

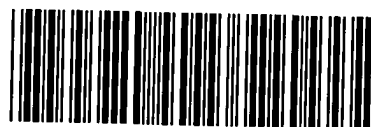
Company Registration No. 975677

Hays Specialist Recruitment Limited

Annual Report and Financial Statements

For the 52 weeks ended 29 June 2018

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Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

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Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Officers and professional advisers

Directors

A R Cox
D Evans
J Harrington
N Heap (resigned 10 July 2018)
P Venables
S Winfield (appointed 2 July 2018)

Secretary

Hays Nominees Limited

Registered Office

250 Euston Road
London
NW1 2AF

Independent Auditor

PricewaterhouseCoopers LLP ("PwC"),
Chartered Accountants and Statutory Auditors,
1 Embankment Place,
London, WC2N 6RH

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Strategic Report

The Directors present their strategic report for Hays Specialist Recruitment Limited (the "Company") for the 52 weeks ended 29 June 2018.

Principal activities

The Company's principal activity is the operation of qualified, professional and skilled recruitment.

The Company is domiciled in the United Kingdom.

Business Review

Gross profit decreased by 0.3% to £237.0 million for the 52 weeks ended 29 June 2018, largely due to a shorter reporting period compared to the prior year.

Results

The profit before taxation for the period amounted to £49.1 million (53 weeks ended 30 June 2017: profit of £49.9 million).

The profit for the financial period amounted to £38.7 million (53 weeks ended 30 June 2017: profit of £39.4 million).

The Company had net assets of £71.6 million (2017: £132.9 million).

Key performance indicators

The key performance indicators for the Company are:

Net Fee Growth – Net fee growth is defined as the growth in gross profit. The period-on-period growth of the Company's net fees provides a measure of business development and growth. In the 52 week period ended 29 June 2018 net fees decreased by 0.3% (53 weeks ended 30 June 2017: 6.4% decrease).

Conversion Rate – The conversion rate is operating profit stated as a percentage of gross profit and measures how effective the Company is at controlling the costs associated with its normal operations and at managing the levels of investment in future growth. In the period to June 2018 the conversion rate increased from 21.1% to 21.3% largely as a result of further cost reductions due to further challenging market conditions.

Principal risks and uncertainties

Macro-economic environment

The performance of the Company has a very close relationship and dependence on the underlying growth of the United Kingdom economy.

Overall, the UK market remained uncertain but stable overall. Public sector markets remained tough, although the rate of gross profit decline improved in the second half of the period part due to easier comparatives following the negative impact of IR35 changes in the public sector, implemented in April 2017. Conditions in our larger private sector business remained more favourable.

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Strategic Report

Competitive environment

In the United Kingdom the markets for the provision of permanent and temporary recruitment are highly competitive and fragmented. In these more developed markets, competitor risks manifests itself in increased competition for clients and candidates, and in pricing pressures.

Commercial relationships

The Company benefits from close commercial relationships with key clients in both the public and private sectors. Within the private sector the Company is not reliant on any one client. The public sector accounts for 25% of the Company's total gross profit. The public sector market that the Company operates in includes a large number of national and local government organisations.

Technology systems

The Company is increasingly reliant on a number of technology systems to deliver its services to clients. These systems are housed in various data centres and the business has capacity to cope with a data centre loss through the establishment of disaster recovery sites that are based in separate locations to the ongoing operations. The business is also reliant upon third-party providers for support services. These relationships are monitored through service reviews and periodic audits to ensure business-critical processes are safeguarded.

Regulatory environment

In common with many other sectors, the specialist recruitment industry is now governed by an increased level of compliance within the United Kingdom and as a result our clients require a more complex level of compliance in their contractual arrangements. The Company is committed to meeting all of its regulatory responsibilities and the legal and compliance teams within the Hays Group keep the business informed as to changes in legislation that may impact the Company, and provide training and compliance programmes in key areas.

Approved by the Board of Directors and signed by order of the board,



C Winters

For and on behalf of Hays Nominees Limited

Secretary

12 December 2018

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Directors' Report

The directors present their annual report and audited financial statements for the Company for the 52 weeks ended 29 June 2018.

Directors

The names of the current directors and those who served during the year are set out on page 1.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

The Company's principal financial assets are cash and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The Company had access to a £210 million revolving credit facility in place for Hays plc and this facility to manage the day-to-day working capital requirements as appropriate for year ended 30 June 2018. The Company manages its debtor days to help mitigate its cash flow risk.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Dividends

During the period the company received dividends of £1.5m from its subsidiary undertakings (53 weeks ended 30 June 2017: £nil) and during the period the company paid a dividend of £100.0m (2017: £70.0m) to the immediate parent company, Hays Specialist Recruitment (Holdings) Limited.

Payments to creditors

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

Trade creditor days as at 29 June 2018 were an average of 66 days (2017: 53 days).

Future developments

In the UK trading conditions remain subdued but broadly stable. There is an increasing expectation that IR35 will be implemented into the private sector in April 2019, with significant downside risk. The directors' however remain satisfied with the future prospects of the Company.

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Directors' Report (continued)

Directors' indemnities

There were no directors' indemnities during the 52 weeks ended 29 June 2018 (2017: nil).

Charitable and political donations

Donations to charitable and political organisations amounted to £nil (2017: £nil).

Employment of disabled persons

The Company adheres to the Hays Group policy relating to the employment of disabled persons, which is:

1. to give full and fair consideration to any application for employment made by a disabled person on the same basis as other potential employees, having regard to their aptitude and ability to do the work and any health and safety considerations;
2. to retain in employment whenever possible any member of staff who becomes disabled during employment and if necessary, provide appropriate training for alternative work; and
3. to provide for disabled persons equal opportunity with other staff for training, career development and promotion within their capability.

Employee Involvement

It is company policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in the decisions that affect their current jobs or future prospects.

To ensure that employees remain engaged in our business, an annual employee engagement survey is carried out each year. This allows employees to voice their views and opinions on all aspects of their workplace environment, training and development, work culture, leadership and client relations.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the key areas of risk and uncertainty when making their assessment. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 of the financial statements.

Strategic Report

The information that fulfils the requirement of Section 414C of the Companies Act 2006 is included in the Strategic Report. This includes a review of the development of the Company during the 52 week period, of its position at the end of the period and of the likely future development in its business.

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Directors' Report (continued)

Statement of disclosure of information to auditors

Each of the persons who are a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditor

The auditor PricewaterhouseCoopers LLP ("PwC") have expressed its willingness to continue in office as Auditors and is deemed to be re-appointed in accordance with section 487 of the Companies Act 2006.

Approved by the Board of Directors and signed by order of the board.



C Winters

For and on behalf of Hays Nominees Limited
Secretary

(2 December 2018

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Independent Auditor's Report to the Members of Hays Specialist Recruitment Limited

Report on the Financial Statements

Our opinion

In our opinion, Hays Specialist Recruitment Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2018 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 29 June 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Independent Auditor's Report to the Members of Hays Specialist Recruitment Limited (Continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditor's 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 auditor's 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Hays Specialist Recruitment Limited

Annual Report and Financial Statements for the 52 weeks ended 29 June 2018

Independent Auditor's Report to the Members of Hays Specialist Recruitment Limited (Continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

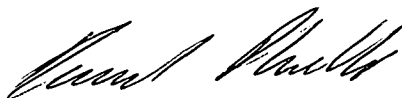
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Darryl Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 December 2018

Hays Specialist Recruitment Limited

Income statement for the 52 week period ended 29 June 2018 (for the 53 week period ended 30 June 2017)

	Note	2018 £'000	2017 £'000
Turnover	4	1,471,921	1,391,731
Cost of sales		(1,234,969)	(1,153,971)
Gross profit		<u>236,952</u>	<u>237,760</u>
Administrative expenses	5	(187,644)	(187,504)
Impairment of investment	12	(1,452)	-
Income from investment in subsidiaries		1,499	-
Operating profit	5	<u>49,355</u>	<u>50,256</u>
Finance costs	6	(251)	(379)
Profit before taxation		<u>49,104</u>	<u>49,877</u>
Tax on profit	8	(10,378)	(10,447)
Profit for the financial period		<u><u>38,726</u></u>	<u><u>39,430</u></u>

Turnover and operating profit are all derived from continuing operations.

Statement of comprehensive income for the 52 week period ended 29 June 2018 (for the 53 week period ended 30 June 2017)

	Note	2018 £'000	2017 £'000
Profit for the financial period		<u>38,726</u>	<u>39,430</u>
Other comprehensive (expense)/income that will not be reclassified to profit & loss:			
Total income tax (charge)/credit recognised in other comprehensive (expense)/income	8	(38)	830
Other comprehensive (expense)/income for the period net of tax		<u>(38)</u>	<u>830</u>
Total comprehensive (expense)/income for the financial period		<u><u>38,688</u></u>	<u><u>40,260</u></u>

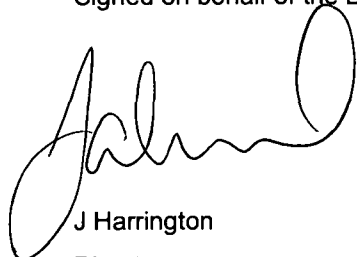
Hays Specialist Recruitment Limited

Balance sheet as at 29 June 2018 (as at 30 June 2017)

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	9	18,103	18,103
Other intangibles	10	4,678	6,256
Property, plant and equipment	11	4,894	4,983
Investment in subsidiaries	12	-	1,452
		<u>27,675</u>	<u>30,794</u>
Current assets			
Trade and other receivables: amounts falling due within one year	13	260,090	320,328
Trade and other receivables: amounts falling due after more than one year	13	14,086	15,864
Cash at bank and in hand		19,578	17,733
		<u>293,754</u>	<u>353,925</u>
Current liabilities			
Trade and other payables	14	(249,862)	(251,840)
		<u>43,891</u>	<u>102,085</u>
Net current assets			
		<u>71,567</u>	<u>132,879</u>
Total assets less current liabilities			
		<u>71,567</u>	<u>132,879</u>
Net assets			
		<u>71,567</u>	<u>132,879</u>
Equity			
Called up share capital	17	-	-
Retained earnings		71,567	132,879
		<u>71,567</u>	<u>132,879</u>
Total shareholders' funds		<u>71,567</u>	<u>132,879</u>

These financial statements of Hays Specialist Recruitment Limited (registered number 975677) on pages 11 to 27 were approved by the Board of Directors and authorised for issue on 12 December 2018

Signed on behalf of the Board of Directors



J Harrington
Director

Hays Specialist Recruitment Limited

Statement of changes in equity for the 52 week period ended 29 June 2018 (for the 53 week period ended 30 June 2017)

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' funds £'000
At 01 July 2017	-	132,879	132,879
Profit for the financial period	-	38,726	38,726
Other comprehensive expense for the period	-	(38)	(38)
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	38,688	38,688
Dividends paid	-	(100,000)	(100,000)
	<hr/>	<hr/>	<hr/>
At 29 June 2018	<hr/>	<hr/>	<hr/>

	Called up share capital £'000	Retained earnings £'000	Total Shareholders' funds £'000
At 25 June 2016	-	162,619	162,619
Profit for the financial period	-	39,430	39,430
Other comprehensive income for the period	-	830	830
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	40,260	40,260
Dividends paid	-	(70,000)	(70,000)
	<hr/>	<hr/>	<hr/>
At 30 June 2017	<hr/>	<hr/>	<hr/>

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

1. General information

Hays Specialist Recruitment Limited is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group financial statements of Hays plc. The group financial statements of Hays plc are available to the public and can be obtained as set out in note 22.

2. Significant accounting policies

Basis of accounting

The financial statements of Hays Specialist Recruitment Limited have been prepared in accordance with United Kingdom accounting standards, including Financial Reporting Standards 101 and Reduced Disclosure framework (FRS 101) - 'The Financial reporting standard applicable in the United Kingdom and Republic of Ireland' and with the Companies Act 2006.

They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and Law. Goodwill and share-based payments have been accounted for at fair value.

The particular accounting policies adopted are described below and have been applied consistently in the current and preceding periods.

As permitted by FRS101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to certain disclosures regarding the Company's capital, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, certain related party transactions, financial instruments and the effect of future accounting standards not yet adopted.

Where relevant equivalent disclosures have been given in the financial statements of the Group financial statements of Hays plc.

Group accounts

The Company is a wholly owned subsidiary of Hays plc, a company registered in England and Wales and therefore has taken advantage of the exemption under Sections 399 to 402 of the Companies Act 2006 not to produce Group financial statements.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the Group financial statements of Hays plc.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of the business on pages 2 to 6. The financial position of the Company, its cash flows and liquidity position are described in the Directors' Report. As stated under 'Cash Flow Risk', the Company will continue to use the group facilities to manage all future working capital requirements.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

2. Significant accounting policies (continued)

Going concern (continued)

On the 8 November, the Group extended the maturity of its £210 million unsecured revolving credit facility to November 2023, with an option available to extend for a further two years to 2025. The covenants within the facility remain unchanged and require the Group's interest cover ratio to be at least 4:1 and its leverage ratio (net debt to EBITDA) to be no greater than 2.5:1. The interest rate of the facility is on a ratchet mechanism with margin payable over LIBOR in the range 0.70% to 1.50%.

As set out above, the Company has sufficient financial resources which, together with internally generated cash flows, will continue to provide sufficient sources of liquidity to fund its current operations including its contractual and commercial commitments, its approved capital expenditure and any proposed dividends, and the Company is well placed to manage its business risks successfully. The directors confirm that they have considered the ability of the parent to provide this support.

After making enquiries, the directors have formed the judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for recruitment services supplied within the United Kingdom in the normal course of business, net of discounts, VAT and other sales related taxes.

The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below. The company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Turnover arising from the placement of permanent candidates is recognised at the time the candidate commences full-time employment. Provision is made for the expected cost of meeting obligations where employees do not work for the specified contractual period.

Turnover arising from temporary placements is recognised over the period that temporary staff are provided. Where the Company is acting as a principal, turnover represents the amounts billed for the services of the temporary staff, including the salary costs of those staff.

Where the Company acts as principal in arrangements that invoice on behalf of other recruitment agencies, turnover represents amounts invoiced and collected on behalf of other recruitment agencies including arrangements where no commission is directly receivable by the Company.

Where the Company is acting as an agent, turnover represents commission receivable relating to the supply of temporary staff and does not include the salary costs of the temporary staff.

Current and deferred taxation

The tax expense comprises both current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

2. Significant accounting policies (continued)

Current and deferred taxation (continued)

Deferred tax is provided in full on all temporary differences, at rates that are enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which to offset the deductible temporary differences.

Temporary differences arise where there is a difference between the accounting carrying value in the balance sheet and the amount attributed to that asset or liability for tax purposes. Temporary differences arising from goodwill and, except in a business combination, the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit, are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Company is able to control the reversal of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses represents the excess of the purchase consideration less the fair value of the identifiable tangible and intangible assets and liabilities acquired.

Goodwill is recognised as an asset and reviewed for impairment at least annually. For the purpose of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows, known as cash-generating units (CGUs). Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Intangible assets

Intangible assets are stated in the balance sheet at the directly attributable costs of creation of the asset, less accumulated amortisation and any provision for impairment. Cost includes the original purchase price of the assets and the costs attributable to bring the asset to its working condition for its intended use. The directors review intangible assets for indicators of impairment annually. Software incorporated into major ERP implementations that support the recruitment process and financial reporting process is amortised on a straight line basis over a life of up to seven years. Other software is amortised on a straight line basis over a life of up to seven years.

Investments in subsidiaries

Shares in subsidiaries are valued at cost less provision for impairment. The directors review the investments for indications of impairment annually. Any impairment is recognised immediately in the income statement.

Property, plant and equipment

Property, plant and equipment is recorded at historical purchase cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the assets and the costs attributable to bring the asset to its working condition for its intended use. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, after they have been brought into use, at the following annual rates:

Freehold property	2.0%
Plant and machinery	At rates varying between 14% and 33%
Fixtures and fittings	20.0%

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

2. Significant accounting policies (continued)

Leases

Leases where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating by the lessee.

Rentals payable under operating leases are charged to income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised on a straight line basis over the lease term.

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

Retirement benefit costs

Hays Specialist Recruitment Limited operates a defined contribution scheme under which the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the income statement.

Dividends

Dividends are recognised in the period that they are declared and approved.

Share-based payments

The fair value of all share-based remuneration which is assessed upon market based performance criteria is determined at the date of grant and recognised as an expense in the income statement on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest.

The fair value of all share-based remuneration which is assessed upon non-market based performance criteria is determined at the date of the grant and recognised as an expense in the income statement over the vesting period based on the number of shares which are expected to vest. The number of shares which are expected to vest is adjusted accordingly to the satisfaction of the performance criteria at each period end.

The fair values are determined by use of the relevant valuation models. All share-based remuneration is equity-settled.

Where the Company's parent company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

2. Significant accounting policies (continued)

Share-based payments (continued)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The carrying amount of investments in subsidiaries at the balance sheet date was £nil (2017: £1.5m) and an impairment charge of £1.5m (2017: £nil), was made during the period.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

4. Turnover

Turnover comprises amounts receivable for recruitment services supplied wholly within the UK and is stated net of allowances, credits and value added tax

	2018 £'000	2017 £'000
Staff costs (note 7)	144,859	144,067
Amortisation of intangible assets (note 10)	3,287	8,798
Depreciation of property, plant and equipment (note 11)	2,071	2,648
Loss on disposal of property, plant and equipment	52	6
Impairment loss recognised on trade receivables	2,883	1,461
Rentals under operating leases (note 18)	8,439	8,670
Management credit from ultimate parent company	(1,211)	(7,651)

5. Operating profit

Operating profit is stated after charging / (crediting):

The fees payable to the Company's auditor for the audit of the Company's annual financial statements amounted to £105,469 for the 52 weeks ended 29 June 2018 (2017: £97,269). There were no non-audit fees in either the current or prior period.

6. Finance costs

	2018 £'000	2017 £'000
Interest payable to other group companies	251	379

7. Information regarding directors and employees

	2018 Number	2017 Number
The average monthly number of employees (including directors) was:		
Sales and marketing	1,760	1,799
Administration	1,058	1,055
	<u>2,818</u>	<u>2,854</u>
	2018 £'000	2017 £'000
Staff costs during the period (including directors):		
Wages and salaries	127,802	124,893
Social security costs	14,028	13,641
Other Pension costs	3,029	5,533
	<u>144,859</u>	<u>144,067</u>

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

7. Information regarding directors and employees (continued)

	2018 £'000	2017 £'000
Directors' remuneration		
Wages and salaries	1,008	976
Amounts receivable under long-term incentive schemes	1,212	871
Company contributions to money purchase pension schemes	208	134
	<u>2,428</u>	<u>1,981</u>

Number of directors who:

	2018 No.	2017 No.
Have received awards during the period in the form of shares under long-term incentive schemes.	2	2
Are members of a money purchase pension scheme	2	2
Exercised options over shares in the ultimate parent company	2	2

	2018 £'000	2017 £'000
Highest paid director:		
Emoluments	696	667
Amounts receivable under long-term incentive schemes	1,133	810
Company contributions to money purchase pension schemes	185	111
	<u>2,014</u>	<u>1,588</u>

No directors of the Company had an accrued pension as a result of the defined benefit arrangement in the current or prior period. A R Cox, P Venables and D Evans did not receive any remuneration from the Company in respect of qualifying services for the Company. Details of A R Cox and P Venables emoluments as directors of Hays plc are disclosed in the Annual Report and Financial Statements of Hays plc.

8. Tax on profit

A: Tax on profit:

	2018 £'000	2017 £'000
Current tax:		
Current tax expense in respect of the current period	(8,688)	(9,756)
Adjustments recognised in the current period in relation to the current tax of prior periods	(65)	(440)
	<u>(8,753)</u>	<u>(10,196)</u>
Total current tax for the period		

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

8. Tax on profit (continued)

Deferred tax:

Total deferred tax charge in respect of the current period	(1,600)	(204)
Adjustments in respect of deferred tax in relation to prior periods	(25)	(47)
Total deferred tax for the period	(1,625)	(251)
Total income tax expense recognised in the current period relating to continuing operations	(10,378)	(10,447)

B: Reconciliation of tax charges:

The tax charge assessed for the year period ended 29 June 2018 is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). Differences are explained below:

	2018 £'000	2017 £'000
Profit before tax from continuing operations	49,104	49,877
Income tax expense calculated at 19.00% (2017: 19.75%)	(9,330)	(9,851)
Net effect of items that are non-deductible in determining taxable profit	(860)	(212)
Net effect of items that are non-taxable in determining taxable profit	285	-
Effect of share based payment charges and share options	(383)	103
	(10,288)	(9,960)
Adjustments recognised in the current period in relation to the current tax of prior periods	(65)	(440)
Adjustments to deferred tax in relation to prior periods	(25)	(47)
Income tax expense recognised in the income statement relating to continuing operations	(10,378)	(10,447)

Income tax recognised in other comprehensive income

	2018 £'000	2017 £'000
Current tax:		
Current tax credit on share based payment charges and share options	49	423
Deferred tax:		
Deferred tax (charge)/credit on share based payment charges and share options	(87)	407
Total income tax (charge)/credit recognised in other comprehensive (expense)/income	(38)	830

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

8. Tax on profit (continued)

C: Tax rate changes

Changes to the UK corporate tax rates were substantively enacted as part of Finance Bill 2015 (on 26 December 2015) and Finance bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

9. Goodwill

Cost and net book value

At 30 June 2017 and 29 June 2018 **18,103**

10. Other intangibles

£'000

Cost

At 1 July 2017 76,805

Additions 1,709

At 29 June 2018 78,514

Accumulated amortisation

At 1 July 2017 70,549

Charge for the period 3,287

At 29 June 2018 73,836

Net book value

At 29 June 2018 4,678

At 30 June 2017 6,256

All other intangibles relate to computer software.

11. Property, plant and equipment

	Freehold property £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 2017	67	14,033	12,242	26,342
Additions	-	1,317	718	2,035
Disposals	-	(337)	(1,802)	(2,139)
At 29 June 2018	67	15,013	11,158	26,238
Accumulated depreciation				
At 1 July 2017	50	11,405	9,904	21,359
Charge for the period	1	1,111	959	2,071
Disposals	-	(332)	(1,754)	(2,086)
At 29 June 2018	51	12,184	9,109	21,344
Net book value				
At 29 June 2018	16	2,829	2,049	4,894
At 30 June 2017	17	2,628	2,338	4,983

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

11. Property, plant and equipment (continued)

Included in the above fixed asset additions are assets under construction of £1,466,000 (2017: £2,254,000).

12. Investment in subsidiaries

	2018 £'000	2017 £'000
Cost		
Opening balance	39,914	39,914
Closing balance	39,914	39,914
Provision		
Opening balance	(38,462)	(38,462)
Impairment of investment	(1,452)	
Closing balance	(39,914)	(38,462)
Net book value		
Opening balance	1,452	1,452
Closing balance	-	1,452

The impairment during the year of £1,452,000 relates to James Harvard International Group Limited, a subsidiary of the company, which entered Liquidation on 31 May 2018.

The Company has an investment in the following subsidiary undertakings:

Subsidiary undertakings	Principal activity	Country of registration	Holding	%
James Harvard International Group Limited	In Liquidation	England and Wales	Ordinary	100
Owen, Thornhill and Harper Limited	In Liquidation	England and Wales	Ordinary	100

The registered address of the above subsidiaries is 55 Baker Street, London W1U 7EU.

13. Trade and other receivables

Amounts falling due within one year

	2018 £'000	2017 £'000
Trade debtors	170,689	154,460
Amounts owed by ultimate parent company	-	41,993
Amounts owed by immediate parent company	11,047	50,483
Amounts owed by other group companies	3,286	4,949
Prepayments and accrued income	75,068	68,443
	260,090	320,328

Amounts owed by group companies are repayable on demand, unsecured and non-interest bearing.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

13. Trade and other receivables (continued)

Amounts falling due after more than one year

	2018 £'000	2017 £'000
Deferred tax (see note 16)	13,699	15,411
Prepayments and accrued income	387	453
	<u>14,086</u>	<u>15,864</u>

14. Trade and other payables

	2018 £'000	2017 £'000
Trade creditors	62,822	44,273
Amounts owed to other group companies	45,361	77,249
Amounts owed to ultimate parent company	10,237	-
Other creditors	43,129	45,144
Provisions for liabilities (note 15)	-	1,212
Accruals and deferred income	88,313	83,962
	<u>249,862</u>	<u>251,840</u>

All amounts owed to other group companies are repayable on demand and are unsecured. The Company is charged interest at a rate of 1.0% above the three-month LIBOR rate on £nil (2017: £21.4 million) of the inter-company balance with other group companies. Included within amounts owed to other group companies is a corporation tax creditor of £18.4m (2017: £9.6m). It is anticipated that this will be settled by group relief and payments under the Group Payment Arrangement by another group company.

15. Provisions for liabilities

	2018 £'000	2017 £'000
Opening balance	1,212	1,212
Credit to the Income Statement	(1,212)	-
	<u>-</u>	<u>1,212</u>
Closing balance	-	1,212

The provision relates to a VAT assessment.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

16. Deferred tax asset

	Accelerated capital allowances £'000	Share- based payments £'000	Other £'000	Total £'000
Balance at 25 June 2016	12,821	2,244	190	15,255
(Charge)/credit to the income statement	(798)	594	-	(204)
Charge to other comprehensive income	-	407	-	407
Prior year adjustment	(47)	-	-	(47)
Balance at 30 June 2017	11,976	3,245	190	15,411
(Charge)/credit to the income statement	(1,548)	(52)	-	(1,600)
Charge to other comprehensive expense	-	(87)	-	(87)
Prior year adjustment	(25)	-	-	(25)
Balance at 29 June 2018	10,403	3,106	190	13,699

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The date enacted or substantively enacted for the relevant periods of reversal are: 19% from 1 April 2017 and 17% from 1 April 2020 in the UK.

Unrecognised deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

	Gross 2018 £'000	Tax 2018 £'000	Gross 2017 £'000	Tax 2017 £'000
Tax losses (revenue in nature)	-	-	-	-

17. Called up share capital

	2018 £	2017 £
Called up, and fully paid:		
100 (2017:100) ordinary shares of £1 each	100	100

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

18. Operating lease arrangements

	2018 £'000	2017 £'000
Lease payments under operating leases recognised as an expense in the year	8,439	8,670

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018		2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	8,223	1,779	8,155	1,627
In two to five years	19,043	2,890	18,924	2,622
In over five years	9,109	-	4,108	-
	<u>36,375</u>	<u>4,669</u>	<u>31,187</u>	<u>4,249</u>

The operating lease rentals for land and buildings are subject to periodic rent reviews.

19. Retirement benefit obligations

The Company participates in one defined contribution scheme and two defined benefit schemes operated by the Hays Group. The most significant pension scheme, the Hays Pension Scheme, is a defined benefit scheme. The scheme was closed to future accrual from 30 June 2012 and therefore the Company does not make any contributions to the scheme and no expense has been recognised in the income statement in the current or prior period.

The consolidated financial statements of Hays plc for the year ended 29 June 2018 include full IAS19 disclosures detailing the funding position of the Scheme as a whole as at 29 June 2018.

As at 29 June 2018, the surplus in the scheme was £75.9m (2017: deficit of £0.2m).

UK defined contribution scheme

The Group's principal defined contribution retirement benefit scheme is the Hays Group Personal Pension Plan which is operated for all qualifying employees and is funded via an employee salary sacrifice arrangement, and additional employer contributions for qualifying employees. Employer contributions are in the range of 2% to 12% of pensionable salary depending on the level of employee contribution and seniority.

The total cost charged to the Company's income statement of £3.0 million (53 week period ended 30 June 2017: £5.5 million) represents employer's contributions payable to the money purchase arrangements. There were no contributions outstanding at the end of the year (2017: nil). The assets of the money purchase arrangements are held separately from those of the Group.

Hays Specialist Recruitment Limited

Notes to the financial statements for the 52 weeks ended 29 June 2018 (53 weeks ended 30 June 2017)

20. Share-based payments

All share-based remuneration is equity settled. If the options remain unexercised after a period of five years from the date of grant the options expire. Options are forfeited if the employee leaves the Company before the options vest.

Sharesave

The Company participates in a share option scheme for all employees. Options are exercisable on the shares of the parent Company at a price equal to the estimated fair value of the parent Company's shares on the date of grant. The vesting period is three years.

The weighted average share price at the date of exercise for share options exercised during the period was 140p (2017: 112p). The options outstanding at 29 June 2018 had exercise price of 135p (2017: 124p). In the current period, options were granted on 31 March 2018 (2017: 31 March 2016). The aggregate of the estimated fair values of the options granted on this date is £0.7m (2017: £0.4m).

Performance Share Plan (PSP)

The PSP is designed to link reward to the key long-term value drivers of the business and to align the interests of the senior management with the long-term interests of shareholders. PSP rewards are discretionary and vesting is dependent upon the achievement of performance conditions measured over either a three-year period or a one-year period with a two-year holding period.

The weighted average share price at the date of exercise for share options exercised during the period was 125p (2017: 114p). The options outstanding at 29 June 2018 had exercise price of 159p (2017: 139p). In the current period, options were granted on 31 March 2018 (2017: 31 March 2017). The aggregate of the estimated fair values of the options granted on this date is £2.3m (2017: £2.5m).

Deferred Annual Bonus (DAB)

Only members of the Hays plc management board participate in the DAB which promotes a stronger link between short-term and long-term performance through the deferral of annual bonuses into shares for a three-year period.

The weighted average share price at the date of exercise for share options exercised during the period was 133p (2017: 107p). The options outstanding at 29 June 2018 had exercise price of 163p (2017: 100p). In the current period, options were granted on 31 March 2018 (2017: 31 March 2017). The aggregate of the estimated fair values of the options granted on this date is £0.1m (2017: £0.1m).

21. Related party transactions

The Company has taken advantage of the exemption granted under paragraph 8(k) of FRS 101 not to disclose transactions entered into between two or more wholly owned subsidiaries of a group. Transactions entered into and trading balances outstanding that were owed to the Company at 29 June 2018 with other related parties was £nil (2017: £nil).

22. Ultimate parent company

The Company's ultimate parent company and controlling entity is Hays plc, registered in England and Wales. The Company's immediate parent company is Hays Specialist Recruitment (Holdings) Limited, registered in England and Wales. The smallest and largest group that prepares Group financial statements is Hays plc. Copies of the Annual Report and Financial Statements for Hays plc are available from the Company Secretary at Hays plc, 250 Euston Road, London NW1 2AF.