November 2009 to shareholders on the register at 13 November 2009. This represents a total dividend of 3 cent per share for the year.

In light of the unprecedented changes in the economy and in the performance of our business, we reviewed the carrying value of all our acquisitions. An impairment charge of €8 million has been recorded in the financial statements to reflect the appropriate carrying value of the goodwill and intangible assets. The carrying value of goodwill and intangible assets (excluding software) on the Group balance sheet is €9.6 million at 30 June 2009 *(30 June 2008: €18 million).*

## Operations Review

Cpl Resources plc is a leader in the provision of specialist recruitment and outsourcing services. Our capability now spans the entire employment lifecycle and includes permanent, temporary and contract recruitment, workforce management, training, performance consulting and career transition. We have a broad and diverse range of customers from market-leading multi-nationals to small and medium enterprises.

As outlined in last year's annual report, our business objectives as we entered the year to June 2009 were clear; stay close to our customers, keep our temporary employees in jobs, gain market share and expand internationally, while also managing our cost base and maintaining a lean and flexible structure.

Staying close to our customers and helping them adjust their workforces to the current environment was a key focus for us during the year. Our customers need workforce flexibility particularly in difficult times and we provide skilled technology, finance and accounting, healthcare, administrative, sales, retail and light industrial staff to them whenever they need them and for as long as they need them. All our recruiters made significant efforts to keep our highly valued temporary and contract workforce in employment. We placed more than 13,500 people on assignment during the year.

We focused on managing our cost base while maintaining a flexible business model to enable us to meet our long-term objectives. Following a detailed review of each division we implemented cost reduction initiatives which gave us cost savings of €5.5 million in the year. This equates to annualised savings going forward of €9 million before acquisitions. Simultaneously, we invested in enhancing our IT capability. We upgraded our healthcare systems to increase efficiency in front and back office to better serve candidates and customers.

We continually review and measure our progress and our key performance indicators are outlined below.

## Key Performance Indicators

| | **2009** | 2008 |
|---|---|---|
| Gross Margin | **16.5%** | 20.4% |
| Operating Margin – before impairment of goodwill and intangible assets | **3.8%** | 7.7% |
| Conversion Ratio – before impairment of goodwill and intangible assets | **27.9%** | 39.4% |
| Permanent Fees as % of total gross profit | **35%** | 47% |
| Temporary Fees as % of total gross profit | **65%** | 53% |
| Contractor and temporary staff headcount at year end | **4,860** | 5,143 |
| Number of Net Fee Earners at year end | **194** | 299 |

# Chief Executive's review *(continued)*

Our gross margin in 2009 was impacted by the change in our business mix and by the price reductions we gave to our existing customers to help them through the difficult economic downturn. Fees for temporary staff recruitment, declined by 20% and represented 65% of gross profit in 2009. Our permanent business, which generates 100% gross margin, declined by 50% and represented 35% of gross profit in 2009.

Our operating margin and our conversion ratio of gross profit to profit before tax were severely impacted by the economic environment. In recession, it takes longer to place a candidate in a permanent job. This reduces the productivity of our recruiters and has a corresponding impact on our conversion ratio.

## Permanent Placement

The majority of our permanent placement business is in the services sector. This was the sector most impacted by the recession and it accounted for over half of all redundancies in the economy in the first half of the calendar year 2009. Rising unemployment has affected workers of almost all educational backgrounds and occupations. During the first half of the year, Cpl experienced a weakening in demand for permanent placement. This trend accelerated in the second half of the year with a severe fall off in the number of permanent placements as our clients virtually stopped hiring. The decline in fee income from permanent placement was 50% in the year to 30 June 2009.

## Temporary/Contract Placement

Our temporary and contract staff work in a wide range of industries and functional areas. We source challenging assignments for them and pay competitive rates while also providing flexible work options. Temporary and contract work is increasingly perceived as an attractive option by individuals as it enables them to gain a broad range of experience, build their skills and therefore increase their earning potential.

For many businesses, flexibility is essential for success particularly in a difficult economic climate. Effective utilisation of temporary and contract staff can help improve competitiveness and productivity. As a result, our temporary/contract placement business was relatively more resilient during the year to 30 June 2009. While the volume of placements held up, we came under severe pricing pressure in the second half of the year. We put more than 8,000 people to work on customer sites during the year. Fees from temporary/contract placement were 65% of total fees.

## Overseas Offices

Our Central and Eastern Europe offices have experienced difficult trading conditions particularly in the second half of the year. Our business currently is substantially permanent placement in these jurisdictions and as a result is more exposed to the economic cycle. As these markets develop, there will be significant opportunity for temporary staffing. Notwithstanding the challenging environment we are facing, we remain committed to building our market share in a measured and structured way.

## Organic Expansion

In February 2009, Cpl launched an important new organic growth initiative in career transition and outplacement. This service is provided through Career Consultants who offer both individuals and companies support through change in the workplace. Many of Cpl's customers have embarked on change programmes involving restructuring of their workforce and Career Consultants' programmes enables companies to support their employees in managing career change.

## Acquisitions

In line with our stated strategy to increase the range of services we offer to our customers, we acquired the business and certain assets of the following undertakings:

| | |
|---|---|
| June 2009 | Kenny-Whelan Associates Limited, a niche provider of engineering recruitment services to the Pharmaceutical, Biotechnology, Medical Device, Oil and Gas, and Semiconductor sectors. Kenny-Whelan Associates Limited has an outstanding reputation for the quality of service, speed of response and access to highly skilled candidates. |

# Chief Executive's review *(continued)*

July 2009 Loss Control Services Limited (trading as Nifast) is one of Ireland's leading providers of training and consultancy in all aspects of Health & Safety. Established 22 years ago, Nifast assists companies in reducing the risks of accidents in the workplace and in managing their health and safety compliance to fulfil their statutory duties as employers.

July 2009 Ecom Interaction Services Limited is a business process outsourcing company for customer contact management, outsourced insurance administration and back-office processes. They have a blue chip customer base in finance, technology and commercial sectors.

July 2009 TechStaff International Limited is a construction contractor business.

Cpl continues to look for suitable acquisition opportunities which will enhance our service offering to customers and improve the geographic balance of our business.

## People

The focus of our people was outstanding during the past year. I want to take this opportunity to thank all of them for delivering for our candidates and clients and for their hard work and commitment. I would like to welcome those people who joined us during the year, especially those who were employees of the businesses we acquired.

## Outlook

The contraction in the Irish economy is expected to continue throughout 2009 and 2010. GNP is predicted to fall by 8.9% and 2.3% respectively according to the Economic and Social Research Institute (ESRI). At that rate, GNP per head will be lower than 2002 levels. Demand for labour and economic growth is interconnected. However, the labour market is regarded as a lagging indicator consequently we can expect to see an improvement in the economy before we see an improvement in the jobs market. Past cycles indicate that we could see a prolonged period of rising unemployment. This suggests that demand for recruitment services will be weak through 2010. We do not underestimate the challenges ahead and expect the next year to be very difficult. We have significantly reduced our cost base and repositioned our business. Our sales force and delivery teams are committed to providing our customers with innovative and flexible solutions to meet their business needs in a constantly changing environment. The Group has a strong Balance Sheet and we are committed to managing the business for the long-term.

**Anne Heraty**
*Chief Executive*

2 September 2009

# Directors' report

The directors present their annual report and audited consolidated and Company financial statements for the year ended 30 June 2009.

## Principal activities, business review (including principal risks and uncertainties) and future developments

Cpl Resources Plc is the leading Irish employment services organisation, specialising in the placement of candidates in permanent, temporary and contract positions and the provision of human resources consultancy services. The Group's principal activities cover the areas of: technology, accounting and finance, sales, engineering, light industrial, healthcare/pharmaceutical, and office administration. Cpl Resources plc is the holding company for the Group's seventeen operating subsidiaries: Computer Placement Limited, Cpl Solutions Limited, Careers Register Limited, Multiflex Limited, Techskills Resources Limited, Medical Recruitment Specialists Limited, Occipital Limited, Richmond Recruitment Limited, Flexsource Limited (formerly known as Northside Recruitment Services Limited), Kate Cowhig International Recruitment Limited, Cpl Jobs S.r.o., Cpl Jobs Sp z.o.o., Cpl Healthcare Limited (formerly known as Allied Nurses Agency Limited), Nursefinders UK Limited, Cpl (Northern Ireland) Limited, Cpl Career Consultants Limited and Cpl Recruitment S.L.

The directors are satisfied with the performance of the Group, but expect the profitability of the Group to decrease further in the short-term as the economic downturn reduces the demand for the Group's services.

The directors consider the principal risks and uncertainties the Group and Company face to be:

1. The longevity of the current economic downturn could continue to cause a reduction in demand for Cpl's services. Cpl has experienced a severe fall off in the number of permanent placements as our clients virtually stopped hiring. The demand for temporary staff has also fallen albeit by a smaller amount;
2. Cpl is facing increased downward pressure on margin;
3. Due to the current economic conditions in Ireland, there is a risk that a large client could move their operations outside of Ireland;
4. A change in labour law causing Cpl to become subject to costly compliance requirements could increase costs;
5. Economic activity in Ireland declined as the economy was gripped by a severe recession. Against this backdrop there is a greater risk that Cpl could experience an increased level of bad debts;
6. Cpl's success depends on its ability to attract and retain key management and recruitment consultants. Loss of a team or key members of a team could disrupt the business.

The directors believe that these risks are managed as follows:

- Cpl is a leader in the provision of specialist recruitment and outsourcing services. Our capability now spans the entire employment lifecycle and includes permanent, temporary and contract recruitment, workforce management, training, performance consulting and career transition. We have a broad and diverse range of customers from market-leading multi-nationals to small and medium enterprises.
- The Group is constantly developing new channels to attract and retain candidates. Cpl is an employer of choice and recognises its responsibilities to its temporary workforce. Cpl is extending the advertising mediums it uses to ensure that it can leverage the opportunity to attract highly skilled international candidates. The Group is also developing new candidate networks in Ireland and abroad. It has specialist divisions with in-depth knowledge of their particular sector. This helps the Group to tailor its services to the particular needs of individuals that vary by profession.
- Cpl management monitor legal and economic developments to ensure that they can react quickly to any changes that may have an impact on the business. Management are also aware of the need to ensure that the business can be scaled in line with economic developments.

# Directors' report *(continued)*

- Cpl work closely with all our clients to ensure that their cost base is as flexible and cost effective as possible to maximise the efficiency of their business. This includes allowing the client scale their business appropriately to meet cyclical demand patterns.
- The Group continues to focus on credit control and is particularly active in the current market following up on all overdue accounts and generally to ensure the Group receives payment from clients within agreed credit terms
- Management is conscious of the need to ensure that no one individual has control of any major account and client teams are structured in a way that ensures that a number of people interact with clients at all times. The Group is also careful to divide teams as they grow so no one manager has direct influence over a very large group of recruiters. Management is also very conscious of succession planning and has a competency training programme in place to ensure that there are internal promotions throughout the organisation to replace any potential leavers.

Key performance indicators that are focused on by management include:

- The overall efficiency of the business is best measured by the conversion ratio of gross profit to profit before tax. This has decreased to 27.8% (before impairment of goodwill and intangible assets) in the current year compared with 39.4% in the prior year. This metric is monitored every month;
- To manage productivity, management reviews the monthly average fees per billing consultant;
- Management closely monitor the activity in our temporary business with a focus on the number of new starters and leavers;
- Management monitor the margin earned by client;
- The number of interviews per consultant is also monitored;
- The quality and range of services delivered to clients is critical to Cpl's success. The Group continues to increase client satisfaction levels, which are independently measured, and to experience a high level of repeat business;
- Cash collections versus targets are monitored monthly;
- Management monitor debtor aging.

## Financial risk management

Details of the Group's financial risk management policies are outlined in Note 23 of the financial statements.

## Results and dividends

The Chief Executive's review on pages 5 to 8 contains a comprehensive review of the operations of the Group for the year. The audited financial statements for the year are set out on pages 19 to 58.

Adjusted operating profit for the year ended 30 June 2009 amounted to €8.2 million *(2008: €19.8 million)*. The profit for the financial year ended 30 June 2009 amounted to €0.7 million *(2008: €18.0 million)*. Basic earnings per share for the year amounted to 1.7 cent *(2008: 48.3 cent)*, while adjusted fully diluted earnings per share for the year amounted to 23.4 cent *(2008: 48.3 cent)*.

An interim dividend of 1.5 cent per share *(2008: 2.5 cent)* was paid during the year. A final dividend of 1.5 cent per share *(2008: 2.5 cent)* is proposed by the directors. No further dividends or transfers to reserves are recommended by the directors.

Shareholders' equity at 30 June 2009 amounted to €59.6 million *(2008: €60.4 million)*.

# Directors' report *(continued)*

## Directors and secretary and their interests

The directors and secretary who held office at 30 June 2009 had no interests other than those shown below in the shares in the Company or Group companies.

| | **No. of shares 30 June 2009** | No. of shares 30 June 2008 |
|---|---|---|
| **Shares in Cpl Resources Plc Ordinary shares of €0.10 each** | | |
| Anne Heraty* | **12,907,764** | 12,907,764 |
| Paul Carroll* | **2,234,061** | 2,234,061 |
| John Hennessy | **125,000** | 125,000 |
| Breffni Byrne | **10,000** | 10,000 |
| Oliver Tattan | **-** | - |
| Garret Roche | **63,192** | 63,192 |
| Josephine Tierney | **40,000** | 40,000 |
| William Fry (Secretary) | **-** | - |

** Anne Heraty and Paul Carroll are husband and wife.*

At 30 June 2009, A. Heraty and P. Carroll together held 40.7% *(2008: 40.7%)* of the share capital of the Company. Bank of Ireland Nominees Limited, State Street Nominees Limited and Goldman Sachs Securities had shareholdings in excess of 5% at 30 June 2009.

There have been no changes in the interests of the directors, the secretary and their families in the share capital of the Company between 30 June 2009 and 2 September 2009.

Other than as disclosed above and in note 25 of the financial statements, none of the directors had a beneficial interest in any material contract with the Company or any of its subsidiaries during the year ended 30 June 2009. The directors did not hold any share options at 30 June 2009.

## Share option scheme

All share options were granted before 7 November 2002. The recognition and measurement principles of IFRS 2, *Share based payment*, have not been applied to these options in accordance with the transitional provisions in IFRS 1, *First-time adoption of International Financial Reporting Standards*, and IFRS 2.

There were no options in respect of ordinary shares which had been granted to employees under the terms of a share option scheme established on 3 June 1999, at 30 June 2009 *(30 June 2008: 36,000 options)*. During the year, the lowest and highest share prices were €0.85 and €2.04 respectively. At year end, the share price was €1.35.

## Post balance sheet events

Subsequent to the balance sheet date, the Group acquired the business and certain assets of Loss Control Services Limited (in receivership), TechStaff International Limited and Ecom Interaction Services Limited (in receivership) for a total consideration of €0.8 million.

## Political donations

The Company made no political donations during the year.

## Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are maintained at the Company's premises at 66 Fitzwilliam Lane, Dublin 2.

## Corporate governance

*Principles*

The Board of Cpl Resources plc is firmly committed to business integrity, high ethical values and professionalism in all its activities and operations. It is therefore committed to maintaining the highest standards of corporate governance. As an IEX listed company, Cpl Resources plc is not required to comply with the principles and provisions of the Combined Code on Corporate Governance as issued by the Financial Reporting Council in June 2006 ("the Combined Code"). However, the Board has undertaken to comply with the Combined Code, as far as practicable, having regard to the size and nature of the Group.

# Directors' report *(continued)*

This following report describes how the principles and provisions of the Combined Code have been applied.

### *The Board*

The Group is controlled through its Board of Directors. The Board's main roles are to create value for shareholders, to provide leadership to the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives.

Specific responsibilities reserved to the Board include: setting Group strategy and approving an annual budget and medium-term projections; reviewing operational and financial performance; approving major acquisitions, divestments and capital expenditure; reviewing the Group's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; approving appointments of directors and Company secretary; approving policies relating to directors' remuneration and the severance of directors' contracts; and ensuring that a satisfactory dialogue takes place with shareholders.

The Board has delegated the following responsibilities to the executive management team: the development and recommendation of operational plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring the operating and financial results against plans and budgets; monitoring the quality of the investment process against objectives; prioritising the allocation of capital, technical and human resources; monitoring the composition and terms of reference of divisional management teams; and developing and implementing risk management systems.

The Board currently comprises the non-executive Chairman, four executive directors and two other non-executive directors. Each director retires by rotation every 3 years although there is no specific term of appointment set down. The Board considers all of its non-executive directors to be independent in character and judgement and each have wide ranging business skills and commercial acumen.

No non-executive director:

- has been an employee of the Group within the last five years
- has, or has had within the last three years, a material business relationship with the Group
- receives remuneration other than a director's fee
- has close family ties with any of the Group's advisers, directors or senior employees; or
- represents a significant shareholder.

Board meetings are held at least eight times each year with agendas sent out in advance of each meeting. There is a schedule of formal matters reserved for Board approval. All directors have access to advice from the Company secretary and independent professional advisors at the Group's expense.

### *Board committees*

The Board has established an Audit Committee and a Nomination and Remuneration Committee. These committees have written terms of reference.

### *Audit Committee*

The Audit Committee meets at least three times each year. The Audit Committee reviews the accounting principles, policies and practices adopted in the preparation of the interim and annual financial statements, as well as reviewing the scope and performance of the Group's internal finance function and reviewing the Group's systems of financial control and risk management. It also discusses the results and scope of the audit with the external auditor and reviews the effectiveness and independence of the auditor. The external auditor attends Audit Committee meetings. The Chief Executive and the Finance Director also attend. The external auditor has the opportunity to meet with the members of the Audit Committee in the absence of executives of the Group at least once a year.

In the year ended 30 June 2009, the Audit Committee, operating under its terms of reference, discharged its responsibilities by:

- reviewing risks associated with the business.

# Directors' report *(continued)*

- reviewing the appropriateness of the Group's accounting policies.
- reviewing the external auditor's plan for the audit of the Group's 2009 financial statements, which included an assessment of the audit scope, key risk areas, confirmation of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit.
- reviewing and approving the 2009 audit fee and reviewing non-audit fees payable to the Group's external auditor in 2009.
- reviewing performance improvement observation reports on internal controls in the Group's businesses prepared by the external auditor as part of the Group's audit process.
- reviewing the Group's interim results prior to Board approval.
- reviewing the Group's draft 2009 financial statements prior to Board approval and reviewing the external auditor's detailed reports thereon.

*Nomination and Remuneration Committee*

The Nomination and Remuneration Committee meets at least twice a year. It comprises three non-executive directors and the Chief Executive attends by invitation. Emoluments of executive directors and senior management are determined by the Committee. In the course of each financial year, the Committee determines basic salaries as well as the parameters for any possible bonus payments. The Committee applies the same philosophy in determining executive directors' remuneration as is applied in respect of all employees. The underlying objective is to ensure that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. The Committee is mindful of the need to ensure that in a competitive environment the Group can attract, retain and motivate executives who can perform to the highest levels of expectation. Annual bonuses, if any, are determined by the Committee on the basis of objective assessments based on the Group's performance during the year measured by reference to key financial indicators, as well as by a qualitative assessment of the individual's performance.

In respect of potential nominations to the Board, the Committee meets at least once a year. The Committee considers the mix of skills and experience that the Board requires and seeks to propose the appointment of directors to meet its assessment of what is required to ensure that the Board is effective in discharging its responsibilities.

*Attendance at Board and Committee meetings*

Attendance at scheduled Board meetings and Committee meetings during the year ended 30 June 2009:

| | **Full Board** | **Audit Committee** | **Nomination & Remuneration Committee** |
|---|---|---|---|
| **Number of meetings held in 2009** | **10** | **3** | **2** |
| *Directors and position held:* | | | |
| John Hennessy – Non-Executive Chairman | 10 | 3 | 2 |
| Breffni Byrne – Non-Executive | 10 | 3 | 2 |
| Oliver Tattan – Non-Executive | 10 | - | 2 |
| Anne Heraty – Chief Executive Officer | 10 | 3 | 2 |
| Paul Carroll – Executive | 10 | - | - |
| Garret Roche – Executive | 10 | - | - |
| Josephine Tierney – Executive | 10 | 3 | - |

# Directors' report *(continued)*

*Relations with shareholders*

There are regular meetings between the representatives of the Group and representatives of its principal investors. Announcements of results are communicated promptly to all shareholders. Management gives feedback to the Board of meetings between directors and shareholders. All directors normally attend the Annual General Meeting. All shareholders are welcome at the Annual General Meeting where they have the opportunity to ask questions of the Board. The non-executive chairman also gives a statement on the current trading conditions at the Annual General Meeting.

*Internal control*

The directors have considered the implications of the Turnbull Report on internal controls on the Group's operations. Having reviewed the effectiveness of its current controls, procedures and practice, the directors believe that the Group, throughout the year and up to the date of approval of the financial statements, has complied with the principles and provisions of the Combined Code relating to internal control.

The directors are responsible for ensuring that the Group maintains a system of internal control. This system is designed to provide reasonable but not absolute assurance against material misstatement or loss.

Key elements of this control system, including internal financial control, are:

- an organisation structure with defined lines of responsibility and delegation of authority.
- a budgeting system with actual performance being measured against budget on a regular basis.
- regular reviews of the key business risks relevant to the Group's operations. These risks are reviewed annually for the purpose of ensuring that they remain appropriate to the business and the current trading environment.
- control procedures to address the key business risks, including policies and procedures appropriate to the operations of the business. The Board considers the adequacy of the control procedures at the same time as it reviews the key business risks. In addition, certain prescribed matters are reserved for Board approval.
- a management review of the operation of the system of internal controls.

The Audit Committee has reviewed the effectiveness of the Group's internal control system up to and including the date of approval of the financial statements. This review includes a consideration of issues raised in performance improvement observation reports received from the external auditor.

Going forward, the Board will actively monitor the continued adequacy of the Group's management and control system to ensure that as the Group develops, appropriate resources are available for this purpose.

*Internal audit*

While the Group is not required to comply with provision C.3.5 of the Combined Code, the Group has voluntarily undertaken to review the need for an internal audit function. The Group does not have an Internal Audit department. The Board believes that the internal controls currently operated by the Group are adequate and that the Group's present size does not justify the establishment of an internal audit function. However, the Board and the Audit Committee continue to keep the matter under review.

*Non-audit services*

The Audit Committee regularly monitors the non-audit services being provided to the Group by its external auditor. A formal Auditor Independence Policy has been developed to check that the non-audit services do not impair the independence or objectivity of the external auditor. The policy sets out four key principles which underpin the provision of non-audit services by the external auditor. These are: the auditor should not audit its own firm's work; make management decisions for the Group; have a mutuality of financial interest with the Group; or be put in the role of advocate for the Group.

# Directors' report *(continued)*

Activities that may be perceived to be in conflict with the role of the external auditor must be submitted to the committee for approval prior to engagement, regardless of the amounts involved.

*Going concern*

The Group has considerable financial resources. As a consequence, the directors believe that Cpl is well placed to manage its business risks successfully despite the current uncertain economic outlook and difficult trading conditions experienced by the Group. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

*Auditor*

In accordance with Section 160 (2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

| | |
|---|---|
| **John Hennessy** | **Anne Heraty** |
| Director | Director |

2 September 2009

# Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, and in accordance with IEX Rules the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2009.

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group; the Companies Acts, 1963 to 2009 provide in relation to such financial statements that references in the relevant part of those Acts to financial statements giving a true and fair view are references to their achieving a fair presentation. The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and the requirements of the IEX Rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration that comply with that law and those Rules. The directors have also elected to prepare a report on corporate governance.

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

On behalf of the Board

**John Hennessy**
Director

**Anne Heraty**
Director

# Independent auditor's report to the members of Cpl Resources Plc

We have audited the Group and Company financial statements (the "financial statements") of Cpl Resources Plc for the year ended 30 June 2009 which comprise the Group Income Statement, the Group and Company Statements of Changes in Shareholders' Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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.

## Respective responsibilities of directors and auditor

The statement of directors' responsibilities on page 16 sets out the directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, and have been properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date there exists a financial situation requiring the convening of an extraordinary general meeting of the Company under Section 40(1) of the Companies (Amendment) Act 1983; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of IEX regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Independent auditor's report to the members of Cpl Resources Plc *(continued)*

## Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 June 2009 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the parent Company's affairs as at 30 June 2009; and
- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

*Other matters*

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion, the information given in the Directors' Report on pages 9 to 15 is consistent with the financial statements.

The net assets of the Company, as stated in the Company Balance Sheet on pages 22 and 23 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 2009 a financial situation, which under Section 40 (1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

KPMG
*Chartered Accountants*
*Registered Auditor*

2 September 2009

# Group Income Statement

## for the year ended 30 June 2009

| | Note | Before impairment losses 2009 €'000 | Impairment losses 2009 €'000 | Total 2009 €'000 | Total 2008 €'000 |
|---|---|---|---|---|---|
| **Revenue** | *1* | **212,398** | **-** | **212,398** | 257,640 |
| Cost of sales | | **(177,410)** | **-** | **(177,410)** | (205,162) |
| **Gross profit** | | **34,988** | **-** | **34,988** | 52,478 |
| Distribution expenses | | **(1,575)** | **-** | **(1,575)** | (2,296) |
| Administrative expenses | | **(25,209)** | **(8,061)** | **(33,270)** | (30,413) |
| **Operating profit** | *3* | **8,204** | **(8,061)** | **143** | 19,769 |
| Financial income | *2* | | | **1,552** | 928 |
| Financial expenses | *2* | | | **(12)** | (20) |
| **Profit before tax** | *3* | | | **1,683** | 20,677 |
| Income tax expense | *6* | | | **(1,002)** | (2,657) |
| **Profit for the financial year** | | | | **681** | 18,020 |
| **Attributable to:** | | | | | |
| Equity Shareholders | | | | **639** | 17,976 |
| Minority Interest | | | | **42** | 44 |
| | | | | **681** | 18,020 |
| **Basic earnings per share** | *8* | | | **1.7 cent** | 48.3 cent |
| **Diluted earnings per share** | *8* | | | **1.7 cent** | 48.3 cent |

On behalf of the Board

**John Hennessy**
*Director*

**Anne Heraty**
*Director*

# Group Statement of Changes in Shareholders' Equity

## for the year ended 30 June 2009

| | Share capital €'000 | Share premium €'000 | Capital Conversion reserve fund €'000 | Merger reserve €'000 | Retained earnings €'000 | Share holders equity €'000 | Minority interest €'000 | Total equity €'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2007 | 3,719 | 1,701 | 57 | (3,357) | 42,100 | 44,220 | 12 | 44,232 |
| Shares issued | 1 | 4 | - | - | - | 5 | - | 5 |
| Profit for the financial year | - | - | - | - | 17,976 | 17,976 | 44 | 18,020 |
| Dividends paid | - | - | - | - | (1,767) | (1,767) | - | (1,767) |
| Balance at 30 June 2008 | 3,720 | 1,705 | 57 | (3,357) | 58,309 | 60,434 | 56 | 60,490 |
| Balance at 1 July 2008 | 3,720 | 1,705 | 57 | (3,357) | 58,309 | 60,434 | 56 | 60,490 |
| Profit for the financial year | - | - | - | - | 639 | 639 | 42 | 681 |
| Dividends paid | - | - | - | - | (1,488) | (1,488) | - | (1,488) |
| **Balance at 30 June 2009** | **3,720** | **1,705** | **57** | **(3,357)** | **57,460** | **59,585** | **98** | **59,683** |

# Company Statement of Changes in Shareholders' Equity

## for the year ended 30 June 2009

| | Share capital | Share premium | Capital conversion reserve fund | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 July 2007 | 3,719 | 1,701 | 57 | 1,151 | 6,628 |
| Shares issued | 1 | 4 | - | - | 5 |
| Profit for the financial year | - | - | - | 2,320 | 2,320 |
| Dividends paid | - | - | - | (1,767) | (1,767) |
| Balance at 30 June 2008 | 3,720 | 1,705 | 57 | 1,704 | 7,186 |
| | | | | | |
| Balance at 1 July 2008 | 3,720 | 1,705 | 57 | 1,704 | 7,186 |
| Profit for the financial year | - | - | - | 1,403 | 1,403 |
| Dividends paid | - | - | - | (1,488) | (1,488) |
| **Balance at 30 June 2009** | **3,720** | **1,705** | **57** | **1,619** | **7,101** |

# Group and Company Balance Sheets

## as at 30 June 2009

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| **Assets** | | **€'000** | €'000 | **€'000** | €'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *10* | **1,444** | 1,541 | **103** | 115 |
| Goodwill and intangible assets | *11* | **9,979** | 18,513 | **-** | - |
| Investments in subsidiaries | *12* | **-** | - | **10,504** | 18,551 |
| Deferred tax asset | *13* | **263** | 4 | **20** | 20 |
| **Total non-current assets** | | **11,686** | 20,058 | **10,627** | 18,686 |
| **Current assets** | | | | | |
| Trade and other receivables | *14* | **29,424** | 35,086 | **22,115** | 8,743 |
| Corporation tax refundable | | **409** | - | **88** | 100 |
| Short-term bank deposits | *15* | **19,995** | - | **19,995** | - |
| Cash and cash equivalents | *15* | **22,505** | 37,622 | **21,224** | 34,660 |
| **Total current assets** | | **72,333** | 72,708 | **63,422** | 43,503 |
| **Total assets** | *1* | **84,019** | 92,766 | **74,049** | 62,189 |

# Group and Company Balance Sheets *(continued)*

## as at 30 June 2009

| | *Note* | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **€'000** | €'000 | **€'000** | €'000 |
| **Equity** | | | | | |
| Issued share capital | *16* | **3,720** | 3,720 | **3,720** | 3,720 |
| Share premium | *16* | **1,705** | 1,705 | **1,705** | 1,705 |
| Other reserves | *16* | **(3,300)** | (3,300) | **57** | 57 |
| Retained earnings | | **57,460** | 58,309 | **1,619** | 1,704 |
| **Total equity attributable to shareholders** | | **59,585** | 60,434 | **7,101** | 7,186 |
| Minority interest | *26* | **98** | 56 | **-** | - |
| **Total equity** | | **59,683** | 60,490 | **7,101** | 7,186 |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Financial liabilities | *17* | **81** | 69 | **-** | - |
| Provisions | *18* | **-** | 268 | **-** | 268 |
| **Total non-current liabilities** | | **81** | 337 | **-** | 268 |
| **Current liabilities** | | | | | |
| Bank overdraft | | **-** | 76 | **-** | - |
| Financial liabilities | *17* | **34** | 18 | **-** | - |
| Trade and other payables | *19* | **23,814** | 29,059 | **66,631** | 52,593 |
| Corporation tax payable | | **-** | 182 | **-** | - |
| Provisions | *18* | **407** | 2,604 | **317** | 2,142 |
| **Total current liabilities** | | **24,255** | 31,939 | **66,948** | 54,735 |
| **Total liabilities** | *1* | **24,336** | 32,276 | **66,948** | 55,003 |
| **Total equity and liabilities** | | **84,019** | 92,766 | **74,049** | 62,189 |

On behalf of the Board

**John Hennessy**
*Director*

**Anne Heraty**
*Director*

# Group and Company Cash Flow Statements

## as at 30 June 2009

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Cash flows from operating activities** | | | | |
| Profit for the financial year | **681** | 18,020 | **1,403** | 2,320 |
| *Adjustments for:* | | | | |
| Depreciation on property, plant and equipment | **437** | 347 | **25** | 4 |
| Profit on disposal of property, plant and equipment | **-** | (32) | **-** | - |
| Amortisation of intangible assets | **409** | 394 | **-** | - |
| Financial income | **(1,552)** | (928) | **(1,548)** | (910) |
| Financial expense | **12** | 20 | **-** | - |
| Income tax expense | **1,002** | 2,657 | **-** | 43 |
| Impairment of goodwill | **7,157** | - | **-** | - |
| Impairment of intangible assets | **904** | - | **-** | - |
| Impairment of financial assets | **-** | - | **8,000** | - |
| **Operating cashflows before changes in working capital and provisions** | **9,050** | 20,478 | **7,900** | 1,457 |
| Decrease/(increase) in trade and other receivables | **6,459** | (7,473) | **(13,225)** | (2,063) |
| (Decrease)/increase in trade and other payables and provisions | **(5,017)** | 4,526 | **14,038** | 13,566 |
| **Cash generated from operations** | **10,492** | 17,531 | **8,693** | 12,960 |
| Interest paid | **(12)** | (20) | **-** | - |
| Income tax paid | **(1,852)** | (2,282) | **12** | (21) |
| Interest received | **1,405** | 777 | **1,401** | 757 |
| **Net cash from operating activities** | **10,033** | 16,006 | **10,106** | 13,696 |
| **Cash flows used in investing activities** | | | | |
| Acquisition of subsidiaries, net of cash acquired | **-** | (3,450) | **-** | - |
| Acquisition of business, net of cash acquired | **(760)** | - | **-** | - |
| Deferred consideration paid | **(2,416)** | (1,902) | **(2,046)** | (1,219) |
| Purchase of property, plant and equipment | **(340)** | (622) | **(13)** | (119) |
| Sale of property, plant and equipment | **-** | 63 | **-** | - |
| Purchase of intangible assets | **(75)** | (160) | **-** | - |
| Purchase of investments | **-** | - | **-** | (2,737) |
| Transfer to short-term deposits | **(19,995)** | - | **(19,995)** | - |
| **Net cash used in investing activities** | **(23,586)** | (6,071) | **(22,054)** | (4,075) |

# Group and Company Cash Flow Statements *(continued)*

## as at 30 June 2009

| | *Note* | Group | | Company | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **€'000** | €'000 | **€'000** | €'000 |
| **Cash flows used in financing activities** | | | | | |
| Repayment of borrowings | | **-** | (338) | **-** | - |
| Increase in finance leases | | **-** | 87 | **-** | - |
| Dividends paid | | **(1,488)** | (1,767) | **(1,488)** | (1,767) |
| Proceeds from issue of share capital | | **-** | 5 | **-** | 5 |
| **Net cash used in financing activities** | | **(1,488)** | (2,013) | **(1,488)** | (1,762) |
| Net (decrease)/increase in cash and cash equivalents | | **(15,041)** | 7,922 | **(13,436)** | 7,859 |
| Cash and cash equivalents at beginning of year | | **37,546** | 29,624 | **34,660** | 26,801 |
| **Cash and cash equivalents at end of year** | *15* | **22,505** | 37,546 | **21,224** | 34,660 |

# Significant accounting policies

Cpl Resources Plc (the “Company”) is a company incorporated in Ireland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”). The Group and Company financial statements were authorised for issue by the directors on 2 September 2009.

## Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU. The individual financial statements of the Company (“Company financial statements”) have been prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2009 which permits a company, that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 148(8) of the Companies Act 1963, from presenting to its members its Company income statement and related notes that form part of the approved Company financial statements.

The IFRSs adopted by the EU as applied by the Company and Group in the preparation of these financial statements are those that were effective at 30 June 2009.

## Basis of preparation

The Group and individual financial statements of the Company which are presented in euro rounded to the nearest thousand, have been prepared under the historical cost convention. The accounting policies have been applied consistently by Group entities to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Estimates in respect of goodwill are disclosed in note 11 to the financial statements.

## Accounting for subsidiaries

*Group financial statements*

Subsidiaries are those entities over which the Group has the power to control the operating and financial policies so as to obtain economic benefit from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The amounts included in these financial statements in respect of the subsidiaries are taken from their latest financial statements prepared up to their respective year ends, together with management accounts for the intervening periods to the year end where necessary. All significant subsidiaries have coterminous financial year ends.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in the preparing the Group financial statements, except to the extent they provide evidence of impairment.

# Significant accounting policies *(continued)*

## Accounting for subsidiaries (continued)

*Company financial statements*

Investments in subsidiaries are carried at cost less impairment, if any. Dividend income is recognised when the right to receive payment is established.

## Revenue recognition

Revenue represents the fair value of amounts receivable for services provided in the normal course of business, net of trade discounts and Value Added Tax. Revenue in respect of permanent placements is recognised when the candidate commences employment. Revenue in respect of the Group's contractors and temporary employees is recognised when the related hours have been worked. Revenue recognised but not yet billed is included as accrued income within receivables.

## Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and returns different from those of other segments. The Group's primary reporting segments comprise the business segments of recruitment of temporary staff, and permanent placement of candidates.

## Financing income and expenses

Financing expenses comprise interest payable on borrowings calculated using the effective interest rate method. Finance income comprises interest received on cash deposits. All financing expenses are recognised in profit or loss.

## Taxation

Income tax for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is provided for any differences that exist between the tax base and the carrying value of intangible assets arising from business combinations. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. If the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, it is not recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Significant accounting policies *(continued)*

## Pensions and other post-employment benefits

Pension contributions to defined contribution pension schemes are charged to the income statement in the period to which they relate. Any amounts of contributions due or paid in advance at the balance sheet date are included in accruals or prepayments as appropriate.

## Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when it has been approved by the Board of Directors and paid.

## Foreign currency translation

*Functional and presentation currency*

The consolidated financial statements are presented in euro which is the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, which is primarily euro.

*Transactions and balances*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. The resulting monetary assets and liabilities are translated at the balance sheet rate and the exchange differences are dealt with in the income statement.

*Group companies*

Results and cash flows of subsidiaries which do not have the euro as their functional currency are translated into euro at average exchange rates for the year and the related balance sheets are translated at the rates of exchange ruling at the balance sheet date. Any adjustments arising on translation of the results of such subsidiaries at average rates and on the restatement of the opening net assets are dealt with in a separate translation reserve within equity.

## Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

| | Years |
|---|---|
| Buildings | 50 |
| Equipment | 5 |
| Fixtures and fittings | 5 |
| Motor vehicles | 3 |

The residual value of assets, if not insignificant, and the useful life of assets is reassessed annually.

Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

# Significant accounting policies *(continued)*

## Business combinations

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries, joint ventures and associates by the Group. The Group availed of the exemption under IFRS 1, *"First-time Adoption of International Financial Reporting Standards"*, whereby business combinations prior to the transition date of 1 July 2004 have not been restated. IFRS 3, *"Business Combinations",* has been applied with effect from the transition date of 1 July 2004 and goodwill amortisation ceased from that date.

The cost of a business combination is measured as the aggregate of the fair value of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expenses. Deferred and contingent consideration arising on business combinations is determined through discounting the amounts payable to their present value. The discount element is reflected as an interest charge in the income statement over the life of the deferred payment. In the case of a business combination, the assets and liabilities are measured at their provisional fair values at the date of acquisition. Adjustments to provisional values allocated to assets and liabilities are made within 12 months of the acquisition date and reflected as a restatement of the acquisition balance sheet.

## Goodwill

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill relating to acquisitions from 1 July 2004 and goodwill carried in the balance sheet at 1 July 2004 is not amortised. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill arising on acquisitions prior to the date of transition to International Financial Reporting Standards as adopted by the EU, 1 July 2004, has been retained at the previous Irish GAAP amount being its deemed cost and is tested annually for impairment.

## Intangible assets other than goodwill

Intangible assets acquired separately are capitalised at cost and intangible assets acquired in the course of a business combination are capitalised at fair value being their deemed cost as at the date of acquisition. Subsequent to initial recognition, intangible assets which have a finite life are carried at cost less any applicable accumulated amortisation and any accumulated impairment losses. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement. The amortisation of intangible assets is calculated to write-off the book value of intangible assets over their useful lives on a straight-line basis. Amortisation rates used are as follows:

| | |
|---|---|
| Software assets | 5 years |
| Brands | 5 years |
| Customer contracts & databases | 5 years |

# Significant accounting policies *(continued)*

## Impairment reviews

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Leases

Where the Group has entered into lease arrangements on land and buildings the lease payments are allocated between land and buildings and each is assessed separately to determine whether it is a finance or operating lease.

Finance leases, which transfer to the Group substantially all the risks and benefits of ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the 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 to the income statement as part of finance costs. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

## Guarantees

The Company occasionally guarantees certain liabilities of subsidiary companies. These are considered to be insurance arrangements and are accounted for as such i.e. treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

# Significant accounting policies *(continued)*

## Financial instruments

*Short-term bank deposits*

Short-term bank deposits of greater than three months maturity which do not meet the definition of cash and cash equivalents are classified as financial assets available for sale within current assets and stated at fair value in the balance sheet.

*Interest bearing borrowings*

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

*Trade and other receivables*

Trade receivables, which generally have 30 to 60 day terms, are initially recognised at fair value and subsequently carried at amortised cost less an allowance for any incurred losses. An estimate of incurred losses is made when collection of the full amount is no longer probable.

*Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cashflows.

## Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits would be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

## Forthcoming requirements

The following provides a brief outline of the likely impact on future financial statements of relevant IFRSs adopted by the EU which are not yet effective and have not been early adopted in these financial statements:

IFRS 8, *Operating Segments*, which is effective for annual periods beginning on or after 1 January 2009, sets out the requirements for disclosure of financial and descriptive information about an entity's operating segments, its products and services, the geographical areas in which it operates, and its major customers and will replace IAS 14, Segment Reporting. Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

Amendment to IFRS 2, *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will not impact the Group' financial statements as there are no share-based payment schemes currently in operation.

# Significant accounting policies *(continued)*

## Forthcoming requirements (continued)

Revised IFRS 3, *Business Combinations (2008)* incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore will have no impact on prior periods.

Revised IAS 23, *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will have no significant impact on the Group's financial statements.

Amended IAS 27, *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact.

Amendments to IAS 39, *Financial instruments, Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will not have a significant impact on the Group's financial statements.

IAS 1, *Presentation of Financial Statements* – effective for accounting periods beginning on or after 1 January 2009. The standard introduces a "statement of comprehensive income" and effectively replaces the statement of recognised income and expense. The Group considers the revised presentation will not have a major impact on the financial statements.

*IFRIC 12 Service Concession Arrangements* - Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

*IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*. This IFRIC clarifies the requirements of IAS 19, which limits the measurement of a defined benefit asset to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan plus unrecognised gains and losses – this is known as the asset ceiling. Implementation of this standard is not expected to have any impact on the Group's results, assets or liabilities.

# Significant accounting policies *(continued)*

## Forthcoming requirements (continued)

*IFRIC 13 Customer Loyalty Programmes* - Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

The IASB has also published as part of its Annual Improvements Project a series of more minor amendments to a wide range of standards, the impact of which is currently being evaluated by the Group. It is expected that none of these amendments will have a significant impact on the Group's financial statements.

# Notes

## forming part of the financial statements

### 1 Segmental reporting

Segment information is presented in respect of the Group's business segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Cpl's primary activity is recruitment. The Group's operations are divided into:

- Recruitment of temporary staff
- Permanent placement of candidates

| Business Segment | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Temporary staff | 200,209 | 232,976 |
| Permanent placements | 12,189 | 24,664 |
| **Revenue** | **212,398** | 257,640 |
| | | |
| Temporary staff | 4,185 | 11,905 |
| Permanent placements | 4,019 | 7,864 |
| **Operating profit before impairment losses** | **8,204** | 19,769 |
| | | |
| Temporary staff | 395 | 11,905 |
| Permanent placements | (252) | 7,864 |
| Operating profit | 143 | 19,769 |
| Financial income – centrally controlled income | 1,552 | 928 |
| Financial expense – centrally controlled expense | (12) | (20) |
| **Profit before tax** | **1,683** | 20,677 |
| | | |
| Temporary staff | 220 | 208 |
| Permanent placements | 217 | 139 |
| **Group depreciation** | **437** | 347 |

# Notes *(continued)*

## 1 Segmental reporting (continued)

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Temporary staff | 306 | 250 |
| Permanent placements | 103 | 144 |
| **Group amortisation** | 409 | 394 |
| | | |
| Temporary staff | 34,634 | 43,004 |
| Permanent placements | 6,885 | 12,140 |
| | 41,519 | 55,144 |
| Centrally controlled assets | 42,500 | 37,622 |
| **Group assets** | 84,019 | 92,766 |

At 30 June 2009, centrally controlled assets constitute cash and cash equivalents of €22.5 million *(2008: €37.6 million)* and short-term bank deposits of €20 million *(2008: €Nil).*

| | | |
|---|---|---|
| Temporary staff | 22,001 | 27,144 |
| Permanent placements | 2,335 | 5,132 |
| **Group liabilities** | 24,336 | 32,276 |
| | | |
| Temporary staff | 313 | 396 |
| Permanent placements | 46 | 386 |
| **Group capital additions** | 359 | 782 |
| | | |
| Temporary staff | 3,790 | - |
| Permanent placements | 4,271 | - |
| **Group impairment charge** | 8,061 | - |

The revenues, profits, assets and liabilities relating to overseas subsidiaries are not material and accordingly the Group has not presented a geographical segmental analysis in the current year or prior year.

# Notes *(continued)*

## 2 Financial income and expenses

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Interest (income) on cash deposits | (1,552) | (928) |
| Interest expense on interest bearing borrowings | 7 | 16 |
| Finance lease interest | 5 | 4 |
| | 12 | 20 |

## 3 Statutory and other information

### Group

Profit before tax is stated after charging/(crediting) the following:

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Auditor's remuneration - audit services | 95 | 110 |
| - other services | 88 | 93 |
| Operating lease rentals, principally in respect of premises | 313 | 344 |
| Depreciation | 437 | 347 |
| Amortisation of intangible assets | 409 | 394 |
| Sign on fee for contractors (i) | 660 | - |
| Negative goodwill on acquisition of Kenny Whelan (note 20) | (424) | - |

(i) The sign on fee of €660,000 is a non-recurring cost paid to contractors in the year and is recorded within cost of sales in the Group income statement.

Operating profit is stated after charging the following impairment losses:

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Goodwill impairment charge (note 11) | 7,157 | - |
| Intangible asset impairment charge (note 11) | 904 | - |
| Impairment losses | 8,061 | - |

# Notes *(continued)*

## 4 Directors' remuneration

Directors' remuneration for the year was as follows:

| | Salaries and other emoluments | Fees | Pension | Total 2009 | Total 2008 |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| *Executive Directors* | | | | | |
| Anne Heraty | 291 | - | 98 | **389** | 428 |
| Paul Carroll | 254 | - | 76 | **330** | 368 |
| Garret Roche | 182 | - | 9 | **191** | 244 |
| Josephine Tierney | 231 | - | 11 | **242** | 283 |
| | 958 | - | 194 | **1,152** | 1,323 |
| *Non-Executive Directors* | | | | | |
| John Hennessy | - | 85 | - | **85** | 79 |
| Breffni Byrne* | - | 55 | - | **55** | 35 |
| Oliver Tatttan* | - | 55 | - | **55** | 35 |
| Patrick Garvey** | - | - | - | **-** | 12 |
| | - | 195 | - | **195** | 161 |
| Total | 958 | 195 | 194 | **1,347** | 1,484 |

* Breffni Byrne and Oliver Tattan joined the board of Cpl Resources plc in December 2007.
** Patrick Garvey retired on 24 October 2007.

## 5 Staff numbers and costs

***Staff numbers***

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | **2009** | 2008 |
| Temporary staff | **3,976** | 4,366 |
| Recruitment consultants | **287** | 344 |
| Management and administration | **95** | 102 |
| | **4,358** | 4,812 |

# Notes *(continued)*

## 5 Staff numbers and costs (continued)

The weighted average number of persons employed by the Company (comprising the executive directors) during the year was four *(2008: four)* and their remuneration is disclosed in Note 4.

***Staff costs***

| | 2009 €'000 | 2008 €'000 |
|---|---|---|
| The aggregate payroll costs of the persons employed by the Group were as follows: | | |
| Wages and salaries | **122,230** | 141,222 |
| Social security costs | **13,140** | 15,181 |
| Pension costs | **254** | 263 |
| | **135,624** | 156,666 |

## 6 Income tax expense

| | 2009 €'000 | 2008 €'000 |
|---|---|---|
| **Recognised in the income statement:** | | |
| *Current tax expense* | | |
| Current year | **1,353** | 2,698 |
| Adjustments for prior years | **(86)** | - |
| **Current tax expense** | **1,267** | 2,698 |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | **(265)** | (41) |
| **Total tax in the income statement** | **1,002** | 2,657 |

# Notes *(continued)*

## 6 Income tax expense (continued)

| **Reconciliation of effective tax rate** | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| Profit before tax | **1,683** | 20,677 |
| Tax based on Irish corporation tax rate of 12.5% *(2008: 12.5%)* | **210** | 2,585 |
| Non-deductible items | **40** | 41 |
| Goodwill impairment losses not deductible for tax purposes | **894** | - |
| Non-taxable adjustment for negative goodwill | **(52)** | - |
| Income taxed at higher rate | **194** | 114 |
| Losses utilised | **(171)** | (91) |
| Foreign income taxed at higher rate | **40** | 21 |
| Other timing differences | **(67)** | (13) |
| Over provision in prior year | **(86)** | - |
| Total tax in income statement | **1,002** | 2,657 |

## 7 Dividends to equity shareholders

Interim dividends to equity shareholders in Cpl Resources plc are recognised when the interim dividend is paid by the Company. The final dividend in respect of each financial year is recognised when the dividend has been approved by the Company's shareholders. During the financial year, the following dividends were recognised:

| | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| Final dividend paid in respect of previous financial year of 2.5 cent *(2008: 2.25 cent)* per ordinary share | **930** | 837 |
| Interim dividend paid in respect of current financial year of 1.5 cent *(2008: 2.5 cent)* per ordinary share | **558** | 930 |
| | **1,488** | 1,767 |

The directors have proposed a final dividend in respect of the 2009 financial year of 1.5 cent per ordinary share. This dividend has not been provided for in the Company or Group balance sheet as there was no present obligation to pay the dividend at the year end. The final dividend is subject to approval by the Company's shareholders at the Annual General Meeting.

# Notes *(continued)*

## 8 Earnings per share

| | 2009 €'000 | 2008 €'000 |
|---|---|---|
| *Numerator for basic and diluted earnings per share:* | | |
| Profit for the financial year attributable to equity shareholders | **639** | 17,976 |
| *Denominator for basic earnings per share:* | | |
| Weighted average number of shares in issue for the year | **37,211,825** | 37,208,800 |
| Effect of dilutive potential ordinary shares (share options) | **7,023** | 35,987 |
| Denominator for diluted earnings per share: | **37,218,848** | 37,244,787 |
| Basic earnings per share | **1.7 cent** | 48.3 cent |
| Diluted earnings per share | **1.7 cent** | 48.3 cent |
| **Adjusted fully diluted earnings per share** | | |
| Profit for the financial year attributable to equity shareholders | **639** | 17,976 |
| ***Adjustments*** | | |
| Impairment losses | **8,061** | - |
| Adjusted fully diluted earnings | **8,700** | 17,976 |
| *Denominator for adjusted diluted earnings per share:* | **37,218,848** | 37,244,787 |
| Adjusted fully diluted earnings per share | **23.4 cent** | 48.3 cent |

## 9 Profit for the financial year

As permitted by Section 148(8) of the Companies Act, 1963, a separate income statement for the Company is not presented in these financial statements. The profit for the financial year of the holding Company before dividends paid was €1,403,000 *(2008: €2,320,000).*

# Notes *(continued)*

## 10 Property, plant and equipment – Group

| | Buildings | Equipment | Fixtures & fittings | Motor vehicles | Total |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| ***Cost*** | | | | | |
| Balance at 30 June 2007 | 552 | 1,885 | 496 | 231 | 3,164 |
| Arising from business combinations | - | 24 | - | - | 24 |
| Additions | - | 472 | 59 | 91 | 622 |
| Disposals | - | - | - | (93) | (93) |
| Balance at 30 June 2008 | 552 | 2,381 | 555 | 229 | 3,717 |
| Additions | - | 43 | 244 | 53 | 340 |
| **Balance at 30 June 2009** | **552** | **2,424** | **799** | **282** | **4,057** |
| ***Depreciation and impairment losses*** | | | | | |
| Balance at 30 June 2007 | 110 | 1,233 | 348 | 200 | 1,891 |
| Depreciation charge for the year | 16 | 245 | 54 | 32 | 347 |
| Disposals | - | - | - | (62) | (62) |
| Balance at 30 June 2008 | 126 | 1,478 | 402 | 170 | 2,176 |
| Depreciation charge for the year | 11 | 301 | 84 | 41 | 437 |
| **Balance at 30 June 2009** | **137** | **1,779** | **486** | **211** | **2,613** |
| ***Net book value*** | | | | | |
| **At 30 June 2009** | **415** | **645** | **313** | **71** | **1,444** |
| At 30 June 2008 | 426 | 903 | 153 | 59 | 1,541 |

Included in motor vehicles are assets with a net book value of €71,000 *(2008: €59,000)* which were purchased under finance lease.

# Notes *(continued)*

## 10 Property, plant and equipment – Company

| | Equipment €'000 | Fixtures & fittings €'000 | Total €'000 |
|---|---|---|---|
| ***Cost*** | | | |
| Balance at 30 June 2007 | - | - | - |
| Additions | 102 | 17 | 119 |
| Balance at 30 June 2008 | 102 | 17 | 119 |
| Additions | 11 | 2 | 13 |
| **Balance at 30 June 2009** | **113** | **19** | **132** |
| ***Depreciation and impairment losses*** | | | |
| Balance at 30 June 2007 | - | - | - |
| Depreciation charge for the year | 2 | 2 | 4 |
| Balance at 30 June 2008 | 2 | 2 | 4 |
| Depreciation charge for the year | 21 | 4 | 25 |
| **Balance at 30 June 2009** | **23** | **6** | **29** |
| ***Net book value*** | | | |
| **At 30 June 2009** | **90** | **13** | **103** |
| At 30 June 2008 | 100 | 15 | 115 |

# Notes *(continued)*

## 11 Goodwill and intangible assets – Group

| | Goodwill | Brands | Customer contracts & databases | Software | Total |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| ***Cost*** | | | | | |
| Balance at 30 June 2007 | 14,778 | 225 | 787 | 835 | 16,625 |
| Acquisitions | 3,192 | 225 | 225 | - | 3,642 |
| Additions | - | - | - | 160 | 160 |
| Balance at 30 June 2008 | 17,970 | 450 | 1,012 | 995 | 20,427 |
| Acquisitions (note 20) | - | - | 56 | - | 56 |
| Additions | - | - | - | 19 | 19 |
| Revision to contingent consideration estimate | (139) | - | - | - | (139) |
| **Balance at 30 June 2009** | **17,831** | **450** | **1,068** | **1,014** | **20,363** |
| ***Amortisation and impairment*** | | | | | |
| Balance at 30 June 2007 | 1,138 | - | - | 382 | 1,520 |
| Amortisation for the year | - | 95 | 187 | 112 | 394 |
| Balance at 30 June 2008 | 1,138 | 95 | 187 | 494 | 1,914 |
| Amortisation for the year | - | 89 | 187 | 133 | 409 |
| Impairment for the year | 7,157 | 266 | 638 | - | 8,061 |
| **Balance at 30 June 2009** | **8,295** | **450** | **1,012** | **627** | **10,384** |
| ***Net book value*** | | | | | |
| **At 30 June 2009** | **9,536** | **-** | **56** | **387** | **9,979** |
| At 30 June 2008 | 16,832 | 355 | 825 | 501 | 18,513 |

***Goodwill***

Goodwill arises in connection with acquisitions, including revisions and estimates of deferred consideration payable in respect of acquisitions in previous years.

Goodwill acquired through business combinations has been allocated to Cash Generating Units (CGUs) for the purpose of impairment testing. A CGU represents the lowest level within the Group at which associated goodwill is monitored for management purposes and is not bigger than the segments determined in accordance with IAS 14, *Segment Reporting*.

# Notes *(continued)*

## 11 Goodwill and intangible assets - Group (continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of CGUs are based on value in use calculations.

*Key assumptions used in the value in use calculations*
The key assumptions in the value in use calculations used to assess impairment are outlined below:

These calculations use cash flow forecasts based on expected future operating results and cashflows and exclude incremental profits derived from acquisition activities. The computations use five year forecasts. For individual CGUs, one year forecasts have been approved by senior management. The remaining years' forecasts have been extrapolated using growth rates of between 0% to 2% based on the current operating results and budgeted performance of individual CGUs. For the purposes of calculating terminal values, a terminal growth rate of 0% has been adopted. The cashflow forecasts are discounted using appropriate risk adjusted discount rates averaging 12.1%, reflecting the risk associated with the individual future cash flows and the risk free rate.

Any significant adverse change in the expected future operating results and cash flows may result in the value in use being less than the carrying value of a business unit and would require that the carrying value of the business unit be stated at the greater of the value in use or the recoverable amount of the business unit.

*Impairment losses*
Applying the techniques and assumptions outlined above, impairment losses arose in the year ended 30 June 2009 amounting to €7.2m, which has been recognised in arriving at operating profit in the Group income statement.

The goodwill impairment losses were as follows:

| | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| Permanent placements | **3,949** | - |
| Temporary staff | **3,208** | - |
| **Impairment charge** | **7,157** | - |

The goodwill impairment charges arose primarily due to falls in the long-term cash flow forecasts resulting from the economic downturn in the Republic of Ireland. In addition, a higher discount rate was applied in the current year.

The results of impairment testing undertaken provide sufficient headroom such that any reasonable realistic movement in any of the underlying assumptions would not give rise to an additional impairment charge on the relevant CGUs.

There was no impairment charge in the year ended 30 June 2008.

# Notes *(continued)*

## 11 Goodwill and intangible assets - Group (continued)

### Goodwill (continued)

*Sensitivity to changes in assumptions*

The changes set out below to assumptions used in the impairment review would, in isolation, lead to an increase/(decrease) to the aggregate impairment loss recognised in the year ended 30 June 2009:

| | Pre tax discount rate | | Growth rate | | Cashflows | |
|---|---|---|---|---|---|---|
| | Increase 2% | (decrease) 2% | Increase 2% | (decrease) 2% | Increase 2% | (decrease) 2% |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Permanent placements | 206 | (503) | (474) | 82 | (130) | 29 |
| Temporary staff | 379 | (630) | (589) | 125 | (98) | 24 |
| Total | **585** | **(1,133)** | **(1,063)** | **207** | **(228)** | **53** |

***Brands, customer contracts and databases***

Intangible assets comprise brands and customer contracts and databases which were acquired as part of the acquisitions made by the Group. The brands and customer contracts and databases were assessed as having a finite life at their respective dates of acquisition of 5 years. During the year, the brands and customer databases have been amortised over their estimated useful lives. In addition, the intangible assets were tested for impairment as an indication of impairment arose.

Brands and customer contracts and databases have been impaired by €266,000 and €638,000 respectively following adverse reduction to the cash flow projections within the business plans for these intangible assets.

For brands and customer contracts and databases, the amortisation has been recorded in administration expenses within the Group income statement.

***Software***

Software costs are amortised over their estimated useful life of 5 years.

# Notes *(continued)*

## 12 Investments in subsidiaries – Company

***Investment in subsidiary undertakings***

| | 30 June 2009 €'000 | 30 June 2008 €'000 |
|---|---|---|
| ***Cost*** | | |
| Balance at 30 June 2008 | 18,551 | 15,507 |
| Acquisitions in the year | - | 2,701 |
| Costs incurred in respect of prior year acquisitions | - | 343 |
| Adjustment to consideration of previous acquisitions (a) | (47) | - |
| Impairment charge for the year (b) | (8,000) | - |
| **Balance at 30 June 2009** | **10,504** | 18,551 |

(a) The Company has benefited from a reduction in contingent consideration payable in respect of its acquisition of Northside Recruitment Services Limited.

(b) The Company has recognised an impairment charge of €8 million for the year in respect of its subsidiary undertakings as a consequence of the estimated reduced future cash flows of the respective undertakings. At 30 June 2009, in the opinion of the directors, the investments are worth at least their carrying value.

At 30 June 2009, the Company had the following investments in subsidiaries:

| **Company** | **Country of incorporation** | **Class of shares held** |
|---|---|---|
| Computer Placement Limited | Ireland | Ordinary |
| Cpl Solutions Limited | Ireland | Ordinary |
| Careers Register Limited | Ireland | Ordinary |
| Multiflex Limited | Ireland | Ordinary |
| Techskills Resources Limited | Ireland | Ordinary |
| Medical Recruitment Specialists Limited | Ireland | Ordinary |
| Richmond Recruitment Limited | Ireland | Ordinary |
| Occipital Limited | Ireland | Ordinary |
| Kate Cowhig International Recruitment Limited | Ireland | Ordinary |
| Flexsource Limited | Ireland | Ordinary |
| Cpl Healthcare Limited | Ireland | Ordinary |
| Cpl Career Consultants Limited | Ireland | Ordinary |
| Cpl (Northern Ireland) Limited | Northern Ireland | Ordinary |
| Nursefinders UK Limited | UK | Ordinary |
| Cpl Jobs S.r.o. (formerly known as Key 6 Business Solutions S.r.o) | Czech Republic | Ordinary |
| Cpl Jobs S.r.o. (formerly known as Key 6 Business Solutions S.r.o) | Slovakia | Ordinary |
| Cpl Jobs Sp z.o.o | Poland | Ordinary |
| Cpl Recruitment S.L. | Spain | Ordinary |

# Notes *(continued)*

## 12 Investments in subsidiaries – Company (continued)

All subsidiaries are wholly owned with the exception of Cpl Jobs S.r.o. (Czech Republic company), which is 75% owned. All companies, other than Cpl Jobs S.r.o., Cpl Jobs Sp z o.o., Cpl Recruitment S.L., Cpl (Northern Ireland) Limited and Nursefinders UK Limited have their registered office at 83 Merrion Square, Dublin 2. The registered office of Nursefinders UK Limited is 146A High Street, Tonbridge, Kent, TN9 1BB. The registered office of Cpl Jobs S.r.o. is Dita Velcevova, Truhlarska 13-15, Praha 1, 110 00, Czech Republic. The registered office of Cpl Jobs S.r.o is Vysoka 14, 811 06, Bratislava, Slovakia. The registered office of Cpl Jobs Sp z o.o is ORCO Tower Al. Jerozolimskie 81, 02-001 Warsaw, Poland. The registered office of Cpl (Northern Ireland) Limited is Granite House, 31/35 St. Mary's Street, Newry, Co Down. The registered office of Cpl Recruitment S.L. is Avenue Portal De L'angel, 42 - Plt 3. Pta A, 08002 Barcelona, Spain.

## 13 Deferred tax asset - Group

Movement in temporary differences during the year.

| | 1 July 2008 €'000 | Arising in income €'000 | Arising on acquisitions €'000 | 30 June 2009 €'000 |
|---|---|---|---|---|
| Property, plant and equipment | 30 | 32 | - | **62** |
| Employee benefits | 32 | (22) | - | **10** |
| Provisions against receivables | 45 | (45) | - | **-** |
| Losses forward | 26 | 171 | - | **197** |
| Intangible assets | (129) | 129 | (6) | **(6)** |
| | 4 | 265 | (6) | **263** |

| | 1 July 2007 €'000 | Arising in income €'000 | Arising on acquisitions €'000 | 30 June 2008 €'000 |
|---|---|---|---|---|
| Property, plant and equipment | 23 | 7 | - | 30 |
| Employee benefits | 12 | 20 | - | 32 |
| Provisions against receivables | 34 | 11 | - | 45 |
| Losses forward | 56 | (30) | - | 26 |
| Intangible assets | (112) | 33 | (50) | (129) |
| | 13 | 41 | (50) | 4 |

**Deferred tax – *Company***

At 30 June 2009, the Company has a deferred tax asset of €20,000 *(2008: €20,000).*

# Notes *(continued)*

## 14 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Trade receivables | **20,724** | 24,566 | **-** | - |
| Accrued income | **7,343** | 10,060 | **-** | - |
| Prepayments and other debtors | **1,357** | 460 | **352** | 392 |
| Amounts due from subsidiary undertakings | **-** | - | **21,717** | 8,316 |
| VAT recoverable | **-** | - | **46** | 35 |
| | **29,424** | 35,086 | **22,115** | 8,743 |

Amounts due from subsidiary undertakings are repayable on demand.

## 15 Net funds

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Short-term bank deposits | **19,995** | - | **19,995** | - |
| Cash and cash equivalents | **22,505** | 37,622 | **21,224** | 34,660 |
| Bank overdraft | **-** | (76) | **-** | - |
| Cash and cash equivalents per cash flow statement | **22,505** | 37,546 | **21,224** | 34,660 |
| **Net funds** | **42,500** | 37,546 | **41,219** | 34,660 |

# Notes *(continued)*

## 16 Share capital, share premium, and other reserves

| | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| ***Authorised*** | | |
| 50,000,000 ordinary shares at €0.10 each | **5,000** | 5,000 |

| | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| ***Allotted, called up and fully paid*** | | |
| 37,211,825 *(2008: 37,211,825)* ordinary shares at € 0.10 each | **3,720** | 3,720 |

During the year, no shares *(2008: 12,000 €0.40)* were issued as a result of the exercise of share options.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium at 30 June 2009 amounted to €1,705,000 *(2008: €1,705,000).*

Other reserves comprise a capital conversion reserve of €57,000 *(2008: €57,000)* and a merger reserve of €3,357,000 *(2008: €3,357,000).* The merger reserve arose in 1998 when the Company acquired by way of a share for share exchange the share capital of two group companies formerly under common ownership, management, and control. As permitted by Irish GAAP and Company Law, the distributable reserves of those companies were deemed to be distributable by the Company.

***Capital management***

The Board regularly reviews and monitors the Company's capital structure with a view to maintaining a strong capital base in order to sustain market confidence in the business. This involves considering dividends paid to shareholders, the amount of liquid assets on the balance sheet and return on capital. The Company has the authority to purchase its own shares. This authority permits the Company to buy up to 10 per cent of the issued share capital at a price which may not exceed 105% of the average price over the previous five trading days. Any shares which may be purchased will be acquired through a subsidiary of the Company and will be held as treasury shares. Any purchases should have a positive effect on earnings per share.

# Notes *(continued)*

## 17 Financial liabilities

Details of the Group and Company interest-bearing loans and borrowings are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **€'000** | €'000 | **€'000** | €'000 |
| **Non-current liabilities** | | | | |
| Secured bank loans | **-** | - | **-** | - |
| Finance lease liabilities | **81** | 69 | **-** | - |
| | **81** | 69 | **-** | - |
| **Current liabilities** | | | | |
| Secured bank loans | **-** | - | **-** | - |
| Finance lease liabilities | **34** | 18 | **-** | - |
| | **34** | 18 | **-** | - |

| *Analysis of debt:* | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **€'000** | €'000 |
| Debt can be analysed as falling due as follows: | | |
| In one year or less, or on demand | **34** | 18 |
| Between one and two years | **34** | 18 |
| Between two and five years | **47** | 51 |
| In five years or more | **-** | - |
| | **115** | 87 |

Total future minimum lease payments on finance leases amounts to €130,675 *(2008: €105,000).*

# Notes *(continued)*

## 18 Provisions

| ***Deferred and contingent consideration*** | **Group** | **Company** |
|---|---|---|
| | **€'000** | **€'000** |
| Balance at 30 June 2008 | 2,872 | 2,410 |
| Amount recognised during the year (note 20) | 90 | - |
| Paid during the year | (2,416) | (2,046) |
| Revision to estimate during the year | (139) | (47) |
| **Balance at 30 June 2009** | **407** | **317** |
| Current | 407 | 317 |
| Non-current | - | - |
| | **407** | **317** |

Total deferred acquisition consideration amounting to €407,000 *(2008: €2,872,000)* is payable over the period from July 2009 to June 2010 subject to certain conditions.

## 19 Trade and other payables

Amounts falling due in less than one year

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Trade creditors | **8,143** | 9,652 | **1** | 67 |
| Accruals and deferred income | **11,480** | 12,795 | **468** | 700 |
| VAT | **2,000** | 3,752 | **-** | - |
| PAYE/PRSI | **2,191** | 2,860 | **-** | 12 |
| Amounts due to subsidiary undertakings | **-** | - | **66,162** | 51,814 |
| | **23,814** | 29,059 | **66,631** | 52,593 |

Amounts due to subsidiary undertakings are repayable on demand.

# Notes *(continued)*

## 20 Acquisition of business undertaking

On 15 June 2009, the Group acquired the business and certain assets of Kenny-Whelan Associates Limited (in receivership). The carrying value of the assets and liabilities which were acquired, determined in accordance with IFRS at 15 June 2009, were as follows:

| | Book Value 2009 €'000 | Fair Value adjustment 2009 €'000 | Fair Value 2009 €'000 |
|---|---|---|---|
| Customer databases | - | 56 | 56 |
| Trade and other receivables | 1,414 | (110) | 1,304 |
| Deferred taxation | - | (6) | (6) |
| **Net identifiable assets and liabilities acquired** | 1,414 | (60) | 1,354 |
| Negative goodwill arising on acquisition | | | (424) |
| | | | **930** |
| **Satisfied by:** | | | |
| Cash consideration paid | | | 760 |
| Deferred acquisition consideration | | | 90 |
| Acquisition expenses accrued | | | 80 |
| **Total consideration** | | | **930** |

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the above business combination. Any amendments to these fair values within the twelve month timeframe from the date of acquisition will be disclosable in the 2010 Annual Report as stipulated by IFRS 3, *Business Combinations*.

Negative goodwill arose on the purchase of the business and certain assets of Kenny-Whelan Associates Limited which was in receivership. The negative goodwill has been recorded as a credit to administration expenses in the consolidated income statement.

The Kenny-Whelan acquisition contributed profit before tax of €25,000 on revenues of €674,000 for the period from its acquisition date to 30 June 2009. The combined profit before tax for the period assuming the business had been purchased on 1 July 2008 would have been approximately €300,000 on revenues of approximately of €14 million.

***Prior year acquisitions***

During the year ended 30 June 2008, the Group acquired Allied Nurses Agency Limited at a cost of €3.08m and the acquired company contributed a profit before tax for the period from 1 July 2007 (date of its acquisition) to 30 June 2008 of €944,000 on revenues of €24,154,000.

# Notes *(continued)*

## 21 Operating leases

The Group leases certain property, plant and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period. During the year, €312,632 *(2008: €344,000)* was recognised as an expense in the income statement in respect of operating leases.

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

| | **2009** | 2008 |
|---|---|---|
| | **€'000** | €'000 |
| *Payable in:* | | |
| Less than one year | **257** | 289 |
| Between one and five years | **809** | 859 |
| Greater than five years | **676** | 689 |
| | **1,742** | 1,837 |

## 22 Pension arrangements

The Group contributes to defined contribution schemes for certain senior executives by way of contributions to unit linked funds. The Group's annual contributions are charged to the income statement in the period to which they relate. Details of contributions made during the year are set out in note 4. Amounts due to pension schemes at 30 June 2009 amounted to €76,820 *(2008: €256,000).*

## 23 Financial instruments and risk management

The Group and Company are exposed to various financial risks that include credit risk, currency risk and liquidity risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

### *(a) Credit risk*

Credit risk arises from credit to customers and on outstanding receivables and cash balances.

The Group holds significant cash balances, which are invested on a short-term basis and are classified as either cash equivalents or short-term deposits. These deposits give rise to credit risk on amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty through regular review of market-based ratings, Tier 1 capital and by taking into account bank counterparties' systemic importance to the financial systems of the Republic of Ireland. The Group typically does not enter into deposits with a duration of more than 12 months.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's exposure to credit risk is influenced by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers.

# Notes *(continued)*

## 23 Financial instruments and risk management (continued)

### *(a) Credit risk (continued)*

The impairment provisions are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off directly against the trade receivable.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The following table details the ageing of the gross trade receivables and the related impairment provisions in respect of specific amounts expected to be irrecoverable:

| Group | **Gross 30 June 2009 €'000** | **Impairment 30 June 2009 €'000** | Gross 30 June 2008 €'000 | Impairment 30 June 2008 €'000 |
|---|---|---|---|---|
| Not past due | **18,141** | **(33)** | 20,618 | - |
| Past due 0 - 30 days | **2,090** | **(54)** | 3,153 | - |
| Past due 31 -120 days | **624** | **(96)** | 565 | - |
| Past due 121 days – one year | **301** | **(249)** | 167 | (38) |
| More than one year | **89** | **(89)** | 408 | (307) |
| Total | **21,245** | **(521)** | 24,911 | (345) |

**Company**

The Company had no trade receivables outstanding at 30 June 2009 (2008: €Nil).

**Group**

Movement on the provision for impairment of trade receivables is as follows:

| | **30 June 2009 €'000** | 30 June 2008 €'000 |
|---|---|---|
| Balance at 30 June 2008 | **345** | 251 |
| Charged in the year | **321** | 94 |
| Released/utilised in the year | **(255)** | - |
| Arising on acquisition | **110** | - |
| Balance at 30 June 2009 | **521** | 345 |

# Notes *(continued)*

## 23 Financial instruments and risk management (continued)

### *(a) Credit risk (continued)*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2009** | 30 June 2008 | **30 June 2009** | 30 June 2008 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Euro | **20,409** | 24,220 | **-** | - |
| Sterling | **45** | 16 | **-** | - |
| Czech Koruna | **172** | 176 | **-** | - |
| Polish Zloty | **98** | 154 | **-** | - |
| | **20,724** | 24,566 | **-** | - |

### *(b) Currency risk*

The Group has no material exposure to foreign currency risk as virtually all the assets and liabilities of the Group are denominated in euro, the functional currency of the Company and the currency in which these financial statements are presented.

### *(c) Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The Group adopts an efficient working capital model in order to minimise liquidity risk. The Group has significant cash resources to provide flexibility in financing existing operations and acquisitions.

# Notes *(continued)*

## 23 Financial instruments and risk management (continued)

### *(c) Liquidity risk (continued)*

The following are the contractual maturities of the financial liabilities:

| **Group - 2009** | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6 -12 months** | **+ 1 year** |
|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Non-derivative financial liabilities** | | | | | |
| Finance lease liabilities | **115** | (131) | (17) | (17) | (97) |
| Trade and other payables | **19,623** | (19,623) | (19,623) | - | - |
| Provisions | **407** | (407) | (90) | (317) | - |
| | **20,145** | (20,161) | (19,730) | (334) | (97) |

| **Group - 2008** | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6 -12 months** | **+ 1 year** |
|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Non-derivative financial liabilities** | | | | | |
| Finance lease liabilities | 87 | (105) | (10) | (10) | (85) |
| Bank overdraft | 76 | (76) | (76) | - | - |
| Trade and other payables | 22,447 | (22,447) | (22,447) | - | - |
| Provisions | 2,872 | (2,872) | (2,604) | - | (268) |
| | 25,482 | (25,500) | (25,137) | (10) | (353) |

| **Company - 2009** | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6 -12 months** | **+ 1 year** |
|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | **66,631** | (66,631) | (66,631) | - | - |
| Provisions | **317** | (317) | - | (317) | - |
| | **66,948** | (66,948) | (66,631) | (317) | - |

| **Company - 2008** | **Carrying amount** | **Contractual cash flows** | **6 months or less** | **6 -12 months** | **+ 1 year** |
|---|---|---|---|---|---|
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | 52,581 | (52,581) | (52,581) | - | - |
| Provisions | 2,410 | (2,410) | (2,142) | - | (268) |
| | 54,991 | (54,991) | (54,723) | - | (268) |

# Notes *(continued)*

## 23 Financial instruments and risk management (continued)

### *(d) Interest rate risk*

The Group's balance sheet contains both interest bearing assets and interest bearing liabilities. In general, the approach employed by the Group to manage its interest exposure is to maintain the majority of its cash at floating rates.

*Cash flow sensitivity analysis*

At 30 June 2009, the average interest rate being earned on the Group's cash and cash equivalents and short-term deposits was 3.4% *(2008: 4.9%).* An increase or decrease of 50 basis points in interest rates at the reporting date would have the following effect on the income statement and equity. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2008:

| | **50 basis point increase** | | **50 basis point decrease** | |
|---|---|---|---|---|
| | Income Statement | Equity | Income Statement | Equity |
| | €'000 | €'000 | €'000 | €'000 |
| **30 June 2009** | | | | |
| Variable rate instruments | **213** | **-** | **(213)** | **-** |
| 30 June 2008 | | | | |
| Variable rate instruments | 188 | - | (188) | - |

## 24 Commitments and contingencies

The Company has guaranteed the liabilities of all of its subsidiaries incorporated in the Republic of Ireland for the purpose of obtaining exemptions allowed under Section 17 of the Companies (Amendment) Act, 1986, in relation to filing financial statements. These irrevocable guarantees cover the financial year ended 30 June 2009.

## 25 Related party transactions

**Group**

Under IAS 24, *Related Party Disclosures,* the Group has a related party relationship with its directors. Transactions with the directors are as follows:

- The Group has an annual commitment of €197,772 in respect of one of its offices in Dublin 2, which is leased by the Group from executive directors, Anne Heraty and Paul Carroll, at a rate based on the advice of an independent property advisor. The lease expires in November 2017 and is subject to rent reviews every 3 years.

IAS 24 also requires the disclosure of compensation paid to the Group's key management personnel. In the case of Cpl, this key management is deemed to comprise the executive directors of Cpl Resources Plc. Details of the remuneration of the directors are set out in Note 4 while their interests in shares are set out in the Directors' Report.

# Notes *(continued)*

## 25 Related party transactions (continued)

### Company

The Company has a related party relationship with its subsidiaries and with the directors of the Company. Transactions with subsidiaries are as follows:

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Dividends received from subsidiaries | 9,000 | 2,500 |
| Group expenses recharged to subsidiaries | 3,509 | 3,484 |

Directors of the Company and their immediate relatives control 40.7% *(2008: 41.3%)* of the voting shares of the Company.

## 26 Minority interest

| | 2009 | 2008 |
|---|---|---|
| | €'000 | €'000 |
| Balance at beginning of year | 56 | 12 |
| Share of recognised income and expenses | 42 | 44 |
| Balance at end of year | 98 | 56 |

## 27 Fair values

***Cash and cash equivalents***

For cash and cash equivalents, all of which have a remaining maturity of less than 3 months, the nominal amount is deemed to reflect fair value.

***Trade and other receivables***

For receivables and payables with a remaining life of less than 6 months or demand balances, the carrying value less impairment provision, where appropriate is deemed to reflect fair value.

***Finance lease liabilities***

Fair value is based on the present value of future cash flows discounted at market rates at the balance sheet date.

# Notes *(continued)*

## 28 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Particular areas which are subject to accounting estimates and judgements in these financial statements are judgemental provisions and accruals, and impairment testing.

## 29 Post balance sheet events

Subsequent to the balance sheet date, the Group acquired the business and certain assets of Loss Control Services Limited (in receivership), TechStaff International Limited and Ecom Interaction Services Limited (in receivership) for a combined consideration of €0.8 million.

## 30 Approval of financial statements

The consolidated financial statements were approved by the directors on 2 September 2009.

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