



REC Report and Accounts 2018 and Trading update 2019

THE RECRUITMENT AND EMPLOYMENT CONFEDERATION LIMITED

(A Company Limited by Guarantee)

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The directors present their report and the financial statements for the year ended 31 December 2018.

Company information

Directors

A Anglin, J Barrowcliffe, N Carberry,
M Channon, S Conington,
K Davidson-Renouf, M Edwards,
N Gupta, R Handford, L Hewett, J Hilton,
T Jacob, P Jacobs, D Martyn, P Mellor,
C Moore, H Salway, P Sharpe, S Thewlis,
J Williams and G Wilson

Company secretary

D Vallance

Registered number

03895053

Registered office

Dorset House,
Stamford Street,
London,
SE1 9NT



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 Whitehall, Brussels 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 Best Recruitment 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.

Directors

The directors who served during the year were:

A Anglin, J Barrowcliffe, M Bennett (resigned 13 June 2018) N Carberry (appointed 12 December 2018) M Channon, A Clarke (resigned 13 June 2018), S Conington, K Davison-Renouf, M Edwards, S Edwards (resigned 31 December 2018), N Gupta, R Handford, L Hewett, J Hilton, T Jacob (appointed 13 June 2018), P Jacobs, D Martyn, P Mellor, C Moore, H Salway, P Sharpe, S Street (resigned 25 July 2018), S Thewlis, J Williams (appointed 13 June 2018), G Willson (appointed 13 June 2018)

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.

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 20 March 2019 and signed on its behalf.



D Vallance, Secretary

INDEPENDENT AUDITORS' REPORT

To the members 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 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 2018 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.

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 in the financial statements or a material misstatement of the 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 3, 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 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 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

Statutory Auditors, 10 Queen Street Place, London, EC4R 1AG
20 March 2019

THE RECRUITMENT AND EMPLOYMENT CONFEDERATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

Notes	2018 £	2017 £
Income	7,149,857	6,969,877
Direct Costs	(1,713,953)	(1,777,499)
Gross surplus	5,435,904	5,192,378
Administrative expenses	(5,406,801)	(5,254,180)
Operating surplus/(deficit)	29,103	(61,802)
Fair value movements on investments	(59,056)	59,411
Interest receivable and similar income	31,405	23,247
Surplus before tax	1,452	20,856
Tax on surplus	3,527	(14,890)
Surplus for the financial year	4,979	5,966

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 13-20 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

Notes	2018 £	2017 £
Fixed assets		
Tangible assets	502,119	189,956
Investments	1,489,453	1,312,619
	1,991,572	1,502,575
Current assets		
Debtors: amounts falling due within one year	1,042,709	876,355
Cash at bank and in hand	41,620	942,190
	1,084,329	1,818,545
Creditors: amounts falling due within one year	(1,562,934)	(1,803,821)
Net current (liabilities)/assets	(478,605)	14,724
Total assents less current liabilities	1,512,967	1,517,299
Provisions for liabilities		
Deferred tax		(9,311)
		(9,311)
Net assets	1,512,967	1,507,988
Reserves		
Income and expenditure account	1,512,967	1,507,988

The notes on pages 13-20 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 - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 March 2019.

C Moore,
Director

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 December 2018

	Income and expenditure account £	Total reserves £
At 1 January 2017	1,505,022	1,502,022
Surplus for the year	5,966	5,966
At 1 January 2018	1,507,988	1,507,988
Surplus for the year	4,979	4,979
At 31 December 2018	1,512,967	1,512,967

The notes on pages 13-20 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. General information

The Recruitment and Employment Confederation is a private company limited by guarantee incorporated in England and Wales. The registered office is Dorset House, Stamford Street, London SE1 9NT.

2. Accounting policies

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 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.

Membership Income

Corporate membership is accounted for in line with the year it relates to being the calendar year.

Individual subscriptions are accounted for over the period to which they relate being one year from renewal.

Professional training, qualifications and event income

These income streams are recognised in the year in which the training, event or qualification takes place.

Sales of literature and insurance commissions

These incomes streams are accounted for on sale of goods/service.

Business partnership income

Business partnership is accounted for over the period of provision of benefits to the customer. Income in respect of the service element is recognised straight line over the period of the business partnership.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2.3 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee’s benefit from the use of the leased asset.

2.4 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.5 Current and deferred taxation

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

The company is liable to taxation 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2.6 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 terms 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.

2.7 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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2.9 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.

2.10 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.

2.11 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 non-puttable ordinary shares.

3. Employees

The average monthly number of employees, including directors, during the year was 72 (2017 - 72).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Tangible fixed assets

	Short-term leasehold property	Plant and Machinery etc	Assets under construction	Total
	£	£	£	£
Cost or valuation				
At 1 January 2018	291,185	885,065	-	1,176,250
Additions	-	55,236	347,551	402,787
At 31 December 2018	291,185	940,301	347,551	1,579,037
Depreciation				
At 1 January 2018	231,972	754,322	-	986,294
Charge for the year on owned assets	12,264	78,360	-	90,624
At 31 December 2018	244,236	832,682	-	1,076,918
Net book value				
At 31 December 2018	46,949	107,619	347,551	502,119
At 31 December 2017	59,214	130,743	-	189,957

The net book value of land and buildings may be further analysed as follows:

	2018	2017
	£	£
Short leasehold	46,950	59,214
	46,950	59,214

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. Fixed asset investments

	Listed investments
	£
Cost or valuation	
At 1 January 2018	1,312,619
Additions	464,588
Disposals	(254,675)
Revaluations	(59,056)
Movement in investment cash	25,977
At 31 December 2018	1,489,453
Net book value	
At 31 December 2018	1,489,453
At 31 December 2017	1,312,619

6. Debtors

	2018	2017
	£	£
Trade debtors	574,239	398,232
Other debtors	165,359	179,647
Prepayments and accrued income	303,111	298,476
	1,042,709	876,355

7. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	41,620	942,190
	41,620	942,190

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	62,381	80,312
Corporation tax	5,784	5,579
Other taxation and social security	290,493	246,905
Other creditors	181,290	23,416
Accruals and deferred income	1,022,986	1,447,609
	1,562,934	1,803,821

9. Deferred taxation

	2018
	£
At the beginning of the year	(9,311)
Charged to profit or loss	9,311
At end of year	-

The deferred taxation balance is made up as follows:	2018	2017
	£	£
Capital gains and losses	-	(9,311)
	-	(9,311)

10. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. Capital comments

At 31 December 2018 the Company had capital commitments as follows:

	2018	2017
	£	£
Contracted for but not provided in these financial statements	20,982	-
	20,982	-

12. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
No later than 1 year	282,632	282,632
Later than 1 year and no later than 5 years	847,896	1,130,528
	1,130,528	1,413,160

No later than 1 year	6,414	-
Later than 1 year and no later than 5 years	2,138	-
	8,552	-

2019 TRADING UPDATE

The general UK economy achieved growth of 1.4% in 2018, below initial forecasts of 1.6%, and growth is expected to remain low during 2019 with forecasts currently ranging from 1.2%-1.5%.

The UK jobs market continues to outperform the rest of the economy. Employment rates have continued to increase and at the time of writing the ONS has just released the employment statistics for the three months to February 2019. There are currently 1.34M unemployed people in the UK, with 852,000 unfilled job vacancies. These figures demonstrate that there is still strength in the UK jobs market, with opportunities for workers with the right skills to move and progress their careers. This in turn has led to average wage increases of 1.5% in real terms (compared to 0.2% a year ago). Skills and labour shortage remains a challenge for employers and recruiters – though one that enables firms to set themselves apart if they get it right.

Then there is the continuing uncertainty around Brexit, with Britain's departure date now potentially as late as 31st October 2019, and still no clarity around the likely departure deal or ongoing trading relationships with Europe. I will say no more on this as the situation will no doubt have changed again by the time this trading update goes to print! One trend we have noted from our own data is that the delay in Brexit does seem to have boosted demand – and this is centred on temporary rather than permanent growth.

Closer to home, Neil Carberry has now been in his role as the new REC CEO for nine months. He, along with the REC Council of Directors and the executive team, has undertaken a strategic review of the business, and plans are now being implemented. These are largely focussed on making REC easier to engage with, either directly with people or via on-line platforms, and giving a more tailored experience to our members.

We continue to provide learning and development opportunities to recruiters and other people working within employment, via a range of qualifications, training courses and events, and using a variety of methods.

REC is the voice of the recruitment industry in the UK, and is regularly asked to participate in meetings with various government departments and other stakeholders. Our spokespeople also frequently appear in the media – television, radio, newspapers and other publications. The Good Recruitment Campaign, which is aimed at leading employers and is thus helping to improve the industry's reputation, also goes from strength to strength and now has well over 400 signatories including many well-known brands.

UPDATE ON THE POSITION AT MARCH 2019

A significant increase in turnover (over 10%) was budgeted for 2019, largely from increases in membership volumes and the new income stream from end point assessments (EPA) of the recruitment apprenticeship standard. This high target reflects the high expectations we have of the REC as we focus on our new strategy.

The expected growth in membership reflects a significant investment by the business in member support and contact in 2018, which we anticipate seeing the value of in 2019. Performance to date suggests that – despite the headwinds of economic uncertainty – good membership growth in 2019 is likely. This good news is tempered by slightly slower-than-expected progress overall, partly driven by consolidation and changes in business performance amongst existing members. The income stream from EPA remains unpredictable, reflecting the infancy of this product and the relative instability of apprenticeship demand across the sector at the moment. As a result, income by the end of Q1 is slightly down against a stretching budget for growth – though there is scope for recovery through the year.

Costs are currently in line with budget, and we retain enough flexibility in costs to deliver the bottom-line profit figure agreed with our governing Council through sensible cost management, even if top line growth for the rest of the year is in line with Q1. This allows us to continue with our planned investments which are helping us progress with our new strategic objectives.



- Recruitment's biggest lobbying voice
- The source of recruitment knowledge
- Raising recruitment standards
- Developing successful careers in recruitment
- Exceeding members' expectations through business support.

The REC is all about brilliant recruitment, which drives our economy and delivers opportunity to millions. As the voice of the recruitment industry, we champion high standards, speak up for great recruiters, and help them grow. Recruitment is a powerful tool for companies and candidates to build better futures for themselves and a strong economy for the UK. Find out more about the Recruitment & Employment Confederation at www.rec.uk.com

Recruitment & Employment Confederation

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Registered in England, company registration number 3895053