REC Annual Report

2019 Accounts and
2020 Trading Update

Making great work happen
Company information

Directors
J Barrowcliffe
A Bishop (appointed 20 June 2019)
D Brooks (appointed 20 June 2019)
N Carberry
S Conington
K Davison Renouf
M Edwards
R Hanford
L Hewitt
J Hilton
P Jacobs
P Mellor
C Moore
S Moore (appointed 20 June 2019)
H Salway
P Sharpe
G Taylor (appointed 20 June 2019)
S Thewlis
J Williams
G Wilson
S Winfield (appointed 20 June 2019)

Company secretary
D Vallance

Registered number
03895053

Registered office
Dorset House,
Stamford Street,
London,
SE1 9NT

The Recruitment and Employment Confederation Limited

(A Company Limited by Guarantee)

Contents

Chair’s welcome 1
CEO’s introduction 2
REC performance highlights 2019 3–4
The shape of our industry 2019 5–6
Our influence and reach 7–8
Supporting you to succeed 9–10
Improving professionalism and industry standards 11–12
Trading update 2020 13–14
Directors’ report 15–16
Disclosure of information to Auditors 17
Independent Auditors’ Report 18–20
Statement of Comprehensive Income 21
Statement of Financial Position 22
Notes to the Financial Statements 23–28
Chair’s welcome

As I near the end of my three year tenure as Chair of the REC, it feels important to reflect back on how much the world we’re in has changed and how far the REC has come in this time.

In my letter that accompanies this year’s report, I explain that journey. But as of today:

- We have an entire organisation with complete focus on its members.
- We have invested in and delivered a new CRM, new brand and new website to drive member engagement to a whole new level.
- We have designed and gained approval for a new governance environment that will see the organisation become more agile, have access to expert guidance and input from within our sector, and also expertise from outside our industry when we need it.

I feel incredibly proud to have been part of this organisation - as a member, a Council member and as Chair for the past three years. I will remain an activist for our industry for many years to come but my final task will be to ensure the organisation is left in good shape and under the stewardship of a new Chair.

This brings me onto the final part of my message to you all. We are living in extremely challenging times. I can’t speak for other industry sectors but I feel I have permission to speak on behalf of ours when I say that we are an incredible breed of people, we never step aside from a crisis, we accept it for what it is, we adapt, and we overcome it. We have to remain a formidable force of good, and I encourage you all to work with the REC, to allow us to champion the industry, its people, and to ensure we continue to strengthen our voice with decision makers.

Best wishes to you all and thank you for allowing me to serve as your Chair.

Chris

Welcome to our 2019 Annual Report

Sitting down to draft this in the midst of the Coronavirus crisis, it takes some effort to recall what last year was like.

What shines out more clearly now – though it drove us then – is the purpose of the REC. We are here to help recruitment and staffing businesses make great work happen. Because we believe in what you do, and the benefits you create. Our reaction to the current crisis is born of this belief, but it was already guiding the steps we were taking before the virus struck.

Taking care of members and making it easier for you to access support, advice and representation from us is at the heart of my mission as your CEO. Our rebrand, changed approach to communications and new website are visible signs of this – but so is the investment that we have delivered in our back-office technology, like CRM, and other upgrades.

These investments have been the backbone of the REC being able to continue to serve you well during the crisis of 2020, with a fully remote working team. From a seat at the table with Government to more and different forms of business support, the REC has upped its game to match the times. And in 2019 this approach stood behind a faster rate of new membership growth, as well as an unprecedented second year of 90%+ renewal by existing corporate members. In what was already a tough year for the sector, these are strong results.

Thank you for this support – we will not let you down. I know how much recruiters are struggling right now. But we know that the sun will rise, and that we are adaptable, entrepreneurial and resilient. Let’s take care of each other, and the UK’s amazing recruitment sector will bounce back, stronger than ever.

I will no doubt have the chance to say this in person before he departs but I also want to formally record my thanks to Chris for his support and tenure as Chair.

All the best to you and your business,

Neil
REC performance highlights 2019

We are really proud to lead such a dynamic and resilient industry, so just like our members, the REC had to up its game in 2019.

- We launched a rebranded REC as part of our drive to ensure we all work together to make great work happen. Individuals are now clearly part of the REC family and known as REC Professionals.
- Our membership is a 3,350 strong network of recruitment businesses and 2019 was our second successive year of 90%+ renewals.
- We have more than 500 of your clients (employing over 3.2 million staff) signed up to the relaunched Good Recruitment Collective.
- We welcomed 453 new members in 2019, an increase of 7% on the year before.
- Our REC Professional membership has reached 10,021 individual recruiters.
- The REC website had over 1.6 million visitors during 2019 – a 5% increase on 2018.
- We have increased Ministerial level contact and positive outcomes by 20% including a visit to the REC in May 2019 by the then Secretary of State for Work & Pensions, Amber Rudd.
- We had 3,782 total media hits in 2019, an increase of 64% from 2018. Of those, 1,259 were in target media outlets, including the Financial Times.
The shape of our industry 2019

With an uncertain political and economical backdrop, paired with huge regulatory changes on the horizon, we can be proud of our industry’s achievements in 2019, particularly given how a number of businesses in the sector reported it as a challenging year.

Recruitment Industry Trends covered the financial year 2018/19 and reported:

- A huge UK recruitment industry turnover of £38.9 billion
- A total of 119,000 staff were employed by the broader recruitment industry, up 3% on 2017/18
- More than 31,140 recruitment enterprises were operating across the UK in March 2019, a year-on-year increase of 2%.
- £33.4 billion generated through temporary/contract placements
- Employer satisfaction with their recruitment partners was 82% at its highest level in 2018/19
- 83% of employers were satisfied with the candidates presented by partner agencies
- £5.5 billion achieved through permanent placements
- £33.4 billion generated through temporary/contract placements
- A total of 119,000 staff were employed by the broader recruitment industry, up 3% on 2017/18
- More than 31,140 recruitment enterprises were operating across the UK in March 2019, a year-on-year increase of 2%.
- Employer satisfaction with their recruitment partners was 82% at its highest level in 2018/19
- 83% of employers were satisfied with the candidates presented by partner agencies
- £5.5 billion achieved through permanent placements
Our influence and reach

We used our network and reach to help successfully campaign for what recruiters need.

- Our spokespeople were interviewed 30 times on TV and radio during 2019, including three slots on Radio 4’s Today programme.
- Our newly named Good Recruitment Collective (GRC) has grown to 500 companies all united behind one common goal of attaining recruitment best practice.
- We have 52,827 followers on our LinkedIn channel. A 29% increase on 2018.
- Our voice reaches 25,697 followers on our REC twitter channels (@RECPress and @RECmembers) a 3% increase on 2018.
- 33% increase in external visibility Speaking slots at external conferences, parliamentary groups and official government forums.
- 389 HR and recruitment professionals joined together at the our flagship Talent, Recruitment & Employment Conference (TREC) in 2019.
Supporting you to succeed

48,089
PDF downloads of member material from the REC website including legal resources, research papers, white papers, industry reports, career advice, infographic summaries and much more.

During 2019, there were 52,495 views of the REC Blog which shares thought leadership, intelligence and industry knowledge - a 3% increase on 2018.

Our research area of the website received 40,003 page views - an 18% increase on 2018, with 74 research reports published.

12 Legal reports were published and 9 legal templates produced.

The Legal resources area of our website had 236,125 page views in 2019, with the lawline seeing 10,837 calls and emails.

Our customer contact teams dealt with 17,631 incoming telephone calls and 10,639 email queries.

We provided practical support via our Brexit, IR35 and Good Work hubs - with a combined total of 26,538 page views during 2019. In more recent times, we added to this with our Covid-19 hub.

1,150 members actively engaged in our campaigning work (an increase of 26% on 2018).

Our national events programme. webinars and IRP awards saw 6,805 attendees, a 9% increase on 2018.
Improving professionalism and industry standards

During 2019, 4,520 qualification units were awarded within regulated qualifications through the REC awarding organisation.

34 bespoke in-company training courses delivered.

384 recruiters attended our open training delivered across the UK.

579 recruiters got a professional qualification via the REC in 2019.

We set standards for members and help regulate the industry. We received a total of 108 formal complaints about REC members and we investigated every single one. This is one of the ways we protect clients and candidates, and ensure good recruiters can thrive.

154 corporate members have also attained an REC Audited or Audited Education accreditation.
Trading update 2020

The general UK economy achieved growth of 1.4% in 2019, slightly better than in 2018 but below the rate of 2% or more over the previous five years. There were some challenging headwinds for the sector during the year, with the number of temps placed in businesses dropping marginally. At the time of writing, we are in the midst of lockdown due to Covid-19 and so forecasts for 2020 are deeply uncertain. What is clear, however, is that the UK is experiencing a sharp recession in the first part of the year.

The unprecedented first quarter of 2020, with the UK being in lockdown due to Covid-19 since late March, and a number of support packages being announced by the UK government to aid businesses and individuals makes forecasting for the year ahead exceptionally difficult. As the economic picture is constantly changing, this trading update will not follow the usual format as economic predictions made now may be out-of-date by the time this Report and Accounts are published.

Within REC, our response to the current crisis has been aided by the Investments we made in 2019 to build a more digital REC. Our new CRM was launched in late 2019, at the same time as our new brand and communications approach, which has significantly boosted member engagement. Last autumn, we also deployed the technology needed to run the entire organisation remotely – though we did not anticipate needing it so soon! The final part of this jigsaw of new technology is our new website, launched in May 2020.

As well as embedding these important new tools to support members, we are also reviewing our product suite during 2020, to ensure that we continue to meet the needs of the industry in this challenging time.

The REC has also undertaken a review of its governance structure and recently asked the membership to vote on several changes to the Articles of Association. The primary aim of this is to help the organisation become more effective by changing the size and composition of its governing body, whilst continuing to represent the recruitment industry. These changes are still to be approved by a formal general meeting, but it is anticipated that this will have happened by the time the AGM takes place. In light of the current crisis, once approved these changes will be put into force so that the REC can remain focussed on supporting members. An additional General Meeting (GM) in May was asked to approve both a temporary extension of the terms of the current REC Non-Executives to allow us to benefit from their experience over the summer and run elections when the new normal is more established.

Update on the position at March 2020

Whilst the impact of Covid-19 began to be felt in the first quarter, the trading update remains positive. Membership retention has remained at similar levels as previous years, and whilst a handful of members cancelled their Direct Debits for quarterly subscriptions in March, a pleasing number of these have already been reinstated as members realise the value of their continuing membership. Our legal resources in particular have been stretched in recent weeks, but action has been taken to ensure members continue to receive the support they need in these challenging times. We have seen record levels of engagement with our website Covid hub. We also continue to recruit new companies into membership at levels in line with the targets set in late 2019.

Other areas of the business have obviously suffered due to the constraints of lockdown, with the cancellation or postponement of a number of training and qualifications courses, major events like our 2020 REC conference and changes to the way we engage with members and other customers.

Internally, we have implemented a programme of cost-control designed to limit the negative impact of Covid-19 on our business. This has included some use of the Government furlough scheme for up to 12 members of staff where demand for their specialist roles has dropped, as well as the Q2 deferral of VAT payments. It is likely that we will have to make other changes to the REC during the year to ensure we are positioned to effectively serve members in 2021 and beyond. REC is in a good position to weather the current downturn due to the reserves policy that has been in place for a number of years, ensuring that sufficient cash has been retained in the business to enable continuing operations at a time when members need us most. The Board may choose to make a call on reserves as the crisis unwinds, but we have not yet begun the process of taking this step.

Our response to the Covid-19 crisis has been aided by the investments we made in 2019 to build a more digital REC.
Directors’ report and financial statements for the year ended 31 December 2019

Directors’ responsibilities statement

The directors are responsible for preparing the Directors’ 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland). 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 for the Company’s financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activities of REC are:

- Representation of members’ needs and views in the UK and abroad and to influential organisations and individuals in the UK and overseas.
- Provision of members services and benefits to businesses and individuals able to meet strict entry criteria and to conform to the REC Code of Professional Practice, including offering legal advice helplines.
- Provision of vocational qualifications and training courses for those who work in the industry, or wish to find employment within the industry.
- Research and distribution of information demonstrating the social and economic contribution of the recruitment industry to the UK economy.

Reserves policy

The directors have adopted a reserves policy.

This recognises that it is prudent to hold appropriate reserves to enable the company to properly plan its activities and to protect itself against business risk including the loss or serious curtailment of one or more income streams and of serious business interruption. In addition, it is felt necessary to maintain a “fighting fund” to employ expert advisors to protect the interest of members as and when the need arises.

Having achieved the reserves policy in 2017 under the previous accounting policies (reference notes to the Financial Statements 2.2) the Board is now considering an appropriate reserves policy to cover future requirements.

The Board reviews the reserves policy and the level of reserves at least once a year in light of current and anticipated levels of income and the company’s planned activities.

Results and dividends

The profit for the year, after taxation, amounted to £140,502 (2018: £4,979).

Directors

The directors who served during the year were:

A Anglin (resigned 18 December 2019)
J Barrowcliffe
A Bishop (appointed 20 June 2019)
D Brooks (appointed 20 June 2019)
N Carberry
M Channon (resigned 18 June 2019)
S Conington
K Davison Remouf
M Edwards
N Gupta (appointed 20 June 2019)
R Handford
L Hewett
J Hilton
T Jacob (resigned 2 March 2020)
P Jacobs
D Martyn (resigned 20 June 2019)
P Mellor
C Moore
S Moore (appointed 20 June 2019)
M Purdie (appointed 20 June 2019)
(resigned 18 March 2020)
H Salway
P Sharpe
G Taylor (appointed 20 June 2019)
S Thewlis
J Williams
G Wilson
S Winfield (appointed 20 June 2019)

Director’s report and financial statements for the year ended 31 December 2019

15 REC Annual Report 2019
Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors’ Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company’s auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

Auditors
The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note
In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 1 May 2020 and signed on its behalf.

D Vallance
Secretary

Independent auditors’ report to the shareholders of Recruitment and Employment Confederation

Opinion
We have audited the financial statements of Recruitment and Employment Confederation (the ‘Company’) for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
Independent auditors’ report to the shareholders of Recruitment and Employment Confederation (continued)

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors’ Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of this other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

» the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

» the Directors’ Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors’ Report.

We have nothing to report in respect of the following matters in relation to which 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; or

» the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies’ exemptions in preparing the Directors’ Report and from the requirement to prepare a Strategic Report.

Responsibilities of directors
As explained more fully in the Directors’ Responsibilities Statement on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors’ Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors’ Report.

Use of our report
This report is made solely to the Company’s shareholders 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 shareholders those matters we are required to state to them in an Auditors’ Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s shareholders for our audit work, for this report, or for the opinions we have formed.

Jeremy Beard (Senior Statutory Auditor) for and on behalf of Haymacintyre LLP

Statutory Auditors
10 Queen Street Place
London EC4R 1AG
7 May 2020

Independent auditors’ report to the shareholders of Recruitment and Employment Confederation (continued)
Statement of Comprehensive Income  
for the Year Ended 31 December 2019

company registered no.: 03895053

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>£7,091,654</td>
<td>£7,149,857</td>
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<tr>
<td>Direct Costs</td>
<td>(1,592,382)</td>
<td>(1,713,953)</td>
</tr>
<tr>
<td>Gross surplus</td>
<td>£5,499,272</td>
<td>£5,435,904</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(5,488,682)</td>
<td>(5,406,901)</td>
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<tr>
<td>Operating surplus</td>
<td>£10,590</td>
<td>29,103</td>
</tr>
<tr>
<td>Fair value movements on investments</td>
<td>125,064</td>
<td>(59,056)</td>
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<tr>
<td>Interest receivable and similar income</td>
<td>31,468</td>
<td>31,405</td>
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<tr>
<td>Surplus before tax</td>
<td>£167,122</td>
<td>1,452</td>
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<tr>
<td>Tax on surplus</td>
<td>(26,620)</td>
<td>3,527</td>
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<tr>
<td>Surplus for the financial year</td>
<td>£140,502</td>
<td>4,979</td>
</tr>
</tbody>
</table>

There was no other comprehensive income for 2019 (2018: £NIL).

*The notes on pages 23–28 form part of these financial statements.

Statement of Financial Position  
as at 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Notes*</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>4</td>
<td>£1,176,729</td>
<td>502,119</td>
</tr>
<tr>
<td>Investments</td>
<td>5</td>
<td>£1,301,912</td>
<td>1,489,453</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors: amounts falling due within one year</td>
<td>6</td>
<td>£1,391,361</td>
<td>£1,042,709</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>7</td>
<td>£1,391,361</td>
<td>41,620</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>8</td>
<td>(2,180,285)</td>
<td>(1,562,934)</td>
</tr>
<tr>
<td>Net current liabilities</td>
<td></td>
<td>£(788,924)</td>
<td>(478,605)</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td></td>
<td>£1,689,717</td>
<td>£1,512,967</td>
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<tr>
<td>Provisions for liabilities</td>
<td></td>
<td></td>
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<tr>
<td>Deferred tax</td>
<td>9</td>
<td>(16,248)</td>
<td>-</td>
</tr>
<tr>
<td>Other provisions</td>
<td>10</td>
<td>(20,000)</td>
<td>-</td>
</tr>
<tr>
<td>(36,248)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>£1,653,469</td>
<td>£1,512,967</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income and expenditure account</td>
<td></td>
<td>£1,653,469</td>
<td>£1,512,967</td>
</tr>
<tr>
<td>Reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 23–28 form part of these financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A smaller entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 May 2020. C Moore, Director
Accounting policies

General information

Over recent years REC has operated a Reserves Policy which was designed to build Reserves to a level sufficient to keep the company operating, even in times of severe economic disruption. This Reserves level was achieved in 2017 and has been maintained since then. At the end of 2019 REC held Reserves of nearly £1.7M of which £1.3M was held in liquid assets, a level considered sufficient to meet the current cashflow needs of the business, whilst still supporting the Members at a time when they need REC most.

The fall in global equity markets has negatively impacted the value of the Company’s investment portfolio but it is too early to predict whether this short-term effect will persist throughout the current financial year to 31 December 2020. The directors continue to adopt the going concern basis in preparing the accounts.

At the time of writing, the situation surrounding Covid 19 is rapidly changing. In assessing the company’s ability to continue as a going concern, the directors have had to consider the time pattern of the lessee’s benefit from the use of the leased asset.

The following principal accounting policies have been applied:

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The following principal accounting policies have been applied:

2.2 Going concern

At the time of writing, the situation surrounding Covid 19 is rapidly changing. In assessing the company’s ability to continue as a going concern, the directors have had to consider the time pattern of the lessee’s benefit from the use of the leased asset.

2.3 Revenue

Revenue represents subscriptions receivable from corporate members, subscriptions received from individual members, fees from professional training and qualifications, insurance commissions, sales of literature, event fees and business partner income net of VAT.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.5 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.6 Current and deferred taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The company is liable to tax on its investment income and other income derived from non members.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Short term leasehold property: Over the term of the lease

Fixtures and fittings: 20–30% straight line

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.8 Valuation of investments
Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.9 Debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Creditors
Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Provisions for liabilities
Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.12 Financial Instruments
The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3. Employees
The average monthly number of employees, including directors, during the year was 77 (2018: 72).

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

<table>
<thead>
<tr>
<th>4. Tangible fixed assets</th>
<th>Short term leasehold property</th>
<th>Plant and Machinery</th>
<th>Assets under construction</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Cost or valuation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>291,185</td>
<td>940,301</td>
<td>347,551</td>
<td>1,579,037</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>44,784</td>
<td>706,989</td>
<td>751,77</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>291,185</td>
<td>985,085</td>
<td>1,054,540</td>
<td>2,330,810</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>244,236</td>
<td>832,682</td>
<td>-</td>
<td>1,076,918</td>
</tr>
<tr>
<td>Charge for the year on owned assets</td>
<td>12,264</td>
<td>64,899</td>
<td>-</td>
<td>77,163</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>256,500</td>
<td>897,581</td>
<td>-</td>
<td>1,154,081</td>
</tr>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>34,685</td>
<td>87,504</td>
<td>1,054,540</td>
<td>1,176,729</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>46,950</td>
<td>107,619</td>
<td>347,551</td>
<td>502,120</td>
</tr>
</tbody>
</table>
5. Fixed asset investments

<table>
<thead>
<tr>
<th>Listed Investments</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or valuation</td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>1,489,453</td>
</tr>
<tr>
<td>Additions</td>
<td>143,001</td>
</tr>
<tr>
<td>Disposals</td>
<td>(386,596)</td>
</tr>
<tr>
<td>Revaluations</td>
<td>125,064</td>
</tr>
<tr>
<td>Transfer between classes</td>
<td>(69,010)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>1,301,912</td>
</tr>
</tbody>
</table>

6. Debtors

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>886,281</td>
</tr>
<tr>
<td>Other debtors</td>
<td>138,814</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>366,266</td>
</tr>
<tr>
<td>Total</td>
<td>1,391,361</td>
</tr>
</tbody>
</table>

7. Cash and cash equivalents

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank and in hand</td>
<td>-</td>
</tr>
<tr>
<td>Less: bank overdrafts</td>
<td>(133,432)</td>
</tr>
<tr>
<td>Total</td>
<td>(133,432)</td>
</tr>
</tbody>
</table>

8. Creditors: Amounts falling due within one year

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank overdrafts</td>
<td>133,432</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>335,719</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>10,921</td>
</tr>
<tr>
<td>Other taxation &amp; social security</td>
<td>299,281</td>
</tr>
<tr>
<td>Other creditors</td>
<td>141,746</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>1,259,186</td>
</tr>
<tr>
<td>Total</td>
<td>2,180,285</td>
</tr>
</tbody>
</table>

9. Deferred taxation

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At beginning of year</td>
<td>-</td>
</tr>
<tr>
<td>Charged to profit or loss</td>
<td>(16,248)</td>
</tr>
<tr>
<td>At end of year</td>
<td>(16,248)</td>
</tr>
<tr>
<td>The deferred taxation balance is made up as follows:</td>
<td></td>
</tr>
<tr>
<td>Accelerated capital allowances</td>
<td>(16,248)</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charged to profit or loss</td>
<td>20,000</td>
</tr>
<tr>
<td>Dilapidation provision</td>
<td>20,000</td>
</tr>
</tbody>
</table>

11. Company status

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation.

12. Capital commitments

At 31 December 2019 the Company had capital commitments as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted for but not provided in these financial statements</td>
<td>111,264</td>
</tr>
<tr>
<td>Total</td>
<td>111,264</td>
</tr>
</tbody>
</table>

13. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non cancellable operating leases as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>282,632</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>565,264</td>
</tr>
<tr>
<td>Total</td>
<td>847,896</td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>19,397</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>19,397</td>
</tr>
</tbody>
</table>
The Recruitment & Employment Confederation is the voice of the recruitment industry, speaking up for great recruiters. We drive standards and empower UK recruitment businesses to build better futures for their candidates and themselves. We are champions of an industry which is fundamental to the strength of the UK economy.
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