

COMPANY NO: 06903140

REED SPECIALIST RECRUITMENT LIMITED

ANNUAL REPORT

◆ For the year ended 30th June 2020 ◆

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REED SPECIALIST RECRUITMENT LIMITED

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REED SPECIALIST RECRUITMENT LIMITED

COMPANY INFORMATION

Directors	James Reed MA, MBA, FCIPD Lee Richards BSc, ACMA Karen Jackson Assoc CIPD Ian Nicholas BSc, FCIPD (Appointed 9th March 2020) Simon Baddeley (Appointed 16th March 2020) Thomas Lovell BA (Resigned 9th March 2020)
Registered office	Academy Court 94 Chancery Lane London WC2A 1DT
Company number	06903140
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP

STRATEGIC REPORT

The Directors present their Strategic Report on Reed Specialist Recruitment Limited ("the Company") for the year ended 30th June 2020.

Review of the business

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

Trading results

The Company's trading results are set out in the Income Statement on page 24.

Trading in the latter part of the financial year was deeply affected by Covid-19. The implementation of lockdown measures meant that in the final quarter there were materially fewer permanent placements and less temporary workers in bookings. The business put in place various cost saving measures to limit the effect on profit, as well as making some use of government support, as outlined in the Covid-19 disclosure in the "Principal Risks" section, below. Cash collection continued to be strong throughout the year which has allowed the business to maintain a strong cash position

Key performance indicators

	2020	2019
Gross margin	13.0%	14.4%
Net profit margin	(0.2%)	0.6%
Number of active business units	328	364
Co-Member cost ratio	10.0%	10.2%
Current ratio	1.22	1.23

Future developments

The Directors do not expect significant changes to the business in the foreseeable future. No events took place post 30th June 2020 which require disclosure.

Notes to key performance indicators

- Gross margin calculated as gross profit as a percentage of turnover.
- Net profit margin calculated as operating profit as a percentage of turnover.
- An active business unit represents an active specialism within an office
- Co-Member cost ratio represents the staff costs as a percentage of turnover. The percentage split is in line with our expectations.
- Current ratio is derived by dividing current assets by current liabilities and is a good indicator of a Company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the Company is. The current ratio is in line with our expectations and in line with the previous year.

STRATEGIC REPORT (continued)

Principal risks

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

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

To mitigate these risks, the Company has implemented annual GDPR training for all Co-Members and made available Data Protection, Processing, Retention and Destruction Policies for Co-Members on the intranet.

COVID-19

Covid-19 impacted the Company dramatically in March 2020 but it responded decisively. The Company created a number of forums to formulate its response in the key areas of client strategy, remote working, cash control, headcount & costs, and operations, which proved an effective way of managing the various challenges that the Company faced.

Throughout the pandemic, the Company used various means to control costs; a hiring freeze was quickly introduced, a significant number of Co-Members were furloughed and reduced hours were implemented for most of the remaining Co-Members. There was also the rationalisation of a number of roles, driven by actions that were already in progress prior to Covid-19.

The Company also received government support in the form of the Retail, Hospitality & Leisure Grant, Business Rates Relief, the Coronavirus Job Retention Scheme and VAT/PAYE payment deferrals. Cash was of paramount importance and strong credit control and cash collections further ensured that the Company could robustly withstand the financial pressures of Covid-19 and be positioned for future growth.

Financial risks

The Company's operations expose it to a variety of financial risks including the effects of changes in interest rates, credit risk and liquidity risk.

The Company does not have material exposures in any of the areas identified above and consequently does not use derivative instruments to manage these exposures.

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

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

STRATEGIC REPORT (continued)

Credit risk

The Company's principal financial assets are trade and intercompany debtors, which represent the Company's major exposure to credit risk in relation to the financial assets. Reporting in this area covers weekly aged debt for every significant client as well as overall ledger profiles from the invoicing date taking into account any pre-agreed payment terms.

The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the expected credit loss (ECL) and specific circumstances impacting certain customers. When Covid-19 first impacted, there were concerns that the Company would see an increase in non-collectable debt, however, this has not materialised. Therefore, the Company has not seen any negative impact on its ECL on the balances recognised as at year end.

The Company has no significant concentration of credit risk, with the exposure spread over a large number of customers. Also the risk on liquid funds is minimised by the credit checking of clients and a strong credit control function. Bad debt exposure is minimal due to our diverse spread of clients.

Liquidity risk

The Company's policy has been to ensure continuity of funding through the operation of its treasury function. The Company participates in the Reed Group's (REED) centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

Foreign currency risk

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

Payment of creditors

The Company's policy for all suppliers is to fix terms of payment when agreeing to the terms of each business transaction, to ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days that the Company's year-end purchases represent was 22 days (2019: 30 days).

Pension costs

The assets of the Reed Executive Pension Scheme (the "Scheme") are held separately from those of the Company and are under the control of fund managers appointed by the Scheme Trustees. The Scheme has two trustees namely Nigel Marsh and Darren Murton. The Scheme may not invest in the shares of the Company. The audit of the Scheme is currently undertaken by RSM UK Audit LLP and is thus completely separate from that of the Company.

The Company also provides access to the Group Personal Pension Plan (the "Plan"). The Plan is contract based and is therefore not subject to audit.

STRATEGIC REPORT (continued)

Section 172 statement

This Statement sets out how the Board of Directors of Reed Specialist Recruitment Limited ("the Board") comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's activities and decision making during the financial year ending 30th June 2020 ("FY20").

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

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

These duties are designed to ensure that Directors act in such a way as to promote the long-term success of the company by delivering and creating sustainable shareholder value as well as contributing to wider society.

The REED Group ("REED") comprises Reed Global Limited and its subsidiaries, including Reed Specialist Recruitment Limited.

The Board have received training on their responsibilities and accountabilities. They are also supported by the Company Secretary in terms of how they carry out their duties under Section 172. The Board implemented standardised Board papers and a formal approach to declaring conflicts of interest to ensure Directors act fairly and in the interests of the relevant company. As a family business, the requirements of Section 172 are well understood and adhered to by Directors due to the nature, ethos, purpose, and vision of the organisation.

Principal Decisions have been defined and formalised as part of company Board meetings. REED has adopted a two tier approach whereby all decisions with a specified material impact or which could lead to national media attention are considered in relation to Section 172 by Directors, with certain decisions also being accompanied by written evidence that the principals of Section 172 have been considered.

Engaging with stakeholders to deliver long term success is a key focus for the Board. The Board is very aware of the environment in which the company operates and, in particular, the stakeholders it needs to engage with, including but not limited to customers, temporary workers, employees, suppliers, the pension scheme, local communities and shareholders. A Stakeholder Map, identifying the key internal and external stakeholders and how the Company interacts with them, has been created and may be found on the Company's website.

STRATEGIC REPORT (continued)

Section 172 statement (continued)

The formal training provided to Directors, the standardisation of Board papers, the introduction of a Stakeholder Map, and the implementation of Principal Decisions have ensured the Board understands the importance of its key stakeholders.

A number of Principal Decisions were taken by the Board across FY20. Examples of these decisions include the approval of the 2020 Strategic Plan and Investments, a change of Managing Director to lead the Company, and the Company's response to the Covid-19 pandemic. The latter required the Company to implement significant cost reduction measures, including the furloughing of Co-Members, a temporary reduction in salaries, negotiations with landlords on office rent, and accessing Government cash support saving schemes such as Retail, Hospitality and Leisure grants, and the deferral of VAT and PAYE.

In making these Principal Decisions, the Company's main objectives were to ensure continuing high standards of business conduct and to protect the long-term viability of the business to the benefit of all stakeholders. This stakeholder engagement was demonstrated below in the Company's response to the Government implementing a blanket lockdown during the Covid-19 pandemic.

The Company actively engaged with Co-Members to undertake a sector by sector review to assess how furlough could be most appropriately utilised to protect as many jobs as possible. Reduced hours were also implemented for many remaining Co-Members to help protect jobs, and the Company accelerated its investment in IT capability to maximise the effectiveness of Co-Members whilst working remotely.

The Company rapidly developed, implemented and communicated its furlough approaches to help support its PAYE and public sector temporary workers. The Company also encouraged public sector bodies to follow UK Government advice around the continued use of temporary staff.

High-levels of client customer service remained paramount during the pandemic, and additional resources and IT developments were applied by the Company to support Government and key worker contracts that were central to the pandemic response. In addition, clients were pro-actively surveyed to produce a public bank of best practice Covid-19 specialist advice.

To support supply chains during the pandemic, the Company continued to champion the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Local communities and livelihoods were also supported by the launch of the Keep Britain Working campaign, co-founded by James Reed, Company director and REED Chairman.

This tailored approach minimised as far as possible the impact of Covid-19 on the Company and its stakeholders. All other Principal Decisions taken by the Company during the year went through a similar process of stakeholder engagement. The impact of Principal Decisions will be monitored in future Board meetings to continuously assess their effect on the company and its stakeholders in the medium to long-term.

STRATEGIC REPORT (continued)

Section 172 statement (continued)

The Company is committed to being an employer of choice and to ensuring Co-Members' wellbeing and voice are front of mind. The Board therefore operates programmes to listen to the views and feelings of Co-Members, which include monthly surveys that are facilitated centrally. These ensure that the Board have the information necessary to act in the interest of their employees. There is also two-way communication via the Chairman's online blog and, introduced during FY20, frequent vlogs by the Managing Director to explain company progress through the pandemic. New digital communication routes have also been established utilising Microsoft Yammer as a quick and accessible channel for feedback.

During FY20, REED adopted a Customer First strategy focussing on the development of customer relationships. In support of this, REED appointed a Group Customer Experience Officer to champion engagement with customers and the importance of the customer view in decision making. This is demonstrated through various customer KPIs presented to the Board and has helped strengthen the importance of positive business relationships at Board level.

The Company also maintains ISO 14001 and Carbon Neutral status which focuses on the environmental impact of the business.

REED has a number of successful engagement schemes which have been developed during the last financial year. These include:

Success with Co-Members

James Reed made three pledges on International Women's Day 2018, which the business made good progress against during the financial year:

1. I pledge to introduce talks, seminars and webinars once a quarter, which will be run by successful women, to encourage and inspire the women in the business.
2. I pledge to grow and sustain a female mentoring system to provide the women who work at REED with a system of support and advice.
3. I pledge that REED will seek to have women make up 50% of its senior leadership team over the next 3-5 years. They will be there because they are good at their jobs.

Following feedback received from Co-Member satisfaction surveys, the Company introduced enhanced Maternity Pay benefit across the business, along with Dynamic Working for its customer facing network Co-Members.

REED also celebrated Black History Month for the first time with its Race & Ethnicity senior stakeholder and diversity champion leading the agenda.

Co-Members voted the Company a great place to work with over 4.1 stars on Glassdoor, and Reed Specialist Recruitment was the highest ranked recruitment company and 44th overall in Glassdoor's Best Places to Work in the UK 2020. James Reed was voted one of the Top CEOs in 2019 on Glassdoor for the second year running.

STRATEGIC REPORT (continued)

Section 172 statement (continued)

Success with Environment and Communities

REED has been an environmental champion for a long time. In 2005, the Company became the first recruitment company in the UK to become carbon neutral and, through ISO 14001, demonstrate that it has effective environmental management systems in place. REED's many environmental achievements have been set out in the Reed Global Ltd (10169598) annual report under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

REED publishes its tax strategy on-line and HMRC has categorised REED as low tax risk. REED was invited by BEIS to Chair a new cross-government group designed to protect workers and hirers operating in the flexible labour market. The work of this group has been referenced by HM's Government in the Annual Labour Market Strategy and REED was also invited to provide information into the Independent Review of the Modern Slavery Act.

In furtherance of REED's charitable ethos, Co-Members had the opportunity to nominate a charity to receive a priority application to the Big Give Christmas Challenge 2019.

Success with Suppliers

The Company manages broad supply chains across the UK to deliver services to its clients. These supply chains are managed through a Supplier Engagement Team and suppliers adhere to legal, ethical, contractual, and best practice standards. This is supported through an outreach team and business process auditors.

The Board continue to champion the Prompt Payment Code to help eliminate unfair payment practices to small businesses. Across FY20, the Company averaged a 15-day payment period to its suppliers.

Environment

The Company operates within the REED Group's policy with regard to the environment. This is to ensure that it understands and effectively manages the actual and potential environmental impact of its activities. The Group's operations are conducted such that it complies with all legal requirements relating to the environment in all areas where it carries out its business. During the period covered by this report, the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

The Group's Streamlined Energy & Carbon Report may be found on the Company's website.

Modern Slavery Statement

The Board has approved the Group's policy on Anti-Slavery and Human Trafficking, which may be found on the Company's website.

REED SPECIALIST RECRUITMENT LIMITED

STRATEGIC REPORT (continued)

Approval

The Strategic Report was approved by the Board on 22 December 2020 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'L' followed by a 'R' and a horizontal line extending to the right.

Lee Richards BSc, ACMA
Director

REPORT OF THE DIRECTORS

The Directors present their report and the audited annual report for the year ended 30th June 2020.

Dividends

No dividends were proposed or paid for the year (2019: £2,000,000).

Directors

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

The Statement of Directors' Responsibilities in respect of the financial statements may be found on page 20.

Directors' indemnities

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

Employee Engagement

The Company values input and feedback from its employees ("Co-Members") and has numerous processes in place to capture the thoughts and views of its workforce. These include samples of monthly anonymous Co-Member surveys with numeric results and qualitative feedback. These results are analysed and actions are taken in response to trends or specific feedback. The Board delegates the collation and initial analysis of employee feedback to working groups, who present consolidated data to the Board to enable appropriate decisions and actions to be taken.

To encourage and facilitate greater levels of employee feedback on commercial strategy and overall wellbeing during the Covid-19 pandemic, REED's Chairman increased the monthly cash reward for employee ideas under the REED-Think scheme. With continuous two-way communication, the Chairman celebrated successful employee ideas through his blog published on the internal intranet, highlighting how these ideas had impacted REED's strategy.

Details on how the Company pro-actively interacts and measures its engagement with employees may be found within the Stakeholder Map on the Company's website, under the 'Success with Co-Members' section of the Company's Section 172 Statement, and within the Company's Corporate Governance Statement under 'Principal 6 - Stakeholder Relationships and Engagement'.

Other Stakeholder Engagement

The Company values input and feedback from all stakeholders and has numerous processes in place to capture thoughts and views from a diverse set of stakeholders. The stakeholder feedback received by the Board includes customer-based metrics on satisfaction levels and the views of local communities.

REPORT OF THE DIRECTORS (continued)

Other Stakeholder Engagement (continued)

The Board delegates specific responsibilities and actions to a Customer Excellence function, which engages with other stakeholders and provides targeted feedback to the Board so that informed decisions and strategic policies may be implemented with other stakeholders' needs at heart.

Engagement with Government agencies during the financial period has helped shape the Company's commercial approach and strategy. The Company has actively engaged in policy consultations with the UK Government including an independent review of the Modern Slavery Act resulting in feedback being taken into account by the Home Office and enhancements to the Company's approach to preventing Modern Slavery.

Further details on how the Company interacts and measures its engagement with other stakeholders may be found within the Stakeholder Map on the Company's website, under the 'Success with Environment and Communities' section of the Company's Section 172 Statement, and within the Company's Corporate Governance Statement under 'Principal 6 - Stakeholder Relationships and Engagement'.

Co-Members

The Company encourages all employees, known as Co-Members, to attend regular training courses and they are encouraged to take an active interest in all matters affecting them. Co-Members' views, opinions and ideas are regularly surveyed and their feedback is acknowledged, noted and where appropriate, acted upon.

It is a policy of the Company to employ and train disabled people whenever appropriate and to actively promote equal opportunities by evaluating Co-Members solely on the basis of merit, regardless of age, gender, marital status, sexual orientation, disability or dependants' considerations, and ethnic, racial or religious background.

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

Diversity and Belonging – Our commitment

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

Charitable donations and political contributions

Charitable donations of £156,000 were made in the year (2019: £101,000).

No political contributions were made in the year (2019: £nil).

REPORT OF THE DIRECTORS (continued)

Risk management

Information on the Company's management of financial risk is disclosed in the Strategic Report on page 4. In particular the Company's exposures to interest rate risk, credit risk and liquidity risk are separately disclosed. The Company's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Foreign currency risk'.

Going concern basis

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk and its response to the Covid-19 pandemic are described in the Strategic Report on pages 3 to 5.

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

The Directors of Reed Global Limited agreed after the balance sheet date that, should it be required, it intends to provide support to certain REED Group companies to continue in operation until at least 31 December 2021, support will be provided for the meeting of liabilities as and when they fall due. That support is intended to include assistance to meet the liabilities of payment of intercompany debtors and intercompany creditors until 31 December 2021, such that certain companies in the REED Group can meet their liabilities as they fall due.

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

Corporate Governance Statement

Introduction

This Corporate Governance Statement explains how the Company's Corporate Governance Framework supports the values of the business. For the year ended 30th June 2020, the Company has applied the Wates Corporate Governance Principles in compliance with The Companies (Miscellaneous Reporting) Regulations 2018.

Set out below is further detail on how the Company has applied the Wates Principles during the financial year under review. Notwithstanding this, the directors note that, on the basis this is the first year of reporting, there are areas of the Principles that the Company will need to focus on. Areas of minor variations are included at the end of this statement and the Board has committed to undertake a review of its first year application with the intention to further enhance the Company's application.

The Company is committed to good corporate governance, which supports the running of a responsible business and the upholding of REED's values.

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principal 1 - Purpose and Leadership

REED was founded in 1960 and is a family-owned business. REED's purpose is "improving lives through work". The REED Group is led by the Reed Global Board ("RGL") which defines the group purpose, values and strategy, and approves the strategies of subsidiary companies. The Company is a wholly-owned subsidiary of Reed Global, specialising in delivering recruitment solutions.

The REED purpose operates alongside a strong commitment to social responsibility and governance. REED promotes wellbeing, diversity and inclusion, environmental sustainability, charitable causes, health & safety and employee engagement. REED is committed to the following values:

- We are Fair, Open and Honest
- We Take Ownership
- We Work Together

The Company ensures its purpose and values are clearly articulated with effective channels of engagement with its permanent employees, known as Co-Members, its temporary workers and its stakeholders. The Company's engagement channels include Co-Member surveys, exit interviews, absence monitoring, and wellbeing strategies. In support of its fair, open and honest culture, the Company operates a whistleblowing process to ensure transparency and openness.

Since implementing the Wates Principles, REED has, via the Audit and Risk Committee, approved a new Conflicts of Interest Policy.

Further detail on how the Company has applied governance to strategic developments in the year may be found within the Section 172 statement.

Principal 2 - Board Composition

The Board is comprised of five Directors including REED's Chairman, James Reed. Ian Nicholas was appointed Managing Director of the Company on 9th March 2020.

James Reed MA, MBA, FCIPD - Chairman and Chief Executive of REED.

James Reed has been the Chief Executive and Chairman of REED since 1997 and 2004 respectively, when he took over the role from his father and founder of the REED Group Sir Alec Reed. In 2018 and 2019, James was voted in the Top 20 UK CEO's by employer-ratings platform Glassdoor. He is a regular media commentator on work and labour market issues, with recent appearances including BBC News, Sky News, BBC Radio 2 and The Apprentice. He has contributed insight to a wide range of publications including the Financial Times, Harvard Business Review and The Sunday Times.

James is also a best-selling author of four books, *Life's Work: 12 Proven Ways to Fast-Track Your Career*, *The Happy Recruiter: The 7 Ways to Succeed*, *The 7 Second CV: How to Land the Interview*, and *Why You?: 101 Interview Questions You'll Never Fear Again*. He also co-authored *Put Your Mindset to Work* with Dr. Paul Stoltz. James has an MA in Philosophy, Politics and Economics from Oxford University, an MBA from Harvard Business School and is a Fellow of the Chartered Institute of Personnel and Development (CIPD).

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principal 2 - Board Composition (continued)

Ian Nicholas BSc, FCIPD - Global Managing Director

Ian was appointed as Global Managing Director of the Company in March 2020, transferring from his role as Chief HR Officer for Reed Global Limited, in which he was responsible for all people strategies across the group.

Ian joined REED in 2004 as HRD of one of their businesses, and he also opened and ran a specialist HR recruitment arm. In 2007 the company merged its recruitment businesses and Ian was appointed as HRD for the newly formed Reed Specialist Recruitment. In 2013, whilst retaining his HR responsibilities, he was appointed as MD for RSR Managed Services and during a two year period of successful growth, he led the re-shaping of the business into what is now the highly regarded Reed Talent Solutions brand. In 2015, Ian was appointed to CHRO and in 2017 he was appointed to the Reed Global Board.

Ian attained a BSc (Hons) at Liverpool University, subsequently gaining his CIPD qualification via Glamorgan University. He is Chartered FCIPD. In 2019, Ian was listed on the 'HR Most Influential' list by HR Magazine.

Lee Richards BSc, ACMA - Finance Director

Lee is Finance Director of the Company and was appointed to the Board in March 2019. Lee initially joined the graduate scheme of the investment bank Salomon Brothers in 1996 after graduating from Leeds University with a Maths degree. Lee joined the Company in March 2010 and is a CIMA qualified accountant.

Karen Jackson Assoc CIPD - Human Resources Director

Karen Jackson has been the Company's Human Resources Director since August 2018 when she joined REED. She was appointed to the Board in March 2019. Karen began her career with Lloyds Banking Group and her background is within Retail, FMCG and Banking, including Head of Capability & Resourcing for Sainsburys Argos. Karen is an Associate member of the Chartered Institute of Personnel and Development (CIPD).

Simon Baddeley - Managing Director of Business Services

Simon Baddeley has been the Managing Director of Business Services since April 2020, at the same time as being appointed to the Board. Simon joined REED in January 1999 and he held a number of senior roles in both Operations and Support Functions until September 2017 when he moved into the Support functions. Simon also operates as the Managing Director of RSR's International Business.

The Board are supported in their strategic management of audit and risk by the parent body's Audit & Risk Committee, which supports the Company by reviewing the comprehensiveness and reliability of assurances on governance, risk management, control environment, and the integrity of financial statements and the annual report. The Company has a robust risk framework in place and a Compliance, Audit, and Data function managing and mitigating operation risk. The Board delegates day to day management and the implementation of agreed strategies to these functions.

The Company promotes diversity at work through its own recruitment processes and through their core activity of helping people into work.

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principal 2 - Board Composition (continued)

The Board has adopted standardised documentation and receive information covering financial, commercial, people, and social responsibility matters in a timely fashion ahead of each Board Meeting. This information is assured through review by key Executive functions such as Finance, and the approval of annual external audits. Information includes key performance indicators in the form of Balanced Scorecards for each key trading entity.

The Company has monthly Board meetings and an annual strategic review. Across the financial year, a number of Principal Decisions were reported to or approved by the Board. Reported to the Board were changes to structure, investment decisions, and closure of some business units.

Directors of Reed Global Ltd regularly attend the Company's Board meetings to bring independent thinking to the Board's decision making.

A Board Effectiveness Review is being explored by REED during the next 12 months.

Principal 3 - Director's Responsibilities

Every Board Director has a clear understanding of their accountabilities and responsibilities. The Board delegates day-to-day management of the operating divisions to their Senior Leadership Team. Statutory and non-statutory directors who attend Board meetings have an annual appraisal and quarterly reviews of progress against targets to maintain accountability.

Director training has been delivered to all Reed Global and subsidiary Board Directors. All Directors have access to the Company Secretary for assistance and advice. The Company Secretary is responsible for ensuring that Board procedures are complied with.

The Company's Articles of Association contain powers of removal, appointment, election and re-election of Directors. There is a Governance Review annually of the Company's governance processes.

Principal 4 - Opportunity and Risk

The Company has a focus on future opportunities for innovation and entrepreneurship. Short term opportunities are highlighted through Board Meetings, executive reporting and Co-Member initiatives such as Reed Think, whilst longer term strategic opportunities are reviewed through the annual Strategic Review process.

The Board has responsibility for determining the nature and extent of the principal risks the Company is willing to take, the overall risk appetite, and for the internal control framework. The Company has developed robust procedures to identify, monitor and manage risk. The risk identification process, risk frameworks, and monitoring are conducted by an internal function who report to the Group Audit & Risk Committee.

The Board oversees an Internal Audit Function to test the mitigation controls of principal risks.

The Company holds certifications for ISO 9001 and ISO 14001 and incorporates these into its approach to risk management.

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principal 5 – Remuneration

Remuneration is based on performance, behaviours, demonstration of company culture and values, and achievement of business goals. Remuneration is linked to the adherence of company culture and values as demonstrating these behaviours is an integral part of working for REED. Clear policies on remuneration exist to ensure consistency across the Group.

The Company recognises the importance of paying the Living Wage and closing the Gender Pay Gap, which are supported by clear policies across the business.

Principal 6 - Stakeholder Relationships and Engagement

The Company believes in the importance of sustainable business and the role that private companies have in benefitting wider society. The Company is committed to creating a positive social, economic, and environmental impact, and has detailed environmental and charitable strategies to ensure a positive impact on its constituencies, on society, and on the environment.

A Balanced Scorecard was implemented early in the financial year which ensures a broader perspective when analysing company performance and taking key decisions. Throughout the reporting year, the Board receive the Balanced Scorecard, which focusses on both internal and external stakeholders including customers, employees, operations and finance, resulting in broader decision making. The Balanced Scorecard guides Directors to the impact the Company has on its customers through the service it provides, and this strong customer focus has been supported by the appointment of a Customer Experience Officer, recruited just prior to the financial year, reporting directly to the REED Chairman. The Board have also responded to this feedback during the year to create a periodic monetary prize to Co-Members who maximise the delivery of a great experience to customers.

The Company is committed to being a Carbon Neutral organisation and complies with ISO14001 which assesses environmental impact. The Company recognises the importance of effective dialogue with stakeholders. This includes Co-Members, customers, temporary workers, and Government representatives.

The Company understands the importance of communication across constituent groups. The Company has developed a Stakeholder Map to help identify, define, and engage with stakeholder groups. The Map outlines the interests, issues, and methods of communication with each group. For Co-Members, REED collects monthly survey results across all subsidiary companies, operates idea initiatives, as well as having whistleblowing processes in place as routes for anonymous feedback to be shared.

The Company ensures there is no conflict of interest between key professional advisors covering both audit and tax. Formal conflict of interest reviews are conducted between REED and both advisors. The Board's current advisors are PwC for audit, RSM for tax advice, and Barclays as bankers.

For all Principal Decisions, the Company carries out an assessment of stakeholders and seeks to obtain feedback from any affected stakeholder groups. REED also has extensive Evaluation of Service processes in place across customers and employees.

REPORT OF THE DIRECTORS (continued)

Corporate Governance Statement (continued)

Principal 6 - Stakeholder Relationships and Engagement (continued)

The Company is committed to being an employer of choice in its industry. REED is also committed to its purpose of improving lives through work which can be demonstrated by the active role the Company plays in government and wider society committees.

For further detail on how the Company fosters strong stakeholder relations, effective engagement and takes into account feedback from its workforce, please refer to the engagement statements within the Director's Report.

The Company's overall position and future prospects are assessed within the going concern basis of the Director's Report.

Wates Variations

REED has applied the Wates Corporate Governance Principles in compliance with The Companies (Miscellaneous Reporting) Regulations 2018, with two areas of deviation: Board evaluation and Board process assessment. These are under review for decision in the next financial year as, with relatively recent appointments and many new processes adopted during this period, insufficient time had elapsed for meaningful evaluation or assessment during the year ended 30th June 2020.

Disclosure of information to auditors

At the date of making this report each of the Company's Directors, as set out on page 2, confirm the following:

- so far as each Director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP were appointed as auditors for the year ending 30th June 2020 under an ordinary resolution.

REED SPECIALIST RECRUITMENT LIMITED

REPORT OF THE DIRECTORS (continued)

Approval

The report of the Directors was approved by the Board on 22 December 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'LR', written in a cursive style.

Lee Richards BSc, ACMA
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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 these 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REED SPECIALIST RECRUITMENT LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30th June 2020 and of its loss for the year 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, which comprise: the Balance Sheet as at 30th June 2020; the Income Statement, and the Statement of Changes in Equity for the year ended 30th June 2020; 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 Auditors' 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 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REED SPECIALIST RECRUITMENT LIMITED (CONTINUED)

Reporting on other information

The other information comprises all the information in the Annual Report other than the financial statements and our auditors' 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.

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 Report of the Directors, 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 Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30th June 2020 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 Report of the Directors.

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 in respect of the Financial Statements set out on page 20, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REED SPECIALIST RECRUITMENT LIMITED (CONTINUED)

Responsibilities of the directors for the financial statements (continued)

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

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.



Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date: 22/12/20

INCOME STATEMENT

For the year ended 30th June 2020

	Note	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Turnover	3	857,890	920,304
Cost of sales		<u>(746,292)</u>	<u>(787,934)</u>
Gross profit		111,598	132,370
Distribution costs		(1,689)	(2,295)
Sales and administrative expenses		(114,683)	(124,822)
Other operating income		<u>3,402</u>	<u>173</u>
Operating (loss)/profit	4	(1,372)	5,426
Income from shares in group undertakings		-	1,093
Interest receivable		-	3
Interest payable and similar expenses	5	<u>(407)</u>	<u>(88)</u>
(Loss)/profit before taxation		(1,779)	6,434
Tax credit/(charge) on (loss)/profit	7	<u>153</u>	<u>(1,479)</u>
(Loss)/profit for the financial year		<u><u>(1,626)</u></u>	<u><u>4,955</u></u>

There was no other comprehensive income except as reported above, therefore no Statement of Comprehensive Income has been presented.

All results are from continuing operations.

REED SPECIALIST RECRUITMENT LIMITED

BALANCE SHEET

As at 30th June 2020

	Note	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Fixed assets			
Goodwill	9	6,807	6,807
Tangible assets	10	4,908	2,215
Right of use assets	19	15,546	-
Investments	11	34	34
		<u>27,295</u>	<u>9,056</u>
Current assets			
Debtors	12	117,610	119,498
Cash at bank and in hand		7,281	27,022
		<u>124,891</u>	<u>146,520</u>
Creditors: Amounts falling due within one year	13	<u>(103,896)</u>	<u>(119,383)</u>
Net current assets		20,995	27,137
Total assets less current liabilities		48,290	36,193
Creditors: Amounts falling due after more than one year	14	(13,104)	-
Provisions for liabilities	15	<u>(2,126)</u>	<u>(1,507)</u>
Net assets		<u>33,060</u>	<u>34,686</u>
Capital and reserves			
Called up share capital	17	24,500	24,500
Retained earnings		8,560	10,186
Total shareholders' funds		<u>33,060</u>	<u>34,686</u>

The financial statements of Company number 06903140 on pages 24 to 45 were approved by the board on 22 December 2020 and signed on its behalf by:



Lee Richards BSc, ACMA
Director

REED SPECIALIST RECRUITMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2020

	Called up share capital £'000	Retained earnings £'000	Total share- holders' funds £'000
As at 1st July 2018	24,500	7,231	31,731
Profit for the financial year	-	4,955	4,955
Equity dividends paid (Note 16)	-	(2,000)	(2,000)
At 30th June 2019	<u>24,500</u>	<u>10,186</u>	<u>34,686</u>
At 1st July 2019	24,500	10,186	34,686
Loss for the financial year	-	(1,626)	(1,626)
At 30th June 2020	<u>24,500</u>	<u>8,560</u>	<u>33,060</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Reed Specialist Recruitment Limited (the "Company") for the year ended 30th June 2020 were authorised for issue by the board of Directors on 22nd December 2020 and the balance sheet was signed on the board's behalf by Lee Richards. Reed Specialist Recruitment Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101") and in accordance with applicable accounting standards. The financial statements of Reed Specialist Recruitment Limited, have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Reed Executive Limited. The results of Reed Global Limited, the ultimate controlling parent company, are included in the consolidated financial statements of Reed Global Limited which are available from Academy Court, 94 Chancery Lane, London, WC2A 1DT.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

2. ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30th June 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*
- b) the requirements of IFRS 7 *Financial Instruments: Disclosures*,
- c) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*,
- d) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
- e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- f) the requirements of IAS 7 *Statement of Cash Flows*;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

- g) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- h) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

Changes in accounting policy and disclosures

New and amended standards and interpretations adopted by the Company

In 2020, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1st July 2019. The adoption of these revisions to the requirements of IFRS's as adopted by the EU did not result in substantial changes to the Company's accounting policies.

New standards and interpretations

No new accounting standards, or amendments to accounting standards, of IFRIC interpretations that are effective for the year ended 30th June 2020, have had a material impact on the Company, with the exception of IFRS 16 which is described below.

The Company has applied the following standard and amendment for the first time for its annual reporting period commencing 1st July 2019:

IFRS 16 – Leases

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease. The new standard is effective 1st January 2019. The Company has adopted IFRS 16 for the financial year ending 30th June 2020 using the modified retrospective approach (simplified). The recognition exemption for short-term leases (those that have a term of 12 months or less and do not have a purchase option) and low-value leases (those where the underlying asset is less than £5,000) is applied by the Company. Short-term and low-value leases are recognised as an expense on a straight-line basis over the lease term.

The Company applied the practical expedient to leases where rent concessions were received as a consequence of not exercising a break point during Covid-19, by accounting for forgiveness of lease payments as a variable lease payment applying paragraph 38 of IFRS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

New standards and interpretations (continued)

IFRS 16 – Leases (continued)

16, and also, derecognising the part of the lease liability that has been forgiven. Where unconditional rent concessions were received, that is concessions unrelated to a lease break point, the benefit was recorded directly in the income statement.

The Company has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2 %.

Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New standards and interpretations not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not yet effective for financial periods ended 30th June 2020. These have not been early adopted by the Company. The Company's directors are of the opinion that there are no new requirements that will have a significant impact on the Company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for turnover and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

There are no material judgements or estimates that have had a significant effect on amounts recognised in the financial statements.

Significant accounting policies

a) Intangible assets - goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the Directors, its useful economic life. However, under IFRS 3: *Business Combinations* goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

b) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

c) Tangible fixed assets

Leasehold improvements, fixtures, fittings, motor vehicles and other equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

c) Tangible fixed assets (continued)

aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than land, on a straight line basis over its expected useful life as follows:

Leasehold premises	Length of lease
Computer equipment	Three to five years
Motor vehicles	Three years
Fixtures and fittings	Three to eight years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

d) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

e) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

f) Leases

Company as a lessee

(i) Year ended 30 June 2020

At inception of the contract, the Company assesses whether a contract is, or contains, a lease. It recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the lessee's weighted average incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability (inclusive of provision for dilapidations), plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs.

(ii) Year ended 30 June 2019

For the comparative period to 30 June 2019 leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

g) Trade and other debtors

Trade debtors, which generally have 14-60-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. This is based on prior experience and on an assessment of the expected credit loss (ECL) and specific circumstances impacting certain customers. Balances are written off when the probability of recovery is assessed as being remote. When Covid-19 first impacted, there were concerns that the Company would see an increase in non-collectable debt, however, this has not materialised. Therefore, the Company has not seen any negative impact on its ECL on the balances recognised as at year end.

h) Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

i) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

2. ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies (continued)

j) Turnover recognition

Turnover is accounted for under the provisions of IFRS 15 'Revenue from contracts with customers'. This standard establishes a 5-step model to account for the turnover arising from contracts with customers. Under IFRS 15, turnover is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for providing services to a customer.

Turnover is recognised to the extent that the prescribed recognition criteria has been met by the Company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover represents the provision of temporary and permanent workers to customers and clients. Turnover is recognised on the completion of approved timesheets for temporary workers and upon commencement of a placement for permanent workers. Turnover is stated as invoiced and is net of discounts and rebates and excluding VAT.

k) Dividends

Income is recognised when the Company's right to receive payment is established.

l) Dilapidations

A provision is made over the shorter of the life of every lease or the expected timeframe for utilising the leased property for the dilapidation cost obligation, which results from vacating the property.

m) Government grants

The Company received government support in the form of Retail, Hospitality & Leisure Grant, Business Rates Relief, the Coronavirus Job Retention Scheme and VAT/PAYE payment deferrals. The benefit of such schemes have been recognised as a credit in the Income Statement and disclosed under "Other Operating Income".

3. TURNOVER

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Depreciation of fixed assets		
- leasehold premises improvements	400	428
- other owned assets	1,197	1,378
- Right of use assets	3,334	-
Operating lease rentals		
- other	-	4,816
Auditors' remuneration		
- audit of the Company's financial statements	130	140
Government support relating to Covid-19	<u>(3,402)</u>	<u>-</u>

£nil fees (2019: £nil) were received by the auditors in the current accounting year in relation to the provision of tax advisory services.

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Lease interest	319	-
Interest paid to group undertakings	<u>88</u>	<u>88</u>
	<u>407</u>	<u>88</u>

The Company adopted IFRS 16 for the financial year ending 30th June 2020 using the modified retrospective approach (simplified). The Company has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

6. DIRECTORS & EMPLOYEES

(a) Directors' remuneration

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Total Directors' emoluments	<u>706</u>	<u>353</u>
Highest paid Director – emoluments	313	266
Highest paid Director – pension contributions	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

6. DIRECTORS & EMPLOYEES

(a) Directors' remuneration (continued)

	No.	No.
The following number of Directors are accruing retirement benefit under:		
Defined benefit scheme	-	-
Group personal pension scheme	<u>5</u>	<u>3</u>

There were 6 Directors serving in the current year (2019: 6).

(b) Staff costs

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Wages and salaries	77,010	84,612
Social security costs	7,371	8,410
Other pension costs (note 18)	<u>1,447</u>	<u>1,101</u>
	<u>85,828</u>	<u>94,123</u>

The monthly average number of permanent staff, including Directors and contractors, employed by the Company was:

(c) Staff numbers

	Year ended 30th June 2020 Number	Year ended 30th June 2019 Number
Direct staff	1,686	2,002
Administrative staff	<u>387</u>	<u>244</u>
	<u>2,073</u>	<u>2,246</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

7. TAX ON (LOSS)/PROFIT

(a) Analysis of tax for the year

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Current tax:		
UK corporation tax on (loss)/profit for the year	-	1,491
Adjustments in respect of previous years	<u>(66)</u>	<u>(91)</u>
	(66)	1,400
Deferred tax:		
Origination and reversal of timing differences	24	(37)
Adjustments in respect of previous years	4	116
Effect of tax rate change on opening balance	<u>(115)</u>	<u>-</u>
	(87)	79
Total tax (credit)/charge on (loss)/profit for the year	<u>(153)</u>	<u>1,479</u>

(b) Factors affecting the tax for the year

The tax assessed for the year differs to the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
(Loss)/profit before taxation	<u>(1,779)</u>	<u>6,434</u>
Theoretical tax at UK corporation tax rate of 19.00% (2019: 19.00%)	(338)	1,223
Effects of:		
Expenses not deductible for tax purposes	272	307
Income not taxable for tax purposes	-	(132)
Remeasurement of deferred tax for changes in tax rates	(115)	-
R&D expenditure credits	-	(37)
Fixed asset differences	60	89
Adjustments in respect of previous years	(66)	25
Other permanent differences	4	4
Other differences	<u>30</u>	<u>-</u>
Total tax (credit)/charge on (loss)/profit for the year	<u>(153)</u>	<u>1,479</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

8. DEFERRED TAX

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Depreciation in excess of capital allowances	834	849
Other timing differences	153	131
Losses and other deductions	<u>80</u>	<u>-</u>
Deferred tax asset	<u>1,067</u>	<u>980</u>
Asset at beginning of year	980	1,059
Amount credited/(charged) to income statement	<u>87</u>	<u>(79)</u>
Asset at end of year (note 12)	<u>1,067</u>	<u>980</u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6th September 2016). These included reductions to the main rate, to reduce the rate to 17% from 1 April 2020. The deferred tax balance at 30 June 2019 was measured at a rate of 17%. At Budget 2020 (on 11th March 2020) the government announced that the Corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. During the year, the deferred tax balance has been restated to be measured at a rate of 19%.

9. GOODWILL

	Goodwill £'000
Cost	
As at 1st July 2019 and 30th June 2020	<u>10,212</u>
Accumulated amortisation	
As at 1st July 2019	(3,405)
Charge for the year	<u>-</u>
As at 30th June 2020	<u>(3,405)</u>
Net book value	
As at 30th June 2020	<u>6,807</u>
As at 30th June 2019	<u>6,807</u>

Goodwill was recognised as a result of the acquisition of the trade and assets of Reed Employment Ltd, Reed Personnel Services Ltd and Reed Managed Services Ltd. Goodwill has been tested for impairment by the measurement of future cash flows. Cash flows were discounted at a weighted pre-tax cost of capital of 5.5%.

These calculations use discounted cash flow projections together with management projections for five years. These cash flows are based on extrapolations from earlier budgets and forecasts. The key assumptions used in the cash flows are the sales growth (5% increase

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

9. GOODWILL (continued)

annually for 3 years) and pre-tax discount rate (5.5%). These are based on market expectations and information available from companies in a similar industry. The Directors believe that currently all 'reasonably likely' changes in the key assumptions referred to above would not give rise to an impairment charge.

10. TANGIBLE FIXED ASSETS

	Leasehold premises £'000	Fixtures, fittings, computer equipment & motor vehicles £'000	Total £'000
Cost			
As at 1st July 2019	4,769	12,065	16,834
Additions	1,580	2,710	4,290
As at 30th June 2020	<u>6,349</u>	<u>14,775</u>	<u>21,124</u>
Accumulated depreciation			
As at 1st July 2019	3,837	10,782	14,619
Charge for the year	400	1,197	1,597
As at 30th June 2020	<u>4,237</u>	<u>11,979</u>	<u>16,216</u>
Net book value			
As at 30th June 2020	<u>2,112</u>	<u>2,796</u>	<u>4,908</u>
As at 30th June 2019	<u>932</u>	<u>1,283</u>	<u>2,215</u>

11. INVESTMENTS

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Cost and net book value	<u>34</u>	<u>34</u>

The following are investments of Reed Specialist Recruitment Limited. Reed Specialist Recruitment Limited controls each company directly, owning the ordinary share capital of each company as outlined in the table below. They all operate principally in England, and are registered at Academy Court, 94 Chancery Lane, London, WC2A 1DT:

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

11. INVESTMENTS (continued)

Name	Company Number	Principal Activity	Ownership
Reed Staffing Services Limited	5247149	Recruitment specialists	100%
Reed Professional Services LLP	OC317172	Consulting business	99%
Reed Talent Solutions Limited	11875450	Consulting business	100%

12. DEBTORS

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Amounts falling due within one year		
Trade debtors	69,529	97,356
Amounts receivable from group undertakings	37,490	8,610
Corporation tax	1,630	1,887
Deferred tax (see note 8)	1,067	980
Other debtors	1,835	596
Prepayments and accrued income	6,059	10,069
	<u>117,610</u>	<u>119,498</u>

Interest is charged at a rate of 0.75% on amounts receivable from group undertakings repayable on demand. The percentage changed to 0% on 21st February 2020. The Bad debt provision included in Trade debtors figure is £655k (2019: £818k).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Trade creditors	29,634	56,514
Amounts owed to group undertakings	27,311	31,144
Lease liability	2,648	-
Social security costs and other taxes	33,266	18,384
Other creditors	6,951	8,112
Accruals and deferred income	4,086	5,229
	<u>103,896</u>	<u>119,383</u>

Amounts owed to group undertakings are repayable on demand at an annual interest rate of 0.75% payable on the outstanding balance. The percentage changed to 0% with effect from 21st February 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Lease liability	<u>13,104</u>	<u>-</u>
	<u>13,104</u>	<u>-</u>

The company initially applied IFRS 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year are based on IFRS 16.

15. PROVISIONS FOR LIABILITIES

	Dilapidations £'000	Total £'000
As at 1st July 2019	1,507	1,507
Additional provisions	776	776
Provision utilised	<u>(157)</u>	<u>(157)</u>
As at 30th June 2020	<u>2,126</u>	<u>2,126</u>

The dilapidations provision arises from the contractual obligation to restore leased premises to their original condition on termination of the lease. These, on average, have three years remaining.

The surplus property provision is determined on the basis of conditions existing at the balance sheet date in respect of rents receivable from sub-tenants and the remaining lease term for surplus properties and is therefore subject to uncertainty should these conditions change.

16. EQUITY DIVIDENDS PAID

No dividend was declared by the board in the year (2019: declared and paid, £2,000,000). The 2019 dividend was based on £0.0816 per share.

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

17. CALLED UP SHARE CAPITAL

	£
Authorised, called up, allotted and fully paid Ordinary shares of £1 each	
As at 1st July 2019	24,500,002
Shares issued at par	<u>-</u>
As at 30th June 2020	<u>24,500,002</u>

18. PENSION COSTS

Reed Executive Limited, the parent undertaking of the Company, operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately and are administered by external pension managers. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme relating to Co-Members of the Company are charged to the income statement in the period which they are payable as if the scheme was a defined contribution scheme. This scheme was closed to new members with effect from 4th April 1995 and closed to future accrual on and from 5th April 2012.

Pension arrangements were introduced on 1st April 2013 on a group personal pension plan basis. Contributions to the group personal pension plan, a defined contribution scheme, are administered by Scottish Widows plc and are charged to the income statement in the financial year in which they are payable.

Supplementary pension disclosures that are required under IAS 19 have been included in the financial statements of Reed Executive Limited.

19. LEASING COMMITMENTS

In the current year, the company has applied IFRS 16 which is effective for annual periods that begin on or after 1 January 2019 using the simplified modified approach. IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

Property, plant and equipment

Right-of-use assets consist of property leases which are carried under the cost model. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation starts at the IFRS 16 transition date of 1 July 2019.

Leases – company as lessee

At inception of the contract, the company assesses whether a contract is, or contains, a lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

19. LEASING COMMITMENTS (continued)

It recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs.

Operating lease commitments relate to commercial properties leased by the Company in the ordinary course of business. The Company incurred the following charges under operating lease rentals:

	Year ended 30th June 2020 £'000	Year ended 30th June 2019 £'000
Minimum lease payments under operating leases recognised as an expense in the year	-	4,816
	<u>-</u>	<u>4,816</u>

At the reporting date, the Company had contracted with tenants for the following minimum lease payments:

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Within one year	-	2,319
Two to five years	-	4,741
After five years	-	2,970
	<u>-</u>	<u>10,030</u>

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs.

REED SPECIALIST RECRUITMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

19. LEASING COMMITMENTS (continued)

(i) Amounts recognised in the balance sheet

<i>Right-of-use assets</i>		£'000
Cost at 1 July 2019		8,666
Additions		10,214
Depreciation		<u>(3,334)</u>
As at 30th June 2020		<u><u>15,546</u></u>
	As at 30th June 2020 £'000	As at 1st July 2019 £'000
<i>Lease liabilities</i>		
Current	2,648	2,830
Non-current	13,104	5,229
	<u><u>15,752</u></u>	<u><u>8,059</u></u>

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 30th June 2020 £'000
<i>Depreciation charge on right-of-use assets</i>	
Buildings	3,334
	<u><u>3,334</u></u>
Interest expense	319
Expenses relating to short-term leases	-
	<u><u>319</u></u>
<i>Movement of lease liabilities</i>	
	£'000
Operating lease commitments disclosed as at 30 June 2019	10,030
Effect of discounting	(1,009)
Leases exited ahead of term	(632)
Short-term leases	(330)
Balance as at 1 July 2019	<u><u>8,059</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2020

19. LEASING COMMITMENTS (continued)

Future minimum lease payments as at 30th June 2020 are as follows:

	As at 30th June 2020 £'000	As at 30th June 2019 £'000
Within one year	2,942	-
Two to five years	9,038	-
After five years	4,980	-
	<u>16,960</u>	<u>-</u>
Impact of finance expenses	<u>(1,208)</u>	<u>-</u>
Carrying amount of liability	<u>15,752</u>	<u>-</u>

20. CONTROLLING PARTY

The Company's immediate holding company is Reed Executive Limited and its ultimate parent company is Reed Global Limited, both companies are incorporated in the United Kingdom and registered in England and Wales.

The largest group of which the Company is a member for which group statements are drawn up is that of Reed Global Limited. Copies can be obtained from the Finance Department, Reed Global Limited, Academy Court, 94 Chancery Lane, London, WC2A 1DT.