

COMPANY NO: 06903140

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# REED SPECIALIST RECRUITMENT LIMITED

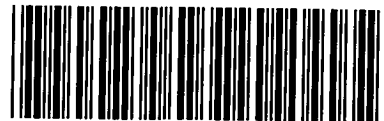
## ANNUAL REPORT

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◆ For the year ended 30th June 2014 ◆

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**REED SPECIALIST RECRUITMENT LIMITED**

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## **REED SPECIALIST RECRUITMENT LIMITED**

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### **COMPANY INFORMATION**

Directors	J Edmunds R Post N Marsh I Nicholas
Secretary	J Edmunds LL.B Solicitor
Registered office	Academy Court 4 <sup>th</sup> 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 LIMITED**

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### **STRATEGIC REPORT**

The directors present their strategic report on the Company for the year ended 30th June 2014.

#### **Review of the business**

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.

#### **Trading results**

The Company's trading results are set out in the profit and loss account on page 11.

This financial year has been characterised by a continuation of the improvements observed in the prior year which include: increased sales volumes and the maintaining of costs after cost cutting in management and support. In addition, there has been an increase in prices towards the end of the current year.

Temporary gross profit improved by 3% which is driven by improved demand. Permanent gross profit increased by 13% 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. Therefore, the improved performance is largely driven by the improved economic situation in the UK since last year.

On 13<sup>th</sup> May 2014 the terms of the loan from Reed Executive Limited were amended so that £12,000,000 of the outstanding principal amount becomes payable on 30<sup>th</sup> June 2016.

#### **Key performance indicators**

	<b>2014</b>	<b>2013</b>
Gross margin	<b>3.3%</b>	2.8%
Net profit margin	<b>0.9%</b>	(0.2%)
Number of offices	<b>453</b>	456
Co-member cost ratio	<b>8.7%</b>	8.9%
Current ratio	<b>1.26</b>	1.16

No events took place post 30th June 2014 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.

#### **Market risk**

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.

**STRATEGIC REPORT (continued)**

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

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 (2013: 15 days).

**STRATEGIC REPORT (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), Nigel Marsh (appointed 11th 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 2012 and August 2013, was 4,334 tonnes of CO<sub>2</sub>. This is a reduction of 16% from the proceeding 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, which was again renewed in May 2014. 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.

**STRATEGIC REPORT (continued)**

**Environment (continued)**

A significant example of individual actions having a collective impact on improving our environmental performance is that currently almost 98-99% of Reed candidates and clients use on-line timesheets and invoices, saving approximately 5.5 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.

**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 13.

**Approval**

The strategic report was approved by the Board on 16th February 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Nigel Marsh', with a stylized, cursive script.

Nigel Marsh  
Director

## **REPORT OF THE DIRECTORS**

The directors present their report and the audited annual report for the year ended 30th June 2014.

### **Dividends**

No dividends have been proposed for the period (2013: £nil).

### **Directors**

The current composition of the Board of Directors is given on page 2.

### **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.

### **Charitable donations and political contributions**

Charitable donations of £3,000 were made in the period (2013: £331,000).

No political contributions were made in the period (2013: £nil).

### **Risk management**

Information on the Company's management of financial risk is disclosed in the Strategic report on page 3. In particular the company's exposures to price risk, credit risk and liquidity risk are separately disclosed. The Company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Foreign currency risk'.

### **Disclosure of information to auditor**

At the date of making this report each of the Company's directors, as set out on page 2, 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.



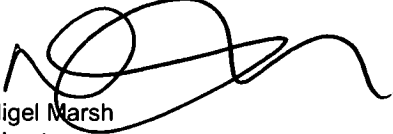
**REPORT OF THE DIRECTORS (continued)**

**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 16th February 2015 and signed on its behalf by:



Nigel Marsh  
Director

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL 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.

**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 30th June 2014 set out on pages 11 to 24. 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 9, 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](http://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 30th June 2014 and of its profit 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.

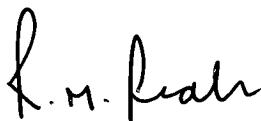
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors and Strategic 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:

16 FEBRUARY 2015

**REED SPECIALIST RECRUITMENT LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 30th June 2014

		Year ended 30th June 2014	Year ended 30th June 2013
	Note	£'000	£'000
<b>Turnover</b>	1	<b>896,924</b>	833,318
Cost of sales		<u>(867,520)</u>	<u>(809,752)</u>
<b>Gross profit</b>		<b>29,404</b>	23,566
Distribution costs		<u>(1,986)</u>	(1,764)
Administrative expenses		<u>(19,097)</u>	<u>(23,657)</u>
<b>Operating Profit</b>	2	<b>8,321</b>	(1,855)
Income from shares in group undertakings		<b>514</b>	3,374
Interest receivable and similar income	3	<b>3</b>	71
Interest payable and similar charges	4	<u>(131)</u>	<u>(140)</u>
<b>Profit on ordinary activities before taxation</b>		<b>8,707</b>	1,450
Tax charge on profit on ordinary activities	6	<u>(2,459)</u>	<u>(156)</u>
<b>Profit on ordinary activities after taxation</b>	16	<u><b>6,248</b></u>	<u>1,294</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 LIMITED****BALANCE SHEET**

At 30th June 2014

		At 30th June 2014	At 30th June 2013
	Notes	£'000	£'000
<b>Fixed assets</b>			
Goodwill	8	6,807	7,488
Tangible assets	9	3,882	5,446
Investments	10	34	34
		<u>10,723</u>	<u>12,968</u>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	11	104,665	105,202
Cash at bank and in hand		7,002	8,775
		<u>111,667</u>	<u>113,977</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(88,632)</u>	<u>(99,026)</u>
<b>Net current assets</b>		<u>23,035</u>	<u>14,951</u>
<b>Total assets less current liabilities</b>		<b>33,758</b>	<b>27,919</b>
Creditors: Amounts falling due after more than one year:	13	(12,000)	(12,000)
Provision for liabilities and charges		<u>(1,408)</u>	<u>(1,817)</u>
<b>Net assets</b>		<u>20,350</u>	<u>14,102</u>
<b>Capital and reserves</b>			
Called up share capital	15	12,500	12,500
Profit and loss account	16	7,850	1,602
<b>Shareholders' funds</b>	17	<u>20,350</u>	<u>14,102</u>

The financial statements of company number 06903140 were approved by the board on 16th February 2015 and signed on its behalf by:



Nigel Marsh  
Director

## **REED SPECIALIST RECRUITMENT LIMITED**

### **ACCOUNTING POLICIES**

**For the year ended 30th June 2014**

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 Strategic report on page 3.

The Company is expected to generate positive cash flows on its own account for the foreseeable future.

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.

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.

## **REED SPECIALIST RECRUITMENT LIMITED**

### **ACCOUNTING POLICIES**

**For the year ended 30th June 2014**

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#### **Tangible assets and depreciation (continued)**

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.

#### **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.

**REED SPECIALIST RECRUITMENT LIMITED**

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**ACCOUNTING POLICIES****For the year ended 30th June 2014****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 Limited, has prepared a cash flow statement



**REED SPECIALIST RECRUITMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30th June 2014**

**1. TURNOVER AND PROFITS**

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

**2. OPERATING PROFIT**

Operating profit is stated after charging:

	Year ended 30th June 2014 £'000	Year ended 30th June 2013 £'000
Amortisation of intangible assets		
- goodwill	681	681
Depreciation and amortisation of fixed assets		
- leasehold premises	426	365
- owned assets	2,449	2,363
Operating lease rentals		
- other	5,368	5,152
Auditor's remuneration		
- audit of the Company's financial statements	65	59

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 30th June 2014 £'000	Year ended 30th June 2013 £'000
Interest received from group undertakings	3	71

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year ended 30th June 2014 £'000	Year ended 30th June 2013 £'000
Interest paid to group undertakings	131	140

**REED SPECIALIST RECRUITMENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2014

**5. DIRECTORS & EMPLOYEES**

	Year ended 30th June 2014 £'000	Year ended 30th June 2013 £'000
<b>(a) Directors' remuneration</b>		
Total directors' emoluments	<u>1,495</u>	<u>1,174</u>
Highest paid director – emoluments	595	391
Highest paid director – pension contributions	<u>-</u>	<u>-</u>
	<b>No.</b>	<b>No.</b>
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 30th June 2014 £'000	Year ended 30th June 2013 £'000
<b>(b) Staff costs</b>		
Wages and salaries	69,974	67,050
Social security costs	7,086	6,929
Other pension costs (note 18)	<u>382</u>	<u>249</u>
	<u>77,442</u>	<u>74,228</u>

The average number of permanent staff, including directors, employed by the Company is 1999 (2013: 1992).

**REED SPECIALIST RECRUITMENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2014

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of tax for the period**

	Year ended 30th June 2014 £'000	Year ended 30th June 2013 £'000
Current tax:		
UK corporation tax on profit for the period	2,535	206
Adjustments in respect of prior periods	(81)	86
	<u>2,454</u>	<u>292</u>
Deferred tax:		
Origination and reversal of timing differences	(191)	(207)
Effect of tax rate change on opening balance	74	35
Adjustments in respect of previous periods	122	36
	<u>5</u>	<u>(136)</u>
Total tax charge on profit for the period	<u>2,459</u>	<u>156</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 22.50% (2013: 23.75%). The differences are explained below:

	Year ended 30th June 2014 £'000	Year ended 30th June 2013 £'000
Profit for the period before taxation	<u>8,707</u>	<u>1,450</u>
Theoretical tax at UK corporation tax rate of 22.50% (2013: 23.75%)	1,961	344
Effects of:		
Expenses not deductible for tax purposes	314	285
Income not taxable for tax purposes	-	(677)
Differences between capital allowances and depreciation on qualifying assets	207	180
Other short term timing differences	8	34
Fixed asset differences	45	38
Adjustments in respect of previous periods	(81)	86
Other permanent differences	-	2
Current tax charge for the period	<u>2,454</u>	<u>292</u>

**REED SPECIALIST RECRUITMENT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30th June 2014

**7. DEFERRED TAX**

	At 30th June 2014 £'000	At 30th June 2013 £'000
Depreciation in excess of capital allowances	898	864
Other timing differences	<u>106</u>	<u>145</u>
Deferred tax asset	<u>1,004</u>	<u>1,009</u>
Asset at beginning of period	1,009	873
Amount (charged)/credited to profit and loss account	<u>(5)</u>	<u>136</u>
Asset at end of period (note 11)	<u>1,004</u>	<u>1,009</u>

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 been taken into account in the calculation of the effective tax rate applied in these financial statements.

**8. GOODWILL**

	Goodwill £'000
<b>Cost</b>	
At 1st July 2013 and 30th June 2014	<u>10,212</u>
<b>Amortisation</b>	
At 1st July 2013	(2,724)
Charge for the year	<u>(681)</u>
At 30th June 2014	<u>(3,405)</u>
Net book value	
At 30th June 2014	<u>6,807</u>
At 30th June 2013	<u>7,488</u>

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%.

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**9. TANGIBLE FIXED ASSETS**

	Leasehold premises Short lease £'000	Fixtures, equipment & motor vehicles Owned £'000	Total £'000
<b>Cost</b>			
1st July 2013	1,556	14,386	15,942
Additions	554	757	1,311
Disposals	-	-	-
<b>30th June 2014</b>	<b>2,110</b>	<b>15,143</b>	<b>17,253</b>
<b>Depreciation</b>			
1st July 2013	663	9,833	10,496
Charge for the year	426	2,449	2,875
Disposals	-	-	-
<b>30th June 2014</b>	<b>1,089</b>	<b>12,282</b>	<b>13,371</b>
<b>Net book value</b>			
<b>At 30th June 2014</b>	<b>1,021</b>	<b>2,861</b>	<b>3,882</b>
At 30th June 2013	893	4,553	5,446

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

	At 30th June 2014 £'000	At 30th June 2013 £'000
Cost	74	74
Accumulated depreciation	(31)	(27)
<b>Net book value</b>	<b>43</b>	<b>47</b>

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**10. INVESTMENTS IN SUBSIDIARIES**

	At 30th June 2014 £	At 30th June 2013 £
Cost and net book value	<u>34,458</u>	<u>34,458</u>

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

Name	Company Number	Principal Activity
Reed Community Care Limited	2265513	Dormant
Reed Specialist Recruitment Public Sector Resourcing Limited	7462047	Dormant
MDEC Payroll Limited	6998018	Dormant
RMS Staffing Services Limited	5247149	Recruitment specialists

**11. DEBTORS**

	At 30th June 2014 £'000	At 30th June 2013 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	91,013	96,080
Amounts receivable from group undertakings	4,583	3,312
Corporation tax	1,565	437
Deferred tax (see note 7)	1,004	1,009
Other debtors	1,570	326
Prepayments and accrued income	4,930	4,038
	<u>104,665</u>	<u>105,202</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	At 30th June 2014 £'000	At 30th June 2013 £'000
Trade creditors	48,761	48,257
Amounts owed to group undertakings	14,338	27,363
Social security costs and other taxes	13,999	12,330
Other creditors	2,482	1,369
Accruals and deferred income	9,052	9,707
	<u>88,632</u>	<u>99,026</u>

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

	At 30th June 2014 £'000	At 30th June 2013 £'000
Amounts owed to parent undertaking	<u>12,000</u>	<u>12,000</u>

The £12,000,000 loan from Reed Executive Limited is repayable on 30th June 2016.

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Dilapidations £'000	Surplus property £'000	Total £'000
At 1st July 2013	1,746	71	1,817
Additional provisions/(releases)	(231)	37	(194)
Provision utilised	<u>(187)</u>	<u>(28)</u>	<u>(215)</u>
<b>At 30th June 2014</b>	<u><b>1,328</b></u>	<u><b>80</b></u>	<u><b>1,408</b></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 three 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 30th June 2014 £	At 30th June 2013 £
Called up, allotted and fully paid 12,500,002 ordinary shares of £1 each	<u>12,500,002</u>	<u>12,500,002</u>

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

**16. PROFIT AND LOSS ACCOUNT**

	£'000
At 1st July 2013	1,602
Retained profit for the period	6,248
<b>At 30th June 2014</b>	<u><b>7,850</b></u>

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**17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	At 30th June 2014 £'000	At 30th June 2013 £'000
Profit for the period	6,248	1,294
New shares issued	-	10,000
Net change in shareholders' funds	<u>6,248</u>	<u>11,294</u>
Opening shareholders' funds	14,102	2,808
Closing shareholders' funds	<u>20,350</u>	<u>14,102</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.

**19. LEASING COMMITMENTS**

The annual commitments under operating leases are as follows:

	At 30th June 2014		At 30th June 2013	
	Land and Buildings £'000	Total £'000	Land and Buildings £'000	Total £'000
<b>Expiring within:</b>				
One year	917	917	1,208	1,208
Two to five years	2,624	2,624	2,971	2,971
After five years	<u>1,110</u>	<u>1,110</u>	<u>803</u>	<u>803</u>
	<u>4,651</u>	<u>4,651</u>	<u>4,982</u>	<u>4,982</u>

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



**REED SPECIALIST RECRUITMENT LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30th June 2014

**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 Limited, 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.