

COMPANY NO 3974520

REED EMPLOYMENT STAFFING SERVICES LIMITED

ANNUAL REPORT

◆ For the 52 weeks ended 29th December 2006 ◆

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REED EMPLOYMENT STAFFING SERVICES LIMITED

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REED EMPLOYMENT STAFFING SERVICES LIMITED

COMPANY INFORMATION

Directors	J A Reed D G Beal
Secretary	J Edmunds LL B Solicitor
Registered office	Academy Court 3 rd Floor 94 Chancery Lane London WC2A 1DT
Registered number	5247149
Auditors	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Bankers	Barclays Bank PLC Onslow Hall The Little Green Richmond Surrey TW9 1QS
Solicitors	Slaughter & May 1 Bunhill Row London EC1Y 8YY

REED EMPLOYMENT STAFFING SERVICES LIMITED

REPORT OF THE DIRECTORS

The directors submit their report, together with the audited financial statements for the 52 weeks ended 29th December 2006

Business review and principal activities

The company's principal activity is that of the employment of temporary staff on behalf of the parent company

On 1st October 2007 all temporary employees were transferred to RMS Staffing Services Limited

As shown in the company's profit and loss account on page 6, the company is reporting a decrease in other operating income of £6 1m (3%) to £187 8m The Directors are happy with his performance

Key performance indicators

	2006	2005
Other operating income (£000)	187,818	193,929
Average number of staff employed	12,660	13,593

Principal risks and uncertainties facing the company

The current economic climate within the UK, our primary area of operation, does not present any immediate recession risks which have historically been the greatest risk to the service sector we are in

Contingent Liabilities

There have been ongoing discussions with HMRC in relation to employee tax dispensation arrangements The directors, having taken professional advice, are confident that they will be able to satisfy HMRC that no outstanding liability is due on these arrangements

The company has received Notices of Determination and Decisions totalling £1,519,831 58 in respect of Arrears of Class 1 NICs for the period 6 April 2001 to 5 July 2001, PAYE for 2001/02 and interest on the NIC arrears They have all been appealed Subsequently, HMRC have indicated in writing that they intend to raise further protective Determinations and Decisions for all subsequent periods where assessments are not already in place The directors would expect to incur costs in appealing against these and any future assessments raised

Potentially additional tax liabilities could arise if any assessment raised is upheld It is not practicable to quantify at this stage any contingent liability that could arise

Financial Instruments

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and liquidity risk

The company does not have material exposures in any of the areas identified above and, consequently does not use derivative instruments to manage these exposures

The company's principal financial instruments comprise trading balances with former group undertakings

The main risks arising from the company's financial instruments can be analysed as follows

Credit risk

The company's principal financial asset is amounts owed by former group undertakings, which represent the company's major exposure to credit risk in relation to the financial assets

REED EMPLOYMENT STAFFING SERVICES LIMITED

Liquidity Risk

The company does not have a significant liquidity risk

Price risk

The company has no significant exposure to securities price risk, as it holds no listed equity investments

Cash flow interest rate risk

There is no exposure to cash flow interest rate risk as the company does not have overdrafts or other borrowings

Foreign currency risk

The company is not exposed in its trading operations to the risk of changes in foreign currency exchange rates as our principle operations remain within the UK

Dividends

No dividend has been proposed for the period (2005 nil)

Directors

The composition of the Board of Directors is given on page 1 No director was, or is, materially interested in any contract subsisting during, or at the end of, the financial period

Directors' interests

The interests of the directors and persons connected with them in the shares of the Ultimate Parent Company were as follows -

Directors	At 29 th December 2006	At 30 th December 2005
J A Reed (Beneficial)	5,730,193	10,730,193
J A Reed (Non-Beneficial)	10,943,550	5,943,550

The non-beneficial interests of J A Reed at 29th December 2006 are in ordinary shares held as a trustee of Reed Charity

No other director has an interest in the shares of the company

The directors had no other disclosable interests under the Companies Act 1985 in the debentures or preference shares of the company or of any other group company

REED EMPLOYMENT STAFFING SERVICES LIMITED

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

Auditors

Grant Thornton UK LLP ("Grant Thornton") were appointed as auditors for the current year. A resolution to reappoint Grant Thornton as auditors of the company will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the directors was approved by the Board on 30th October 2007 and signed on its behalf by



D Beal
Director

REED EMPLOYMENT STAFFING SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF REED EMPLOYMENT STAFFING SERVICES LIMITED

We have audited the financial statements for Reed Employment Staffing Services for 52 weeks ended 29 December 2006, which comprise the profit and loss account, balance sheet and notes 1 to 10

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed. We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 29th December 2006 and of the result of the company for the 52 weeks then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Grant Thornton UK LLP

Grant Thornton UK LLP

Registered Auditors

Chartered Accountants

London, England

31st October 2007

REED EMPLOYMENT STAFFING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT**For the 52 weeks ended 29th December 2006**

		52 weeks ended 29th December 2006 £'000	52 weeks ended 30th December 2005 £'000 <i>Restated Unaudited</i>
	Note		
Other operating income	2	187,818	193,929
Other operating expenses		(187,818)	(193,929)
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities		-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		<hr/> - <hr/>	<hr/> - <hr/>

There were no recognised gains or losses except as reported above

REED EMPLOYMENT STAFFING SERVICES LIMITED

BALANCE SHEET At 29th December 2006

		52 weeks ended 29 th December 2006 £'000	52 weeks ended 30 th December 2005 £'000 <i>Restated Unaudited</i>
	Note		
Current assets			
Debtors	5	4,307	3,176
Creditors: Amounts falling due within one year	6	(4,307)	(3 176)
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	7	-	-
Equity shareholders' funds	8	<u>-</u>	<u>-</u>

The financial statements were approved by the Board on 30th October 2007 and signed on its behalf by



D Beal
Director

REED EMPLOYMENT STAFFING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29th December 2006

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention and on a going concern basis

Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 not to prepare a cash flow statement as the company's ultimate parent at the balance sheet date, Reed Employment Services Plc, has prepared a cash flow statement

2. PRIOR YEAR RESTATEMENT

The prior years financial statements were incorrectly prepared as dormant. The prior year profit and loss account and balance sheet have therefore been restated due to fundamental error. For the year ended 30 December 2005 the company incurred costs of £193,929,274 in relation to temporary staff which was subsequently recharged to group companies. As at the 30 December 2005 the company also a liability to HM Revenue and Customs of £3,176,034 and a inter-company debtor with its parent of £3,176,034, which were not recorded.

There was no effect on the opening or closing net assets of the company, or its profit or loss, as a result of the restatement.

3. OTHER OPERATING INCOME

Other operating income represents amounts receivable for temporary staff costs recharged to former group undertakings.

4. DIRECTORS, EMPLOYEES AND AUDITORS' REMUNERATION

	52 weeks ended 29 th December 2006 £'000	52 weeks ended 30 th December 2005 £'000 <i>Restated Unaudited</i>
Staff costs		
Wages and salaries	175,996	181,901
Social security costs	11,822	12,028
	<u>187,818</u>	<u>193,929</u>

The average number of staff employed by the company was 12,660 (2005 13,593). In 2006 100% of the staff costs were recharged to other group companies (2005 100% recharged).

The directors received no emoluments in respect of services to the company.

Auditors remuneration has been borne by the parent company.

REED EMPLOYMENT STAFFING SERVICES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the 52 weeks ended 29th December 2006**5 DEBTORS**

	52 weeks ended 29th December 2006 £'000	52 weeks ended 30th December 2005 £'000 <i>Restated Unaudited</i>
Amounts owed from former group undertakings	4,307	3,176
	<u>4,307</u>	<u>3,176</u>

6. CREDITORS

	52 weeks ended 29th December 2006 £'000	52 weeks ended 30th December 2005 £'000 <i>Restated Unaudited</i>
Social security costs	4,307	3,176
	<u>4,307</u>	<u>3,176</u>

7. SHARE CAPITAL

The share capital of the company is as follows

	At 29th December 2006 £	At 30th December 2005 £ <i>Unaudited</i>
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

8. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	52 weeks ended 29th December 2006 £	52 weeks ended 30th December 2005 £ <i>Unaudited</i>
Opening equity shareholder's funds	<u>100</u>	<u>100</u>
Closing equity shareholder's funds	<u>100</u>	<u>100</u>

REED EMPLOYMENT STAFFING SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29th December 2006

9. CONTINGENT LIABILITIES

There have been ongoing discussions with HMRC in relation to employee tax dispensation arrangements. The directors, having taken professional advice, are confident that they will be able to satisfy HMRC that no outstanding liability is due on these arrangements.

The company has received Notices of Determination and Decisions totalling £1,519,831.58 in respect of Arrears of Class 1 NICs for the period 6 April 2001 to 5 July 2001, PAYE for 2001/02 and interest on the NIC arrears. They have all been appealed. Subsequently, HMRC have indicated in writing that they intend to raise further protective Determinations and Decisions for all subsequent periods where assessments are not already in place. The directors would expect to incur costs in appealing against these and any future assessments raised.

Potentially additional tax liabilities could arise if any assessment raised is upheld. It is not practicable to quantify at this stage any contingent liability that could arise.

10. ULTIMATE PARENT COMPANY

The company is wholly owned by Reed Employment Services Plc, the ultimate parent undertaking company, which is registered in England and Wales. The largest and smallest set of accounts into which these accounts are consolidated are Reed Employment Services Plc. Copies of group accounts can be obtained from the company's registered office at Academy Court, 3rd Floor, 94 Chancery Lane, London WC2A 1DT.