

COMPANY NO: 06903140

REED SPECIALIST RECRUITMENT LIMITED

ANNUAL REPORT

For the year ended 30th June 2023

COMPANY INFORMATION

Directors James Reed CBE, FCIPD, MBA, MA
Ian Nicholas FCIPD, BSc
Lee Richards ACMA, BSc
Karen Jackson FCIPD
Simon Baddeley BSc
Richard Smith BSc

Registered office Academy Court
94 Chancery Lane
London
WC2A 1DT

Company number 06903140

Independent auditors PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers Barclays Bank PLC
1 Churchill Place
London
E14 5HP

STRATEGIC REPORT

The Directors present their Strategic Report on Reed Specialist Recruitment Limited (“the Company”) for the year ended 30th June 2023.

Review of the business

Reed Specialist Recruitment Limited is a specialist provider of permanent, contract, temporary and outsourced recruitment solutions. The Company assists job seekers and employers across 20 specialisms and is a private limited company incorporated in the United Kingdom and limited by shares.

Trading results

The Company’s trading results are set out in the Income Statement on page 22.

After a strong start, market conditions became more challenging in the run-up to Christmas and largely remained so for the rest of the financial year as client confidence dipped which affected demand for permanent staff. Performance continued to be much improved compared to pre-COVID levels but year-on-year we saw declining profits as inflationary pressure increased the cost base.

Cash balances remained healthy as cash collection remained strong throughout the year albeit with some investment in working capital as the Company’s trade expanded.

Key performance indicators

	2023	2022
Gross margin	14.2%	15.2%
Net profit margin	1.6%	2.5%
Number of active business units	453	437
Co-member cost ratio	9.4%	9.6%
Current ratio	1.32	1.45

Notes to key performance indicators

- Gross margin calculated as gross profit as a percentage of turnover.
- Net profit margin calculated as operating profit as a percentage of turnover.
- An active business unit represents an active specialism within an office.
- Co-member cost ratio represents the staff costs as a percentage of turnover. The percentage split is in line with our expectations.

STRATEGIC REPORT (continued)

Notes to key performance indicators (continued)

- 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.

Principal risks

Any downturn in the economic environment has historically been the greatest risk to the service sector. The Company has mitigated these risks through its ability to manage its cost base and to adjust headcount during periods of economic uncertainty.

The business is also exposed to changes in government policy in the markets in which it operates such as changes in the legislation around sensitive data management and employment laws.

Reed has taken steps to ensure staff are retained as the economy recovers following the pandemic and demand and competition increases. Cyber risk has become important with the ever-increasing need to keep data secure. To mitigate these risks, the Company has implemented annual GDPR training for all co-members and made available data protection, processing, retention, and destruction policies for co-members on the intranet.

Future developments

The Directors do not expect significant changes to the business in the foreseeable future. No events took place post 30th June 2023 which require disclosure.

Consideration of climate change

In preparing the financial statements we have considered the impact of climate change. There has not been a material impact on the financial reporting judgments and estimates from our considerations, consistent with our assessment that climate change is not expected to have a meaningful impact on the viability of the group in the medium term.

Financial risks

The Company's operations expose it to a variety of financial risks including the effects of changes in foreign currency risk, 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.

STRATEGIC REPORT (continued)

Financial risks (continued)

The Company's principal financial instruments comprise sterling cash and bank deposits, together with trade & intercompany debtors and trade and intercompany creditors that arise directly from its operations.

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

Credit risk

The Company's principal financial assets are trade and intercompany 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 expected credit loss (ECL) and specific circumstances impacting certain customers.

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.

Foreign currency risk

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

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 31 days (2022: 32 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 Lewis Crowther and Darren Murton. The Scheme may not invest in the shares of the Company. The audit of the Scheme is currently undertaken by RSM 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.

Section 172 Statement

This Statement sets out how the Board of Directors ("the Board") of Reed Specialist Recruitment Limited ("the Company") complies with the requirements of Section 172 of the Companies Act 2006 and how consideration of stakeholder interests has impacted the Board's activities and decision making during the financial year ending 30th June 2023 ("FY23").

Section 172 of the Companies Act 2006 states that directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees ("co-members"),
- c) the need to foster the Company's business relationships with suppliers, customers, and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly between members of the Company.

These duties are designed to ensure that directors act in such a way as to promote the long-term success of the company by delivering and creating sustainable shareholder value as well as contributing to wider society. The Reed Group ("Reed") comprises Reed Global Limited and its subsidiaries, including the Company.

Engaging with all stakeholders to deliver long-term success is a key focus for the Board. The Board is aware of the environment in which the Company operates and, in particular, the

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

stakeholders it needs to engage with including but not limited to clients; co-members; suppliers; central and local government; local communities; and shareholders. A Stakeholder Map, identifying the key internal and external stakeholders and how the Company interacts with them, has been created and may be found, along with other relevant statements, on the Company's 'Corporate Governance' page on its website: <https://www.reed.com/corporate-governance>.

Reed is proud of its culture as a family business, and all Reed Directors understand and adhere to the requirements of Section 172 due to the nature, ethos, purpose, vision and values of the Company. In addition, all Reed Directors have received formal training on their responsibilities and accountabilities, and principal decisions have been defined and formalised as part of Board meetings.

Principal decisions were taken by the Board across FY23 in response to improved market conditions in comparison to the previous year, balanced against the need of its stakeholders including employees and shareholders. When considering the decision to pay an interim shareholder dividend of £27 million for FY23 for example, the Board, recognised the importance of meeting shareholder expectations in a sustainable fashion whilst ensuring sufficient cash reserves to guarantee long-term, continued success of the Company. The dividend value was proposed following an assessment of the Company's profitability and financial position in relation to forecasts and the Reed Group in total. The needs of the Company's key stakeholders were considered with regard to the proposal, including co-members, temporary workers, suppliers and the UK government. All key stakeholders are concerned with the need to ensure that sufficient cash remains available to honour key commitments and sustain the future performance of the Company. Reviewing all factors, the proposal of an interim shareholder dividend of £27 million was deemed affordable and taken as a principal decision by the Board.

The Board has ensured a number of successful engagement schemes which have been continued during FY23. Detail of these schemes can be found in the Employee Engagement and Other Stakeholder Engagement Statements within the Directors' Report.

Success with Employees

Two-way engagement with co-members is a priority for the Board. The Company's Global Managing Director, Ian Nicholas, continues to engage co-members through vlogs posted on the internal communication network. This ensures the Board have a visible presence within the Company and are able to promote the Company's performance, its values, and its co-member initiatives alongside progress against the Company's strategic plan.

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

Success with Employees (continued)

These initiatives for FY23 include the continuation of the Golden Ticket rewards programme, through which co-members in the network and central support are able to be considered for entry into a prize draw based on their performance. In addition, the Board continued to encourage diversity and inclusion at work within the Company, through promotion of its inclusion and belonging strategy ("Feel What it is Like to Truly Belong"). The Company implemented a plan of work, following a consultancy project in the previous year, which is aimed at improving diversity awareness and practices internally, as well as becoming experts and thought leaders externally. This includes inclusion and belonging ambassadors and senior sponsors working to raise the profile of co-member voice and educate co-members on inclusion and belonging in order to encourage openness and transparency. During FY23, the Company was awarded a Bronze level 'Inclusive Employers Standard' for its inclusion and diversity standards. Further information on the Company's commitment to diversity and inclusion can be found on the 'Diversity and Inclusion' page of the Company's website: <https://www.reed.com/diversity-and-inclusion>.

The Board continues to ensure that the Company upholds its Armed Forces Covenant and that it remains an armed forces-friendly employer. In FY23, the Board supported Reed by demonstrating the Company's continued commitment to Reed being recognised as a Defence Employer. Reed was subsequently awarded the gold level of the Defence Employer Recognition Scheme.

Further details on how the Board pro-actively interacts and measures its engagement with employees may be found within the Employee Engagement Statement within the Directors' Report, and within the Stakeholder Map on the 'Corporate Governance' page of the Company's website.

Success with Environment and Communities

The Board continues to champion for the environment by ensuring the Company remains CarbonNeutral© and upholds its ISO14001 certification. The Board has continued to move the Company forward with its targets in relation to Reed's overall Carbon Reduction Plan, which can be found on the Company's 'Corporate Governance' page on the Company's website. Reed's Carbon Reduction Plan, along with the Board's responsibility toward Reed's many environmental achievements were considered by the Board when making principal decisions in FY23. In addition, the Company participated in a Reed-wide consultancy project to review Reed's maturity in the environmental and social space, including Reed's environmental strategy and initiatives, and has already begun to work on implementing the project recommendations.

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

Success with Environment and Communities (continued)

In FY23 the Company supported its local communities via a number of charitable initiatives. The Company's co-members participated in the 'Million Mile Clean' dedicated to clearing the UK's beaches of plastic pollution. Many of the Company's local offices also organised clothing collections and donations to local charities. Further information on the Company's social impact can be found on the 'Social Impact' page of the Company's website: <https://www.reed.com/our-social-impact>.

Reed's many environmental achievements have been set out in the Reed Global Limited (10169598) annual report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Further details on how the Company pro-actively interacts with and measures its engagement with the environment can be found within the Environment section of the Strategic Report.

The Board has supported Reed in the continuation of its tax strategy which is published on-line and can be found via the Company's Corporate Governance page on its website. HMRC has categorised Reed as low tax risk.

Success with Suppliers

The Board ensures diligent management of a network of partners and suppliers to ensure we provide the best service to our customers. The Board continues to instruct for policies and procedures to be in place to ensure fairness and transparency with suppliers, as well as ensuring our suppliers and partners reflect the same values as the Company. Policies in place include a preferred supplier list for umbrella companies.

Across FY23, the Company averaged a 31-day payment period to suppliers.

Further details on how the Board pro-actively interacts and measures its engagement with suppliers and other stakeholders may be found within the Other Stakeholder Engagement Statement within the Directors' Report, and within the Stakeholder Map on the 'Corporate Governance' page of the Company's website.

Environment

The Board ensures that the Company operates in alignment with Reed's policy regarding the environment. This policy continues to be adopted by the Board as it ensures that we understand and effectively manage the actual and potential environmental impact of our activities in tandem with the other Reed companies. The Board ensures that the Company operates in a way that it complies with all legal requirements relating to the environment in all areas where it carries out its business.

STRATEGIC REPORT (continued)

Section 172 Statement (continued)

Environment (continued)

In FY23, the Board approved the Company's participation in Reed's consultancy review processes and strategy around Environmental, Social and Governance ("ESG") matters, to ensure that the Company continues to consider the importance of ESG factors and their impact on stakeholders in its decision-making. Recommendations from the review are to be implemented in FY24 - these include developing a formalised ESG Strategy and supporting communications plan, greater consideration of opportunities arising in this space and the establishment of a Reed Sustainability Committee to manage environmental and social risk and opportunity for the Company and wider Reed.

During FY23, the Company did not incur any financial penalties or investigation for any breach of environmental regulations. The Board inputs into an overall Streamlined Energy and Carbon Report (SECR) for Reed, which may be found on Reed's website and in the financial statements of Reed Global Limited (10169598). Further details on how the Board pro-actively interacts and measures its engagement with the environment can be found within the 'Success with Environment and Communities' section of the Section 172 Statement within the Strategic Report.

Modern Slavery Statement

The Board has approved the Reed Group's Modern Slavery Statement which can be found on the Company's website.

Approval

The Strategic Report was approved by the Board on 17th November 2023 and signed on its behalf by:



Lee Richards ACMA, BSc
Director

REPORT OF THE DIRECTORS

The Directors present their report and the audited annual report for the year ended 30th June 2023.

Dividends

A dividend of £27m. was proposed for the year (2022: £nil).

Directors

The Directors of the company who were in office during the year and up to the date of signing the financial statements are given on page 2.

The Statement of Directors' Responsibilities in respect of the financial statements may be found on page 16.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Acts 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Employee Engagement Statement

The Company values input and feedback from its co-members and has numerous processes in place to capture the thoughts and views of its workforce. These include monthly co-member surveys with numeric results and qualitative feedback, as well as a half yearly survey delving deeper into areas concerning co-members. These results are analysed, and actions are taken in response to trends or specific feedback. The Board delegates collation and initial analysis of employee feedback to working groups, who present consolidated data to the Board to enable appropriate decisions and actions to be taken.

The Company continued to facilitate co-member feedback in Board decision making through its Shadow Board, which consists of a group of engaged co-members from across the Company providing feedback and co-member insight toward relevant matters the Board are considering. Members are appointed annually and in FY23, a total of 8 co-members were appointed to the new Shadow Board, these co-members have a cumulative length of service of 98 years with Reed and hold a range of roles across both the network and central support.

Furthermore, the Board recognised the needs of co-members across FY23 in its principal decision making and used feedback from these engagements to help shape our decisions. An

REPORT OF THE DIRECTORS (continued)

Employee Engagement Statement (continued)

example of these decisions can be found in the Section 172 Statement within the Strategic Report.

Diversity and inclusion at work is important for Reed, and the Board supports the mentorship programmes and other social inclusion initiatives that take place, to support all co-members in the Company and ensure the workforce is diverse and inclusive. Further information on the Company's commitment to diversity and inclusion can be found on the 'Diversity and Inclusion' page of the Company's website: <https://www.reed.com/diversity-and-inclusion>.

Further details on how the Company pro-actively interacts and measures its engagement with co-members may be found within the 'Success with Employees' section of the Section 172 Statement in the Strategic Report, and within the Stakeholder Map on the 'Corporate Governance' page of the Company's website.

Other Stakeholder Engagement Statement

The Company values input and feedback from all stakeholders and has numerous processes in place to capture the thoughts and views from a diverse set of stakeholders. The stakeholder feedback received by the Board includes customer-based metrics on satisfaction levels and views of local communities. The Board delegates specific responsibilities and actions to a customer excellence function, which engages with other stakeholders and provides targeted feedback to the Board so that informed decisions and strategic policies may be implemented with other stakeholders' needs at heart.

The Board continues to advocate for improved standards in its industry for its temporary employees and clients, in line with Reed's purpose of "Improving lives through work". The Company actively engaged with its regulators, including the UK government Department for Business and Trade, by responding to formal consultations. In addition, through its relationships with its UK regulators, the Company was able to support improvements to guidance produced for keeping children safe in the Education sector, for example. These improvements ensure that recruitment standards in the Education sector are aligned, and temporary workers are treated fairly throughout their time working in the sector.

The Company is also an advocate for the environment and the Board considers the Company's impacts on the environment and local communities when making decisions. Examples of how this engagement has impacted decision making can also be found in the 'Success with Environment and Communities' and 'Success with Suppliers' sections of the Section 172 statement.

REPORT OF THE DIRECTORS (continued)

Other Stakeholder Engagement Statement (continued)

The Company recognises that its clients' needs remain a top priority, with the Board's strategy focused on ensuring an excellent customer journey. In FY23 the Company's Net Promoter Score with its clients improved to 66.4, and reviews on external websites such as TrustPilot remained strong. The Board initiated a project in FY23 to encourage clients to provide feedback via TrustPilot so that the Company can continuously develop its service in line with customer insights.

Further details on how the Company pro-actively interacts and measures its engagement with other stakeholders may be found within the Section 172 Statement and Environment Statement in the Strategic Report, and within the Stakeholder Map on the 'Corporate Governance' page of the Company's website.

Co-members

The Company encourages all employees, known as co-members, to attend regular training courses and they 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.

It is a policy of the Company 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, and ethnic, racial or religious background.

In the event of co-members becoming disabled every effort is made to ensure their employment with the Company continues and the Company is committed to ensuring sufficient and appropriate adjustments are made in order to achieve this objective.

Diversity and Belonging – Our commitment

The Company is committed to the Reed Group's policy of creating a diverse and inclusive workforce by recognising and understanding each individual's unique differences and celebrating these within the business. By valuing Inclusion, we hope to create a workplace where co-members can thrive and be the best they can be each day.

Charitable donations and political contributions

Charitable donations of £1,400 were made in the year (2022: £41,000).

No political contributions were made in the year (2022: £nil).

REPORT OF THE DIRECTORS (continued)

Risk management

Information on the Company's management of financial risk is disclosed in the Strategic Report on page 4. In particular the Company's exposures to foreign currency 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'.

Going concern basis

The Company's business activities, together with the factors likely to affect its future development, financial risk management objectives, and its exposures to credit, liquidity and cash flow risk are described in the Strategic Report on pages 3 to 6.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. Consequently, the Directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors of Reed Global Limited agreed after the balance sheet date that, should it be required, it intends to provide support for the meeting of liabilities as and when they fall due to Reed Specialist Recruitment Limited to continue in operation until at least 31st December 2024. That support is intended to include assistance to meet the liabilities of payment of intercompany creditors until 31st December 2024.

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.

Disclosure of information to auditors

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 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.

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)

Independent auditors

PricewaterhouseCoopers LLP were reappointed as Reed group auditors during the year.

Approval

The report of the Directors was approved by the Board on 17th November 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Lee Richards', with a stylized flourish at the end.

Lee Richards ACMA, BSc
Director