

COMPANY NO: 06903140

REED SPECIALIST RECRUITMENT LTD

ANNUAL REPORT

◆ For the year ended 30th June 2013 ◆

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REED SPECIALIST RECRUITMENT LTD

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REED SPECIALIST RECRUITMENT LTD

COMPANY INFORMATION

Directors J A Reed (resigned 20th March 2013)
J Edmunds
R Post
N Marsh
I Nicholas

Secretary J Edmunds LL B Solicitor

Registered office Academy Court
4th Floor
94 Chancery Lane
London
WC2A 1DT

Registered number 06903140

Auditor KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Bankers Barclays Bank PLC
Onslow Hall
The Little Green
Richmond
Surrey
TW9 1QS

Solicitors Slaughter & May
1 Bunhill Row
London
EC1Y 8YY

REED SPECIALIST RECRUITMENT LTD

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 30th June 2013

Business review and principal activities

Reed Specialist Recruitment is a specialist provider of permanent, contract, temporary and outsourced recruitment solutions. Reed Specialist Recruitment assists job seekers and employers across 20 specialisms.

The year was one of two halves with a marked improvement in results in the second half. Through the year, significant progress was made in cutting costs in management and support, while maintaining client-facing coverage.

Temporary gross profit declined by 3%, partially demand driven and partially due to continued pressure on margins. Overall Permanent gross profit decreased by 3% over the year.

It is the nature of our business that visibility is short, and our overall performance is affected by the general level of business confidence and global economic activity. The actions taken during the year should ensure the Company is well placed to benefit from an improvement in market conditions, which we are now beginning to see.

On 28th June 2013 the Company issued 10,000,000 ordinary shares of £1 each to Reed Executive Limited in consideration for the discharge and release of £10,000,000 of intercompany debt, and issued a further 2,500,000 ordinary shares of £1 each to Reed Executive Limited by way of capitalisation of profits.

On 28th June 2013 the terms of the loan from Reed Executive Limited were amended so that £12,000,000 of the outstanding principal amount becomes payable on 30th June 2015.

Key performance indicators

	2013	2012
Gross margin	2.8%	3.0%
Net profit margin	(0.2)%	(0.3)%
Number of offices	456	487
Co-member cost ratio	8.9%	9.9%
Current ratio	1.16	0.91

No events took place post 30th June 2013 which require disclosure.

Notes to key performance indicators

- Gross margin calculated as gross profit as a percentage of revenue.
- Net profit margin calculated as operating profit as a percentage of revenue.
- Co-member cost ratio represents the staff costs as a percentage of revenue. The percentage split is in line with our expectations.
- Current ratio is derived by dividing current assets by current liabilities, and is a good indicator of a Company's ability to meet short-term debt obligations, the higher the ratio, the more liquid the Company is. The current ratio is in line with our expectations and in line with the previous year.

Trading results and dividend

The Company's trading results are set out in the profit and loss account on page 9. No dividends have been proposed for the period (2012: £nil).

REED SPECIALIST RECRUITMENT LTD

REPORT OF THE DIRECTORS (continued)

Principal risks and uncertainties facing the Company

Any downturn in the economic environment has historically been the greatest risk to the service sector. The business is also exposed to changes in government policy in the markets in which it operates.

We have mitigated these risks through our ability to manage our cost base and to adjust headcount during periods of economic uncertainty.

Financial Instruments

The Company has no external borrowing facilities in place with any banks at present.

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 sterling cash and bank deposits, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

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

Foreign currency risk

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

Credit risk

The Company's principal financial asset is trade debtors, which represent the Company's major exposure to credit risk in relation to the financial assets. Reporting in this area covers weekly aged debt for every significant client as well as overall ledger profiles from the invoicing date taking into account any pre-agreed payment terms.

The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company has no significant concentration of credit risk, with the exposure spread over a large number of customers. Also the risk on liquid funds is minimised by the credit checking of clients and a strong credit control function. Bad debt exposure is minimal due to our diverse spread of clients.

Liquidity risk

The Company's policy has been to ensure continuity of funding through the operation of its treasury function.

Payment of creditors

The Company's policy for all suppliers is to fix terms of payment when agreeing to the terms of each business transaction, to ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days that the Company's year end purchases represent was 15 days (2012: 14 days).

REED SPECIALIST RECRUITMENT LTD

REPORT OF THE DIRECTORS (continued)

Pension costs

The assets of the Reed Executive Pension Scheme (the Scheme) are held separately from those of the Company and are under the control of fund managers appointed by the Scheme Trustees. The Scheme has two trustees namely Derek Beal (resigned 10th October 2013) and Darren Murton. The Scheme may not invest in the shares of the Company. The audit of the Scheme is currently undertaken by Baker Tilly UK Audit LLP and is thus completely separate from that of the Company.

The Company also provides access to the Group Personal Pension Plan (the Plan). The Plan is contract based and is therefore not subject to audit.

Environment

The Company's policy with regard to the environment is to ensure that it understands and effectively manages the actual and potential environmental impact of its activities. The Company's operations are conducted in such a way that it complies with all legal requirements relating to the environment in all areas where it carries out its business. During the period covered by this report, the Company has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

The Company has issued a statement of intent to demonstrate how it aims to deliver its commitment to continually improve its environmental performance, highlighting implementation and monitoring plans, as well as clarifying employee responsibility. The Company aims to act in accordance with the spirit of all relevant legislation and to set itself appropriate targets for long term improvements.

The Group's current environmental targets are set against a 2010 baseline and are to be achieved by September 2015. Our targets are to

- Reduce carbon emissions from office waste by 20%
- Reduce energy consumption by 10%
- Reduce transport related emissions by 10%
- Increase online timesheet submission to 100%

The Group's most recently measured carbon footprint, measured between September 2011 and August 2012, was 5,424 tonnes of CO₂. This is a reduction of 18% from the preceding measurement period. The measurement methods are continually refined to ensure that our carbon footprint is accurately reported.

In the UK, Reed was the first recruitment company to become Carbon Neutral®. Since 2005 the Company has offset through a variety of projects and it currently offsets through a Voluntary Carbon Standard certified methane capture project in China. Not content with just being Carbon Neutral, Reed has taken additional steps to become Carbon Positive and has committed to planting at least 1,000 trees every year. During 2012, to mark the Diamond Jubilee of Queen Elizabeth II, the Company planted 6,000 trees in Oxfordshire, England.

In 2010 the Group won the London Development Agency's Green500 Platinum Award, which recognised its achievements in making sustained environmental improvements. Reed was also awarded the Green Project of the Year 2010 at the Green IT Awards. This acknowledged the importance of our thin terminal project in significantly reducing the amount of carbon emissions related to our IT solutions.

In February 2010 the Company was awarded ISO 14001 status. This is the recognised standard for Environment Management Systems in an organisation. It recognises the organisation's ability to control its impact on the environment and monitors its compliance with regulations. This has been successfully maintained.

REPORT OF THE DIRECTORS (continued)

Environment (continued)

A significant example of individual actions having a collective impact on improving our environmental performance is that currently almost 94% of Reed candidates and clients use on-line timesheets and invoices, saving approximately 4.4 million pieces of paper per annum, across the Reed Group. One target to be achieved by 2015 is for all timesheets to be processed online, therefore entirely eliminating the use of paper timesheets.

The Company is proud of its achievements to date, however, our ongoing challenge is to build on past success to further improve our environmental performance as part of our ongoing commitment to be a good global citizen.

Co-Members

The Company encourages all employees, known as Co-Members, to participate in the effective running and development of the business. Co-Members are kept informed via the Company intranet, which is updated on a daily basis as well as through briefing meetings, informal discussions and conferences.

Co-Members attend regular training courses and are encouraged to take an active interest in all matters affecting them. Co-Members' views, opinions and ideas are regularly surveyed and their feedback is acknowledged, noted and where appropriate, acted upon.

Equal opportunities

Reed aims to adhere to the principles of equal opportunities and to ensure that statutory obligations are met and, indeed, exceeded in all aspects of its business. In its role as an intermediary, Reed seeks to promote workforce diversity, not only among Co-Members but also among clients and candidates. It is a policy of Reed to employ and train disabled people whenever appropriate and to actively promote equal opportunities by evaluating Co-Members solely on the basis of merit, regardless of age, gender, marital status, sexual orientation, disability or dependants' considerations, ethnic, racial or religious background.

Going concern basis

After making enquiries, the directors have formed a judgement that, at the time of approving the financial statements, there is reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements. This is discussed further in accounting policies on page 11.

Charitable donations and political contributions

Charitable donations of £331k were made in the period (2012: £640k).

No political contributions were made in the period (2012: £nil).

Directors

The current composition of the Board of Directors is given on page 1.

REED SPECIALIST RECRUITMENT LTD

REPORT OF THE DIRECTORS (continued)**Disclosure of information to auditor**

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 auditor in connection with preparing their report of which the Company's auditor is 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 auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information

This information is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approval

The report of the directors was approved by the Board on 19th December 2013 and signed on its behalf by:



Nigel Marsh
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REED SPECIALIST RECRUITMENT LIMITED

We have audited the financial statements of Reed Specialist Recruitment Limited for the year ended 30 June 2013 set out on pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

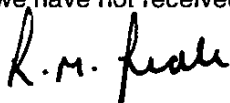
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Robert M Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

Date 20 December 2013

REED SPECIALIST RECRUITMENT LTD

PROFIT AND LOSS ACCOUNTFor the year ended 30th June 2013

		Year ended 30 th June 2013	Year ended 30 th June 2012
	Note	£'000	£'000
Turnover	1	833,318	785,377
Cost of sales		<u>(809,752)</u>	<u>(761,743)</u>
Gross profit		23,566	23,634
Distribution costs		(1,764)	(2,235)
Administrative expenses		<u>(23,657)</u>	<u>(23,844)</u>
Operating loss	2	(1,855)	(2,445)
Income from shares in group undertakings		3,374	50
Interest receivable and similar income	3	71	15
Interest payable and similar charges	4	<u>(140)</u>	-
Profit/(loss) on ordinary activities before taxation		1,450	(2,380)
Tax charge on profit/(loss) on ordinary activities	6	<u>(156)</u>	<u>(553)</u>
Profit/(loss) on ordinary activities after taxation	16	<u>1,294</u>	<u>(2,933)</u>

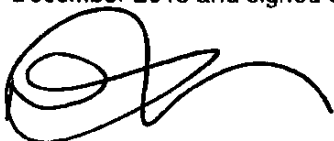
There were no recognised gains or losses except as reported above in either period, and therefore no statement of recognised gains and losses has been presented

All results are from continuing operations

REED SPECIALIST RECRUITMENT LTD**BALANCE SHEET**At 30th June 2013

	Note	At 30 th June 2013 £'000	At 30 th June 2012 £'000
Fixed assets			
Goodwill	8	7,488	8,169
Tangible assets	9	5,446	6,214
Investments	10	-	-
		<u>12,934</u>	<u>14,383</u>
Current assets			
Debtors, Amounts falling due within one year	11	105,236	97,261
Cash at bank and in hand		8,775	188
		<u>114,011</u>	<u>97,449</u>
Creditors: Amounts falling due within one year	12	<u>(99,026)</u>	<u>(106,787)</u>
Net current assets/(liabilities)		<u>14,985</u>	<u>(9,338)</u>
Total assets less current liabilities		27,919	5,045
Creditors: Amounts falling due after more than one year	13	(12,000)	-
Provision for liabilities and charges	14	<u>(1,817)</u>	<u>(2,237)</u>
Net assets		<u>14,102</u>	<u>2,808</u>
Capital and reserves			
Called up share capital	15	12,500	-
Profit and loss account	16	<u>1,602</u>	<u>2,808</u>
Shareholders' funds	17	<u>14,102</u>	<u>2,808</u>

The financial statements of company number 06903140 were approved by the board on 19th December 2013 and signed on its behalf by



Nigel Marsh
Director

REED SPECIALIST RECRUITMENT LTD**ACCOUNTING POLICIES****For the year ended 30th June 2013**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 not to produce consolidated financial statements as it is a wholly owned subsidiary of Reed Global Limited which prepares consolidated accounts that are publicly available.

Turnover

Turnover represents the provision of temporary and permanent workers to customers and clients. Turnover is recognised upon completion of a placement for temporary workers and upon commencement of a placement for permanent workers. Turnover is stated as invoiced and is net of discounts and excluding VAT.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 2 and 3.

The Company is expected to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Reed Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Company meets its day to day working capital requirements through its cash balance. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, support the directors' view that the Company is able to operate within the level of its current cash balance.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Investments

Investments are held at cost value and written down when any impairment is identified.

Intangible assets – goodwill

Goodwill arising on the acquisition of trade and assets of fellow group companies, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 15 years. Provision is made for any impairment. Goodwill has been tested for impairment by the measurement of future cash flows over the useful economic life.

Tangible assets and depreciation

Tangible fixed assets are shown at cost less depreciation.

Depreciation is calculated to write off the cost of tangible fixed assets on a straight-line basis over the expected useful lives of the assets concerned.

REED SPECIALIST RECRUITMENT LTD

ACCOUNTING POLICIES

For the year ended 30th June 2013

Tangible assets and depreciation (continued)

The periods over which depreciation is charged are -

Leasehold premises	Length of lease
Computer equipment	Three to four years
Motor vehicles	Three years
Fixtures and fittings	Three to eight years

Second hand assets acquired from fellow group undertakings are depreciated over the remaining useful economic life

Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating profit.

Dilapidations

A provision is built-up over the life of every lease for the dilapidation cost obligation which results from vacating the property.

Operating leases

Rental costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the terms of leases. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market is shorter than the full lease term, in which case the shorter period is used.

Rents receivable

Rents receivable from properties leased under operating leases are credited to the profit and loss account in accordance with the terms of the lease.

Taxation

Current tax, including corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted. Where law or accounting standards require gains and losses to be recognised in the statement of total recognised gains and losses, the related taxation is also taken directly to the statement of total recognised gains and losses in due course.

REED SPECIALIST RECRUITMENT LTD**ACCOUNTING POLICIES****For the year ended 30th June 2013**

Pension costs

Reed Executive Limited, the parent undertaking of the Company, operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately and are administered by external pension managers. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme relating to co-members of the Company are charged to the profit and loss account in the period which they are payable as if the scheme was a defined contribution scheme. This scheme was closed to new members with effect from 4th April 1995 and closed to future accrual on and from 5th April 2012.

Pension arrangements were introduced on 1st November 2004 on a group personal pension plan basis. Contributions to the group personal pension plan, a defined contribution scheme, are administered by Friends Life Limited and are charged to the profit and loss account in the period in which they are payable.

Additional pension arrangements were introduced on 1st April 2013 on a group personal pension plan basis. Contributions to the group personal pension plan, a defined contribution scheme, are administered by Scottish Widows plc and are charged to the profit and loss account in the period in which they are payable.

Cash flow statement

The Company has taken advantage of the exemption under FRS1 not to prepare a cash flow statement as the Company's ultimate parent at the balance sheet date, Reed Global Ltd, has prepared a cash flow statement.

REED SPECIALIST RECRUITMENT LTD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th June 2013

1 TURNOVER AND PROFITS

All turnover and profits arose in the United Kingdom from recruitment activities.

2. OPERATING LOSS

Operating loss/profit is stated after charging

	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
Amortisation of intangible assets		
- goodwill	681	681
Depreciation and amortisation of fixed assets		
- leasehold premises	365	249
- owned assets	2,363	2,173
Operating lease rentals		
- plant & machinery	-	-
- other	5,152	6,918
Auditor's remuneration		
- audit of the Company's financial statements	59	57

No fees were received by the auditor in either the current or prior accounting periods in relation to the provision of non-statutory audit services

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
Interest received from group undertakings	71	15

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
Interest paid to group undertakings	140	-

REED SPECIALIST RECRUITMENT LTD**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 30th June 2013****5. DIRECTORS AND EMPLOYEES**

	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
(a) Directors' remuneration		
Total directors' emoluments	<u>1,174</u>	<u>934</u>
Highest paid director – emoluments	391	349
Highest paid director – pension contributions	<u>-</u>	<u>-</u>
	No.	No
The following number of directors are accruing retirement benefit under		
Defined benefit scheme	<u>-</u>	<u>-</u>
Group personal pension scheme	<u>-</u>	<u>-</u>
	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
(b) Staff costs		
Wages and salaries	67,050	70,112
Social security costs	6,930	7,290
Other pension costs (note 18)	249	332
	<u>74,228</u>	<u>77,734</u>

The average number of permanent staff, including directors, employed by the Company is 1,992 (2012 2,057)

REED SPECIALIST RECRUITMENT LTD**NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 30th June 2013**6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of tax for the period**

	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
Current tax		
UK corporation tax on profit/(loss) for the period	206	-
Adjustments in respect of prior periods	86	576
	<u>292</u>	<u>576</u>
Deferred tax		
Origination and reversal of timing differences	(207)	(90)
Effect of tax rate change on opening balance	35	65
Adjustments in respect of previous periods	36	2
	<u>(136)</u>	<u>(23)</u>
Total tax charge on profit/(loss) for the period	<u>156</u>	<u>553</u>

(b) Factors affecting the tax for the period

The tax assessed for the period differs to the standard rate of corporation tax in the UK 23.75% (2012, 25.5%). The differences are explained below.

	Year ended 30 th June 2013 £'000	Year ended 30 th June 2012 £'000
Profit/(loss) for the period before taxation	<u>1,450</u>	<u>(2,380)</u>
Theoretical tax at UK corporation tax rate of 23.75% (2012, 25.5%)	344	(607)
Effects of		
Expenses not deductible for tax purposes	285	382
Income not taxable for tax purposes	(677)	-
Differences between capital allowances and depreciation on qualifying assets	180	77
Other short term timing differences	34	20
Fixed asset differences	38	10
Adjustments in respect of previous periods	86	576
Other permanent differences	2	118
	<u>292</u>	<u>576</u>
Current tax charge for the period	<u>292</u>	<u>576</u>

REED SPECIALIST RECRUITMENT LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30th June 2013

7. DEFERRED TAX

	30th June 2013 £'000	30th June 2012 £'000
Depreciation in excess of capital allowances	864	737
Other timing differences	145	136
Deferred tax asset	1,009	873
Asset at beginning of period	873	850
Amount credited to profit and loss account	136	23
Asset at end of period (note 11)	1,009	873

The UK Finance Bill 2013, which contains legislation for some of the proposals announced by the Chancellor in the 20 March 2013 Budget, was substantively enacted on 2 July 2013. The Bill introduced a further reduction in the rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the end of the reporting period and therefore the reduction in the corporate tax rate from 23% to 20% has not been taken into account in the calculation of the effective tax rate applied in these financial statements.

8. GOODWILL

	Goodwill £'000
Cost	
At 1 st July 2012 and 30 th June 2013	10,212
Amortisation	
At 1 st July 2012	(2,043)
Charge for the year	(681)
At 30 th June 2013	(2,724)
Net book value	
At 30 th June 2013	7,488
At 30 th June 2012	8,169

Goodwill is written off on a straight line basis over a period of 15 years. Goodwill has been tested for impairment by the measurement of future cash flows over the same period. Cash flows were discounted at a weighted cost of capital of 10%.

REED SPECIALIST RECRUITMENT LTD**NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 30th June 2013**9. TANGIBLE FIXED ASSETS**

	Leasehold premises	Fixtures, equipment & motor vehicles	Total
	Short lease £'000	Owned £'000	£'000
Cost			
1 st July 2012	1,313	13,208	14,521
Additions	367	1,593	1,960
Disposals	(124)	(415)	(539)
30th June 2013	1,556	14,386	15,942
Depreciation			
1 st July 2012	422	7,885	8,307
Charge for the year	365	2,363	2,728
Disposals	(124)	(415)	(539)
30th June 2013	663	9,833	10,496
Net book value			
At 30th June 2013	893	4,553	5,446
At 30 th June 2012	891	5,323	6,214

Certain of the leasehold premises have been sub-let. The values of such properties are

	At 30 th June 2013 £'000	At 30 th June 2012 £'000
Cost	76	74
Accumulated depreciation	(33)	(27)
Net book value	43	47

REED SPECIALIST RECRUITMENT LTD**NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 30th June 2013**10. INVESTMENTS IN SUBSIDIARIES**

	At 30 th June 2013 £	At 30 th June 2012 £
Cost and net book value	<u>204</u>	<u>204</u>

The following are subsidiaries of Reed Specialist Recruitment Ltd. Reed Specialist Recruitment Ltd owns 100% of the ordinary share capital of each company. They all operate principally in England, and are registered in England and Wales.

Company Number	Name	Principal Activity
02265513	Reed Community Care Ltd	Dormant
07462047	Reed Specialist Recruitment Public Sector Resourcing Ltd	Dormant
06998018	MDEC Payroll Limited	Dormant
05247149	RMS Staffing Services Ltd	Recruitment specialists

11. DEBTORS

	At 30 th June 2013 £'000	At 30 th June 2012 £'000
Amounts falling due within one year		
Trade debtors	96,080	85,585
Amounts receivable from group undertakings	3,347	2,248
Corporation tax	437	541
Deferred tax (see note 7)	1,009	873
Other debtors	325	670
Prepayments and accrued income	<u>4,038</u>	<u>7,344</u>
	<u>105,236</u>	<u>97,261</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 30 th June 2013 £'000	At 30 th June 2012 £'000
Trade creditors	48,257	41,326
Amounts owed to group undertakings	27,363	42,371
Social security costs and other taxes	12,330	11,207
Other creditors	1,369	3,531
Accruals and deferred income	<u>9,707</u>	<u>8,352</u>
	<u>99,026</u>	<u>106,787</u>

REED SPECIALIST RECRUITMENT LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30th June 2013

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 30 th June 2013 £'000	At 30 th June 2012 £'000
Amounts owed to parent undertaking	<u>12,000</u>	<u>-</u>

The £12,000,000 loan from Reed Executive Limited is repayable on 30th June 2015

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Dilapidations £'000	Surplus property £'000	Total £'000
At 1 st July 2012	2,119	118	2,237
Additional provisions	39	50	89
Provision utilised	(412)	(97)	(509)
At 30th June 2013	<u>1,746</u>	<u>71</u>	<u>1,817</u>

The dilapidations provision arises from the contractual obligation to restore leased premises to their original condition on termination of the lease. These, on average, have four years remaining.

The surplus property provision is determined on the basis of conditions existing at the balance sheet date in respect of rents receivable from sub-tenants and the remaining lease term for surplus properties and is therefore subject to uncertainty should these conditions change.

15. SHARE CAPITAL

	At 30 th June 2013 £	At 30 th June 2012 £
Called up, allotted and fully paid		
12,500,002 ordinary shares of £1 each	<u>12,500,002</u>	<u>2</u>

2 ordinary shares were issued at par on 12th May 2009

On 28th June 2013 the Company issued 10,000,000 ordinary shares of £1 each to Reed Executive Limited in consideration for the discharge and release of £10,000,000 of intercompany debt, and issued a further 2,500,000 ordinary shares of £1 each to Reed Executive Limited by way of capitalisation of profits.

REED SPECIALIST RECRUITMENT LTD
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For the year ended 30th June 2013

16. PROFIT AND LOSS ACCOUNT

	£'000
At 1 st July 2012	2,808
Retained profit for the period	1,294
Capitalisation of retained earnings	<u>(2,500)</u>
At 30th June 2013	<u>1,602</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	At 30th June 2013 £'000	At 30th June 2012 £'000
Profit/(loss) for the period	1,294	(2,933)
New shares issued	10,000	-
Net change in shareholders' funds	<u>11,294</u>	<u>(2,933)</u>
Opening shareholders' funds	2,808	5,741
Closing shareholders' funds	<u>14,102</u>	<u>2,808</u>

18. PENSION COSTS

Reed Executive Limited, the parent undertaking of the Company, operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately and are administered by external pension managers. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme relating to co-members of the Company are charged to the profit and loss account in the period which they are payable as if the scheme was a defined contribution scheme. This scheme was closed to new members with effect from 4th April 1995 and closed to future accrual on and from 5th April 2012.

Pension arrangements were introduced on 1st November 2004 on a group personal pension plan basis. Contributions to the group personal pension plan, a defined contribution scheme, are administered by Friends Life Limited and are charged to the profit and loss account in the period in which they are payable.

Additional pension arrangements were introduced on 1st April 2013 on a group personal pension plan basis. Contributions to the group personal pension plan, a defined contribution scheme, are administered by Scottish Widows plc and are charged to the profit and loss account in the period in which they are payable.

Supplementary pension disclosures that are required under FRS 17 have been included in the accounts of Reed Executive Limited.

REED SPECIALIST RECRUITMENT LTD
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For the year ended 30th June 2013

19 LEASING COMMITMENTS

The annual commitments under operating leases are as follows.

			At 30 th June 2013			At 30 th June 2012
	Land and Buildings £'000	Other £'000	Total £'000	Land and Buildings £'000	Other £'000	Total £'000
Expiring within:						
One year	1,208	-	1,208	2,269	-	2,269
Two to five years	2,971	-	2,971	2,546	-	2,546
After five years	803	-	803	905	-	905
	4,982	-	4,982	5,720	-	5,720

No account has been taken of future periodic rent reviews to operating leases for land and buildings

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemptions available under FRS 8 Related party Transactions not to disclose transactions occurring within the group.

21. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent undertaking and controlling party is Reed Global Ltd, a Company registered in Malta, whose annual report and financial statements may be obtained from the Company's registered office at The Reed Centre, Blue Harbour, Ta' Xbiex Marina, Ta' Xbiex XBX 1027, Malta. It is also the parent undertaking for the largest and smallest group for which the group accounts are prepared.